

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT
December 31, 2021 and 2020



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, 2021 and 2020, 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, 2021.

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.

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, 2021 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 \$1,576,562,679 and \$1,478,508,603 as of December 31, 2021 and 2020, 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, 2021 and 2020, 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 22, 2022

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

STATEMENTS OF FINANCIAL CONDITION
December 31

ASSETS	2021	2020
Cash	\$ 17,953,561	\$ 22,106,691
Cash-interest bearing	898,248,748	883,006,642
Securities available-for-sale (Note 2)	680,496,815	574,169,843
Securities purchased under agreements to resell (Note 3)	50,000,000	50,000,000
Central Liquidity Facility Stock (Note 4)	20,374,689	21,388,385
Other investments	1,117,700	1,261,900
Loans to members (Note 5)	672,120	573,486
Accrued interest receivable	250,286	190,350
Property and equipment (Note 6)	1,583,980	795,244
Investments in credit union service organizations (Note 7)	2,965,011	3,288,093
Other assets	3,052,942	1,725,899
Total Assets	\$ 1,676,715,852	\$ 1,558,506,533
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Accrued interest payable	\$ 200,163	\$ 262,615
Accrued expenses and other liabilities	887,645	462,569
Total Liabilities	\$ 1,087,808	\$ 725,184
Commitments and Contingent Liabilities (Note 14)		
Members' Equity		
Members' accounts (Note 8)	\$ 1,576,562,679	\$ 1,478,508,603
Perpetual contributed capital	54,208,507	54,208,507
Equity acquired in merger	1,679,681	1,679,681
Retained earnings	42,386,806	21,321,447
Accumulated other comprehensive income	790,371	2,063,111
Total Members' Equity	\$ 1,675,628,044	\$ 1,557,781,349
Total Liabilities and Members' Equity	\$ 1,676,715,852	\$ 1,558,506,533

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

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

STATEMENTS OF INCOME
Years ended December 31

	2021	2020
Interest income		
Interest on investments	\$ 5,014,173	\$ 7,303,670
Interest on loans	33,108	166,144
	<u>\$ 5,047,281</u>	<u>\$ 7,469,814</u>
Interest expense		
Interest and dividends on members' accounts	\$ 1,567,296	\$ 3,298,861
	<u>\$ 1,567,296</u>	<u>\$ 3,298,861</u>
Net Interest Income	<u>\$ 3,479,985</u>	<u>\$ 4,170,953</u>
Non-interest income		
Financial services fees, net	\$ 1,358,931	\$ 1,301,702
Asset-liability management fees	345,300	332,216
Credit union service organizations	306,418	364,037
U.S. Central Estate Asset Management Repayments	33,358,437	-
Other, net	920,848	881,611
Total non-interest income	<u>\$ 36,289,934</u>	<u>\$ 2,879,566</u>
Non-interest expenses		
Payroll and benefits	\$ 2,637,211	\$ 2,494,829
Office operations	979,084	875,879
Professional and outside services	289,637	327,893
Special distribution to member credit unions	14,274,119	-
Other	246,548	206,753
Total non-interest expenses	<u>\$ 18,426,599</u>	<u>\$ 3,905,354</u>
NET INCOME	<u><u>\$ 21,343,320</u></u>	<u><u>\$ 3,145,165</u></u>

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

	2021	2020
Net Income	\$ 21,343,320	\$ 3,145,165
Other comprehensive income:		
Unrealized holding (losses) gains on securities available-for-sale	<u>(1,272,740)</u>	<u>2,033,515</u>
	<u>\$ (1,272,740)</u>	<u>\$ 2,033,515</u>
Total Comprehensive Income	<u><u>\$ 20,070,580</u></u>	<u><u>\$ 5,178,680</u></u>

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, 2019	\$ 54,208,507	\$ 1,679,681	\$ 18,585,979	\$ 29,596
Net Income	-	-	3,145,165	-
Additional capital raised	-	-	-	-
Return of capital	-	-	-	-
Dividends paid on perpetual contributed capital	-	-	(409,697)	-
Change in valuation of securities available-for-sale	-	-	-	2,033,515
Balance, December 31, 2020	<u>\$ 54,208,507</u>	<u>\$ 1,679,681</u>	<u>\$ 21,321,447</u>	<u>\$ 2,063,111</u>
Net Income	-	-	21,343,320	-
Additional capital raised	-	-	-	-
Dividends paid on perpetual contributed capital	-	-	(277,961)	-
Change in valuation of securities available-for-sale	-	-	-	(1,272,740)
Balance, December 31, 2021	<u><u>\$ 54,208,507</u></u>	<u><u>\$ 1,679,681</u></u>	<u><u>\$ 42,386,806</u></u>	<u><u>\$ 790,371</u></u>

