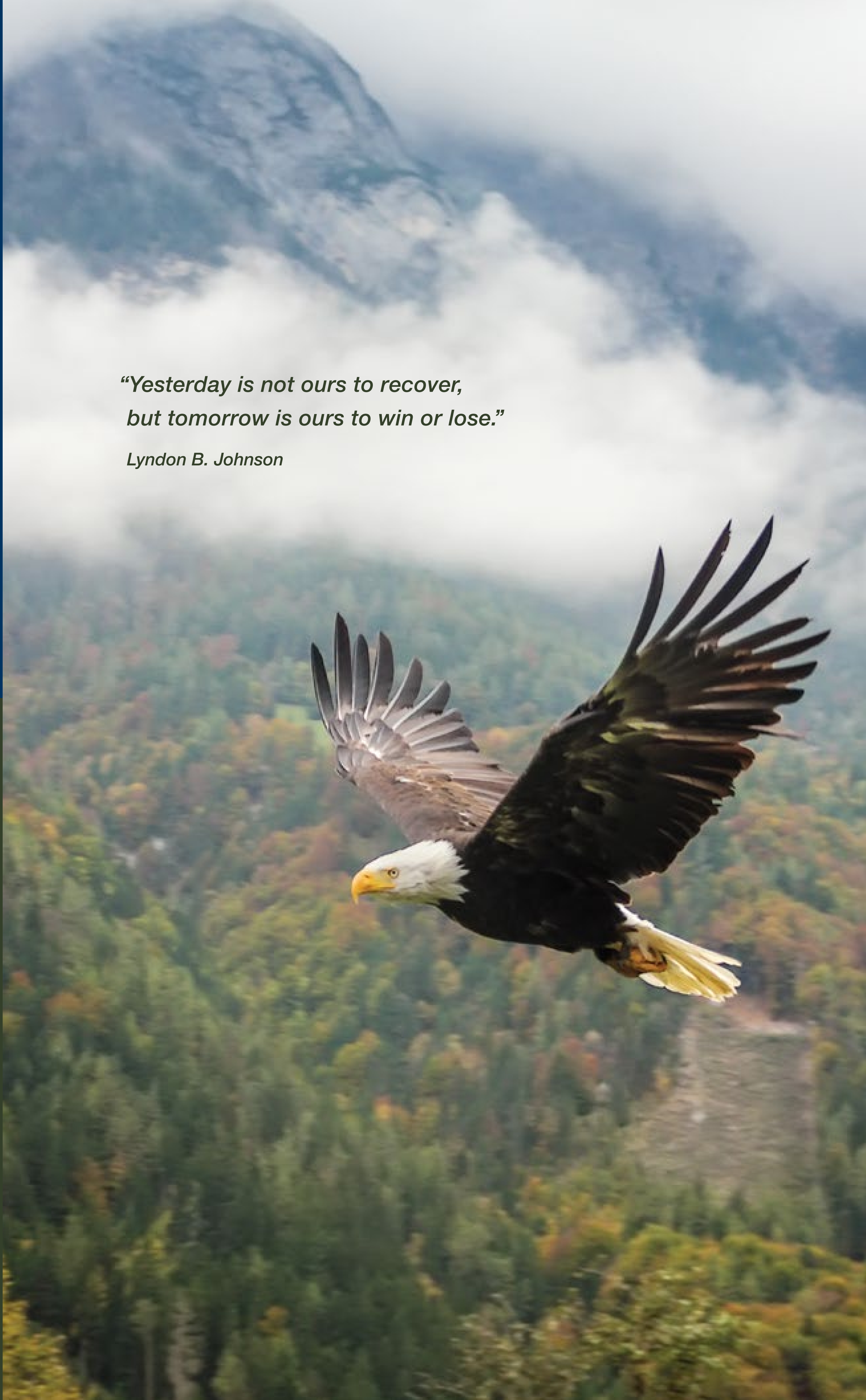
2020 Annual Report

Tricorp Federal Credit Union



“Yesterday is not ours to recover,
but tomorrow is ours to win or lose.”

Lyndon B. Johnson


Inside photos by Paul Cyr
https://paulcyr.zenfolio.com

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2020 was for all of us a year like we have not ever experienced before. The COVID-19 pandemic has been a human, health and economic crisis that has deeply affected the lives of many people, including our credit union community and our families and friends. As challenging as it has been, we are very pleased to report that 2020 was another year of strong financial success for your corporate credit union.

When the pandemic was declared in mid-March of 2020, we were very well prepared to switch to a full remote mode as we have been utilizing a hybrid model since the third quarter of 2008. Through the experience that we have acquired over those years we have been able to:

- Protect the safety and security of our team with no impact to any positions.
- Maintain full uninterrupted service.
- Experience no disruptions with any of our trusted business partners.
- Maintain our high level of service and support to our valued members.

As the global economy slowed due to the impact of the pandemic and in conjunction with a large amount of government stimulus, we all experienced an unprecedented increase in liquidity. This did put downward pressure on Tricorp's capital ratios that required us to take action. In collaboration with our members, we utilized our Excess Balance Account with the Federal Reserve Bank to appropriately manage the size of our balance sheet. As a result, we were able to maintain a leverage ratio that stayed comfortably above our regulatory requirement. We appreciate the cooperation of our members to accomplish this.