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 21,343,320	\$ 3,145,165
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	108,191	86,216
Premium amortization, net	196,939	159,476
Amortization of operating right-of-use asset	51,184	-
Undistributed income of credit union service organizations	(306,918)	(364,037)
Net change in accrued interest receivable	(59,936)	477,813
Net change in other assets	(1,327,043)	475,419
Net change in accrued interest payable	(62,452)	(883,744)
Net change in accrued expenses and other liabilities	160,238	28,959
Net cash provided by operating activities	<u>\$ 20,103,523</u>	<u>\$ 3,125,267</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available-for-sale	\$ (223,217,565)	\$ (248,719,337)
Maturities and paydowns on securities available-for-sale	115,420,914	104,486,732
Refund (Purchase) of Central Liquidity Facility Stock	1,013,696	(21,388,385)
Distribution from investment in CUSO	630,000	-
Net change in other investments	144,200	41,300
Net change in loans to members	(98,634)	19,198,283
Expenditures for property and equipment	(683,273)	(328,853)
Net cash used in investing activities	<u>\$ (106,790,662)</u>	<u>\$ (146,710,260)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in members' accounts	\$ 98,054,076	\$ 737,365,792
Dividends paid on perpetual contributed capital	(277,961)	(409,697)
Net cash provided by financing activities	<u>\$ 97,776,115</u>	<u>\$ 736,956,095</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 11,088,976	\$ 593,371,102
Cash and cash equivalents at beginning of year	905,113,333	311,742,231
Cash and cash equivalents at end of year	<u>\$ 916,202,309</u>	<u>\$ 905,113,333</u>
Cash paid during the year for interest	<u>\$ 1,629,748</u>	<u>\$ 4,182,605</u>
Other comprehensive income	<u>\$ (1,272,740)</u>	<u>\$ 2,033,515</u>

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

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through February 22, 2022 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, most of the members are 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 \$890,656,087 on December 31, 2021. Of the aggregate uninsured portion of cash and cash equivalents at December 31, 2021, \$873,379,295 was with the Federal Reserve Bank of Kansas City and \$17,276,792 was with the Federal Home Loan Bank of Topeka.

MILLENNIUM CORPORATE CREDIT UNION

Wichita, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 Millennium Corporate 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 were 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.

National Credit Union Administration Central Liquidity Facility (CLF) Stock

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) signed into law on March 27, 2021, made several temporary changes to Title III of the Federal Credit Union Act, and with other regulatory amendments passed by the National Credit Union Administration (NCUA) (whose board manages the CLF), provided temporary authority for a corporate credit union to become an agent member of the CLF for a subset of its member credit unions.

As such, Millennium Corporate purchased the required amount of CLF Stock in May 2020 for its member credit unions with assets less than \$250 million (covered credit union). As an agent member of the CLF, Millennium Corporate serves as the liaison between its covered credit union members and the CLF for any loan requests. To date, no such loan requests have been received by Millennium Corporate.

MILLENNIUM CORPORATE CREDIT UNION

Wichita, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021 and 2020

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

National Credit Union Administration Central Liquidity Facility (CLF) Stock (Cont'd)

The original effective sunset date for the CLF's temporary provisions of December 31, 2020, was extended to December 31, 2021 with the passage of the Consolidated Appropriations Act 2021 on December 27, 2020. As of January 1, 2022, the CLF can no longer advance funds to corporate credit unions for its own liquidity needs. As an agent of the CLF, Millennium Corporate has until January 1, 2023, to amend its agent group and purchase subscribed capital stock for all its member credit unions. Millennium Corporate may also terminate its membership in the CLF without being subject to the statutory notice period if such termination occurs by December 31, 2022.

Millennium Corporate is required to maintain an investment in capital stock of the CLF in an amount equal to one half of one percent of the covered credit unions' paid-in and unimpaired capital and surplus.

No ready market exists for the CLF stock, and it has no quoted market value.

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 Company, 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).

The investments in Primary Financial Company, 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 Millennium Corporate's loan portfolio, and may require Millennium Corporate to provide an allowance based on their judgment about information available to them at the time of their examinations.

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

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

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.

Operating Lease Arrangement

As of January 1, 2021, Millennium Corporate adopted FASB Accounting Standard Codification (ASC) 842 for its operating lease of the St. Louis office space. The Right-of-Use Asset and corresponding Right-of-Use Liability were calculated based on the present value of the monthly lease payments over the 103-month initial lease term. The lease payments were discounted using a rate determined when the lease was recognized. Since the discount rate implicit in the lease was not known, we utilized a commensurate borrowing rate from the FHLB Topeka to estimate the discount rate that we believed approximates a collateralized borrowing rate for the estimated duration of the lease. We present the Operating Right-of-Use Liability in accrued expenses and other liabilities and the related Operating Right-of-Use Asset in property and equipment. The amortization of the operating Right-of-Use Asset and the accretion of the Operating Right-of-Use Liability are reported together as fixed lease expense and are included in office operations within noninterest expense

The office lease contains a one, five year renewal option that runs concurrent with the initial term, at the then current comparable market rates as reasonably agreed by the lessor and lessee, exercisable with the required notification. The operating lease currently has a remaining lease term of 7 years and a 1.410% discount rate.

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 2021 and 2020.

Members' Accounts

Members' accounts are classified as equity to denote the ownership interest of its members. This classification conforms to the 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.

MILLENNIUM CORPORATE CREDIT UNION

Wichita, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021 and 2020

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

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.

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 2017.

MILLENNIUM CORPORATE CREDIT UNION

Wichita, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021 and 2020

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

U.S. Central Asset Management Estate

As a result of the financial crisis of 2008 – 2009, U.S. Central Corporate Federal Credit Union (U.S. Central), along with four other corporate credit unions, were placed in federal conservatorship. The NCUA issued Millennium Corporate claim certificates for its Membership Capital Shares and Paid-in Capital holdings in U.S. Central of \$60,762,180 and \$16,927,000, respectively.

In April 2021, the NCUA, as liquidating agent for the U.S. Central Asset Management Estate (U.S. Central AME), determined that sufficient funds were available to make interim distributions to the former holders of Membership Capital Shares in U.S. Central. Two such distributions were made by the NCUA during 2021; one in April and the other in August. Millennium Corporate's pro-rata share of these distributions totaled \$33,358,437.

It is the desire and the planned intent of Millennium Corporate's Board of Directors to repay all previously depleted Membership Shares and Paid-in Capital member credit unions' held in Kansas Corporate, Missouri Corporate and Treasure State (collectively, now known as Millennium Corporate), of \$10,325,924 and \$15,674,700, respectively. As of December 31, 2021, Millennium Corporate paid and/or accrued \$14,274,119 to member credit unions, representing 100% of depleted Membership Shares and approximately 25% of depleted Paid-in Capital.

NOTE 2 SECURITIES AVAILABLE-FOR-SALE

Securities available-for-sale consists of the following as of December 31, 2021:

December 31, 2021 Securities Available-for-Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies:				
Mortgage backed pass-throughs	\$ 330,302,004	\$ 1,429,340	\$ (1,257,933)	\$ 330,473,411
Agency notes	150,489,617	191,323	(289,642)	150,391,298
SBA debentures	53,960,112	426,594	(57,564)	54,329,142
Asset backed pass-throughs	144,914,381	387,001	(35,343)	145,266,039
Private-issue security	40,330	-	(3,405)	36,925
Total Investments	<u>\$ 679,706,444</u>	<u>\$ 2,434,258</u>	<u>\$ (1,643,887)</u>	<u>\$ 680,496,815</u>

MILLENNIUM CORPORATE CREDIT UNION

Wichita, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 2 SECURITIES AVAILABLE-FOR-SALE

Securities available-for-sale consists of the following as of December 31, 2020:

December 31, 2020 Securities Available-for-Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies:				
Mortgage backed pass-throughs	\$ 281,399,360	\$ 722,140	\$ (89,720)	\$ 282,031,780
Agency notes	105,472,211	899,103	-	106,371,314
SBA debentures	10,730,869	-	(48,509)	10,682,360
Asset backed pass-throughs	174,456,054	656,247	(74,149)	175,038,152
Private-issue security	48,238	-	(2,001)	46,237
Total Investments	<u>\$ 572,106,732</u>	<u>\$ 2,277,490</u>	<u>\$ (214,379)</u>	<u>\$ 574,169,843</u>

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.

Maturity	Contractual Maturity		Expected Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 24,519,180	\$ 24,542,456	\$ 81,519,224	\$ 81,388,067
Due in one to three years	41,169,738	41,197,262	188,686,692	188,720,563
Due in three to ten years	430,012,948	431,493,533	401,500,528	402,389,729
After 10 years	184,004,578	183,263,564	8,000,000	7,998,456
	<u>\$ 679,706,444</u>	<u>\$ 680,496,815</u>	<u>\$ 679,706,444</u>	<u>\$ 680,496,815</u>

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

Below is information as of December 31, 2021 and 2020, 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:

December 31, 2021 Securities Available-for-Sale	Less Than Twelve Months		Greater Than Twelve Months	
	Market Value	Gross Unrealized Losses	Market Value	Gross Unrealized Losses
U.S. government and agencies:				
Mortgage backed pass-throughs	\$ 116,580,434	\$ (863,792)	\$ 18,604,078	\$ (394,141)
Agency notes	47,710,358	(289,642)	-	-
SBA debentures	29,321,672	(57,343)	66,004	(221)
Asset backed pass-throughs	10,001,100	(292)	1,852,671	(35,051)
Private-issue security	-	-	36,925	(3,405)
Totals	<u>\$ 203,613,564</u>	<u>\$ (1,211,069)</u>	<u>\$ 20,559,678</u>	<u>\$ (432,818)</u>

December 31, 2020 Securities Available-for-Sale	Less Than Twelve Months		Greater Than Twelve Months	
	Market Value	Gross Unrealized Losses	Market Value	Gross Unrealized Losses
U.S. government and agencies:				
Mortgage backed pass-throughs	\$ 21,835,158	\$ (67,059)	\$ 11,322,888	\$ (22,661)
Agency notes	-	-	-	-
SBA debentures	10,437,929	(46,972)	244,431	(1,537)
Asset backed pass-throughs	15,037,200	(1,182)	1,979,248	(72,967)
Private-issue security	-	-	46,237	(2,001)
Totals	<u>\$ 47,310,287</u>	<u>\$ (115,213)</u>	<u>\$ 13,592,804</u>	<u>\$ (99,166)</u>

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 56 investment securities with unrealized losses, with 14 of the investment securities experiencing unrealized losses for greater than 12 months. On December 31, 2020, Millennium Corporate had 34 investment securities with unrealized losses, with 16 of the investment securities experiencing unrealized losses for greater than 12 months.

Management believes all the above unrealized losses to be temporary, as all 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, 2021 and 2020, Millennium Corporate has received collateral under resale agreements that it is permitted by contract or custom to sell or repledge totaling \$50,976,818 and \$51,747,605, respectively. Of these amounts, none were repledged.

Millennium Corporate's securities purchased under agreements to resell in gross and net amounts at December 31, 2021 and 2020 are as follows:

	<u>12/31/21</u>	<u>12/31/20</u>
Gross amount of recognized assets	\$ 50,000,000	\$ 50,000,000
Amount offset in statement of financial condition	<u>-</u>	<u>-</u>
Net presented in statement of financial condition	<u>\$ 50,000,000</u>	<u>\$ 50,000,000</u>

NOTE 4 CENTRAL LIQUIDITY FACILITY STOCK (CLF)

Millennium Corporate became an agent member of the CLF in May 2020 on behalf of its member credit unions with assets less than \$250 million. This temporary arrangement to provide access to liquidity for those covered credit unions, has been extended to December 31, 2022. NCUA can declare quarterly dividends on the CLF Stock, but it is not guaranteed.

In addition to the recorded investment in CLF Stock, Millennium Corporate also has \$20,374,689 unpaid portion of the CLF Stock subscription that is invested in liquid assets that is available to the CLF upon call.

CLF Stock totaled \$20,374,689 and \$21,388,385 as of December 31, 2021 and 2020, respectively, with dividends recognized in 2021 of \$31,006 and in 2020 of \$38,560.

NOTE 5 LOANS TO MEMBERS

The composition of loans to members consists of the following:

	<u>12/31/21</u>	<u>12/31/20</u>
Term loans	\$ 230,128	\$ 532,985
Demand loans	<u>441,992</u>	<u>40,501</u>
Total Loans to Members	<u>\$ 672,120</u>	<u>\$ 573,486</u>

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NOTE 6 PROPERTY AND EQUIPMENT

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

	<u>12/31/21</u>	<u>12/31/20</u>
Land	\$ 92,432	\$ 92,432
Building	1,435,610	944,233
Furniture and equipment	1,272,483	1,080,587
Leasehold improvements	53,148	53,148
Operating Right-of-use asset	264,838	-
	<u>3,118,511</u>	<u>2,170,400</u>
Total Property and Equipment	\$ 3,118,511	\$ 2,170,400
Less: Accumulated depreciation and amortization	<u>(1,534,531)</u>	<u>(1,375,156)</u>
Net Property and Equipment	<u>\$ 1,583,980</u>	<u>\$ 795,244</u>

Depreciation expense charged to operations totaled \$108,191 and \$86,216, as of December 31, 2021 and 2020, respectively. Cash lease payments made under the operating lease of the St. Louis office space totaled \$32,230 in 2021.

NOTE 7 INVESTMENT IN CREDIT UNION SERVICE ORGANIZATIONS

Investments in credit union service organizations as of December 31, 2021 were as follows:

- **Primary Financial Company, 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, 2021, 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 \$1,972,196 and \$2,564,955 as of December 31, 2021 and 2020, respectively.
- **CU Investment Solutions, LLC** – Millennium Corporate invested \$100,000 for ten shares in 2011. With the Missouri Corporate merger, another ten shares were acquired for a total of twenty shares. The investment as of December 31, 2021, represents 22.22% 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 \$872,814 and \$593,407 as of December 31, 2021 and 2020, respectively.
- **Credit Union Business Group (CUBG), LLC** – Millennium Corporate invested \$120,000 for 30 shares in 2007. The investment as of December 31, 2021 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, 2021 and 2020.

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NOTE 7 INVESTMENT IN CREDIT UNION SERVICE ORGANIZATIONS (CONT'D)

- **Credit Union Business Group (CUBG), LLC (Cont'd)** – Millennium Corporate received no marketing dividends in 2021 and 2020.
- **CULedger Heartland, LLC** – Millennium Corporate invested \$19,731 for one-thirteenth share in 2018. The investment as of December 31, 2021 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. In 2021, an additional \$500 in capital was contributed to cover certain operating expenses. Also in 2021, this investment was written down by \$10,230. This investment is accounted for under the cost method and totaled \$1 and \$9,731 as of December 31, 2021 and 2020, respectively.

NOTE 8 MEMBERS' ACCOUNTS

The composition of members' accounts consists of the following:

	<u>12/31/21</u>	<u>12/31/20</u>
Managed liquidity	\$ 1,040,493,740	\$ 959,817,033
Daily shares	398,185,418	404,778,104
Certificates of deposits	134,037,781	112,994,781
Membership shares	<u>3,845,740</u>	<u>918,685</u>
Total Members' Accounts	<u>\$ 1,576,562,679</u>	<u>\$ 1,478,508,603</u>

The aggregate amount of members' time deposit accounts in denominations greater than \$250,000 was \$85,503,718 and \$92,051,718 as of December 31, 2021 and 2020, respectively.

The aggregate amount of members' insured accounts were \$60,788,670 and \$59,129,797 as of December 31, 2021 and 2020, respectively.

The breakdown of members' accounts between interest bearing and non-interest-bearing deposits as of December 31, 2021 are as follows:

	<u>Interest Bearing</u>	<u>Non-Interest Bearing</u>
Managed liquidity	\$ 1,040,493,740	\$ -
Daily shares	398,172,709	12,709
Certificates of deposits	134,037,781	-
Membership shares	<u>3,845,740</u>	<u>-</u>
Total Members' Accounts	<u>\$ 1,576,549,970</u>	<u>\$ 12,709</u>

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NOTE 8 MEMBERS' ACCOUNTS (CONT'D)

The breakdown of members' accounts between interest bearing and non- interest-bearing deposits as of December 31, 2020 are as follows:

	<u>Interest Bearing</u>	<u>Non-Interest Bearing</u>
Managed liquidity	\$ 959,817,033	\$ -
Daily shares	404,760,967	17,137
Certificates of deposits	112,994,781	-
Membership shares	918,685	-
Total Members' Accounts	<u>\$ 1,478,491,466</u>	<u>\$ 17,137</u>

Certificates of deposits by maturity are as follows:

	<u>Amount</u>
Certificates maturing within one year	\$ 29,652,781
Certificates maturing within one year to two years	41,462,000
Certificates maturing within two years to three years	28,706,000
Certificates maturing within three years to four years	16,029,000
Certificates maturing within four years to five years	18,188,000
Total Certificates of Deposits	<u>\$ 134,037,781</u>

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.

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NOTE 9 BORROWINGS

Millennium Corporate has a secured line of credit available with Federal Home Loan Bank of Topeka totaling \$475,547,384. The line of credit is secured by eligible investment securities of Millennium Corporate under a blanket pledge agreement. At December 31, 2021, \$510,818,720 of Millennium Corporate's available-for-sale securities was pledged to the FHLB as collateral for the line of credit. At December 31, 2021, there were no outstanding borrowings.

NOTE 10 401(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 three months 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. Beginning in 2020, participants are also 100% vested in employer safe harbor contributions.

The 401(k) expense for this Plan totaled \$105,917 and \$99,958 for the years ended December 31, 2021 and 2020, respectively.

NOTE 11 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.

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NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

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, 2021 and December 31, 2020 are as follows:

December 31, 2021	Total	Level	Level	Level
Securities Available-for-Sale	Fair Value	1	2	3
U.S. government and agencies:				
Mortgage backed pass-throughs	\$ 330,473,411	\$ -	\$ 330,473,411	\$ -
Agency notes	150,391,298	-	150,391,298	-
SBA debentures	54,329,142	-	54,329,142	-
Asset backed pass-throughs	145,266,039	-	145,266,039	-
Private-issue security	36,925	-	36,925	-
	<u>\$ 680,496,815</u>	<u>\$ -</u>	<u>\$ 680,496,815</u>	<u>\$ -</u>

December 31, 2020	Total	Level	Level	Level
Securities Available-for-Sale	Fair Value	1	2	3
U.S. government and agencies:				
Mortgage backed pass-throughs	\$ 282,031,780	\$ -	\$ 282,031,780	\$ -
Agency notes	106,371,314	-	106,371,314	-
SBA debentures	10,682,360	-	10,682,360	-
Asset backed pass-throughs	175,038,152	-	175,038,152	-
Private-issue security	46,237	-	46,237	-
	<u>\$ 574,169,843</u>	<u>\$ -</u>	<u>\$ 574,169,843</u>	<u>\$ -</u>

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, 2021 and 2020.

NOTE 12 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.

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NOTE 12 REGULATORY REQUIREMENTS (CONT'D)

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.

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

- Beginning on October 20, 2011, corporate credit unions must 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).
- Currently, as further amended by the NCUA, Reg. 704.2, corporate credit unions must have retained earnings of at least 100 basis points (i.e., 1.0%) of MDANA as part of the adequately capitalized 4.0% Tier 1 capital ratio.

As of December 31, 2021, and 2020, respectively, Millennium Corporate is required by NCUA Regulation 704.3 to meet the following capital ratio requirements:

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

1. 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.

2. Tier 1 Capital Ratio

This ratio is 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.

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NOTE 12 REGULATORY REQUIREMENTS (CONT'D)

2. 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, 2017, the calculation was further modified to now include equity acquired in a merger as part of retained earnings. An additional change to NCUA Reg. 704.2, allows corporate credit unions to include all of PCC once the corporate credit union's retained earnings ratio equals or exceeds 2.50%.

The resulting Tier 1 capital and MDANA are now utilized as the numerator and denominator for calculating the Tier 1 capital ratio, as follows:

	<u>12/31/21</u>	<u>12/31/20</u>
Is the Retained Earnings Ratio above 2.50%?	Yes	No
MDANA	<u>\$ 1,687,444,980</u>	<u>\$ 1,270,276,626</u>
PCC	\$ 54,208,507	\$ 54,208,507
Retained earnings	<u>(44,066,487)</u>	<u>(23,001,128)</u>
PCC in excess of retained earnings	<u>\$ 10,142,020</u>	<u>\$ 31,207,379</u>
Allowed PCC (Limited to 2% of MDANA)	<u>33,748,900</u>	<u>25,405,533</u>
PCC excluded from regulatory capital	<u>\$ -</u>	<u>\$ 5,801,846</u>
MDANA	\$ 1,687,444,980	\$ 1,270,276,626
PCC excluded from regulatory capital	<u>-</u>	<u>(5,801,846)</u>
MDANA less PCC excluded from regulatory capital	<u>\$ 1,687,444,980</u>	<u>\$ 1,264,474,780</u>

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

3. 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.

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NOTE 12 REGULATORY REQUIREMENTS (CONT'D)**4. 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.

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

Millennium Corporate's calculated capital ratio requirements at December 31, 2021 and 2020, respectively, are as follows:

Corporate Credit Unions Capital Ratio Requirements	Calculated Ratios		Adequately Capitalized Minimum	Well Capitalized Minimum
	12/31/21	12/31/20		
Retained earnings ratio	2.61%	1.81%	1.00%	N/A
Tier 1 capital ratio	5.65%	5.39%	4.00%	5.00%
Tier 1 risk based capital ratio	65.69%	56.16%	4.00%	6.00%
Total risk based capital ratio	65.69%	60.95%	8.00%	10.00%

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, 2021 and 2020, respectively, are as follows:

	12/31/21	12/31/20
Net economic value ratio	5.978%	5.108%
Percentage change with 300 basis points down	0.000%	0.000%
Percentage change with 300 basis points up	-5.012%	-2.926%

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NOTE 13 REVENUE FROM CONTRACTS WITH MEMBERS

Millennium Corporate has portions of its revenue within non-interest income that falls within the scope of new revenue recognition guidelines. The following table presents Millennium Corporate's sources of non-interest income for the twelve months ended December 31, 2021 and December 31, 2020. Items outside of the scope of the new guidelines are noted as such.

	<u>12/31/21</u>	<u>12/31/20</u>
Financial services fees, net	\$ 1,358,931	\$ 1,301,702
Asset-liability management fees	345,300	332,216
Other, net	920,849	871,220
Non-interest income outside scope	<u>306,418</u>	<u>374,428</u>
Total Non-Interest Income	<u>\$ 2,931,498</u>	<u>\$ 2,879,566</u>

Financial Services Fees

Millennium Corporate earns fees from payment services from its members for transaction-based and account maintenance services provided to its members by third-party providers. Transaction-based fees, which include services such as ACH fees, share draft processing fees, vault cash ordering and delivery, securities safekeeping, and wire transfer fees, are recognized at the time the transaction is executed as that is the point in time that Millennium Corporate fulfills the member's request (via third party providers). Account maintenance fees, which relate primarily to monthly maintenance and access fees, are earned over the course of the month, representing the period over which Millennium Corporate (via third-party providers) satisfies the performance obligation. Because Millennium Corporate (1) acts as an agent in arranging the relationship between the member and the third-party providers and (2) does not control the services rendered to the members, financial services fees are shown net of related costs, including \$2,717,382 and \$2,527,638 in third-party costs to provide these services for the years ending December 31, 2021 and December 31, 2020, respectively.

Asset-Liability Management Fees

Millennium Corporate earns fees by providing asset-liability advisory services to its members. These fees are primarily earned upon the completion of consulting services over a period of time. The services performed over time are typically billed monthly and the income is recognized over the period of time the performance obligation is fulfilled.

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NOTE 13 REVENUE FROM CONTRACTS WITH MEMBERS (CONT'D)

Other

Millennium Corporate earns fees from third-parties by providing brokerage services. Millennium Corporate receives commissions from the third-party service providers on a monthly basis based upon member activity for the month. A portion of the commissions are recognized at the service date and a receivable is recorded until commissions are received typically the following month. The remaining portion of the commissions are recognized when the commissions are received. Because Millennium Corporate (1) acts as agent in arranging the relationship between the member and the third-party providers and (2) does not control the services rendered to the members, a portion of other income is shown net of related costs, including \$412,026 and \$284,360 in third-party costs to provide these services for the years ending December 31, 2021 and December 31, 2020, respectively.

Millennium Corporate also earns fees by providing annual line of credit reviews to its members. These fees are primarily earned upon the completion of credit evaluation services over a period of time. The services performed over time are typically once a year, and the income is recognized over the period of time the performance obligation is fulfilled.

NOTE 14 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.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 14 COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

Off-Balance Sheet Risk (Cont'd)

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

Millennium Corporate had the following financial instruments whose contract amounts represent credit risk as of December 31, 2021 and 2020, respectively:

	<u>12/31/21</u>	<u>12/31/20</u>
Unused advised lines of credit	<u>\$ 1,042,255,976</u>	<u>\$ 924,421,610</u>
	<u><u>\$ 1,042,255,976</u></u>	<u><u>\$ 924,421,610</u></u>

Commitments to extend credit are agreements to lend to a member if 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.