Looking ahead, Tricorp will be paying close attention to the development of the FedNow service. We are working with the Federal Reserve Bank to ensure that we are participating in any appropriate testing as it relates to the accounting and reporting for the settlement of the instant payment service as it is envisioned by the Federal Reserve. We will continue to evaluate our processes and procedures in order to be ready for the planned launch of FedNow in 2023. We will also be monitoring all aspects of faster payments so that we can be there to provide efficient and trustworthy settlement of your payments.

As always, we want to recognize and thank our very dedicated team of Board and Committee members along with our hard-working, dedicated team of employees. We want to say a special thank you to the Tricorp team for their steady and consistent performance throughout this period of the pandemic. Despite working from their homes and not being able to connect with their teammates, they have remained positive and upbeat in supporting our members. The entire team is dedicated to making sure that quality financial products and services along with strong member service is always the cornerstone of all that we do.

On behalf of all of us at Tricorp, we want to extend a special thank you to all of you for your membership and your business. We fully appreciate that we need to work hard to maintain your trust and to demonstrate that our approach to service and financial integrity are the best they can be.

We are very proud of what we have accomplished together and look forward to continuing to serve you in the years to come.

Ryan G. Poulin
Chairman, Board of Directors

Stephen A. Roy
President/CEO

Report of the Supervisory Committee

In accordance with NCUA regulations, the annual audit of Tricorp Federal Credit Union was conducted by a Certified Public Accounting firm. The CPA firm of Wipfli, LLP performed the audit under the direction and control of the Supervisory Committee. The audited financial statements are included in this annual report.

On the basis of Wipfli's audit, the National Credit Union Administration examination process, the internal auditor's findings, and the committee's own observations, we conclude that Tricorp Federal Credit Union is financially and operationally safe and sound.

The Committee would like to commend the Board of Directors, Management and Staff in their effort and level of commitment put forth in positioning Tricorp for the future, for success and for our members.

Respectfully submitted,

Brian Hughes, Chairman

Alaina Daisey
Jean Giard

In accordance with NCUA Regulation 704.19, it is a requirement to annually disclose in dollar terms the compensation for Tricorp's top three employees for 2020. Compensation is defined as all salaries, fees, wages, bonuses, severance payments, current year contributions to employee benefit plans (for example, medical, dental, life insurance, and disability), current year contributions to deferred compensation plans, and other allowances (for example the personal use of an automobile or other assets owned by Tricorp). The total 2020 compensation for the top three employees is as follows: President/CEO $313,529, the Chief Financial Officer $146,407 and the Director of Operations $145,919. Tricorp utilizes the Compease program from HRN Performance Solutions to determine its pay ranges and as the basis for periodic salary adjustments. Compease provides comparative information based on all corporate credit unions and the Northeast region.

Statement of Management's Responsibilities

The management of Tricorp Federal Credit Union (the "Credit Union") is responsible for preparing the Credit Union's annual financial statements in accordance with generally accepted accounting principles; for designing, implementing, and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2020.

Management's Assessment of Compliance with Designated Laws and Regulations

The management of the Credit Union has assessed the Credit Union's compliance with the Federal laws and regulations pertaining to NCUA Regulations during the year that ended on December 31, 2020. Based upon its assessment, management has concluded that the Credit Union complied with the NCUA Regulations during the year that ended on December 31, 2020.

Management's Assessment of Internal Control over Financial Reporting

The Credit Union's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2020.

The 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 financial statements for regulatory reporting purposes, and that receipts and expenditures of the Credit Union are being made only in accordance with authorizations of management and directors of the Credit Union; 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.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override.

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 changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the Credit Union's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2020, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework.

Based upon its assessment, management has concluded that, as of December 31, 2020, the Credit Union's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report is effective, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*.

The Credit Union's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2020, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. as of December 31, 2020, has been audited by Wipfli LLP, an independent public accounting firm, as stated in their report dated March 19, 2021.

Tricorp Federal Credit Union

Stephen A. Roy

Stephen A. Roy
CEO
March 15, 2021
Date

Michael E. McLoud

Michael E. McLoud
CFO
March 15, 2021
Date

To the Supervisory Committee and Board of Directors
Tricorp Federal Credit Union
Westbrook, Maine

We have audited Tricorp Federal Credit Union's (the "Credit Union"), internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the National Credit Union Association (NCUA) 5310 – Corporate Credit Union Call Report, as of December 31, 2020, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework in 2013.

Management's Responsibility for Internal Control over Financial Reporting
Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report.

Auditor's Responsibility
Our responsibility is to express an opinion on the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

Definition and Inherent Limitations of Internal Control over Financial Reporting
An institution's internal control over financial reporting is a process effected 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. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 704.15 of the NCUA regulations, our audit of the Credit Union's internal control over financial reporting included controls over

the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the NCUA 5310 – Corporate Credit Union Call Report instructions.

An institution'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 institution; (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 institution 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 institution'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 changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, Tricorp Federal Credit Union maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in the 2013 framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework.

Report on Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Tricorp Federal Credit Union, and our report dated March 19, 2021, expressed an unmodified opinion.

Other Matter

This report is intended solely for the information and use of the supervisory committee, board of directors and management of Tricorp Federal Credit Union and its regulators, and is not intended to be, and should not be, used by anyone other than these specified parties.

Wipfli LLP

Wipfli LLP
South Portland, Maine
March 19, 2021

Supervisory Committee and Board of Directors
Tricorp Federal Credit Union
Westbrook, Maine

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tricorp Federal Credit Union as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matter

We also have audited in accordance with auditing standards generally accepted in the United States, Tricorp Federal Credit Union's internal controls over financial reporting, including controls over the preparation of regulatory financial statements in accordance with National Credit Union Administration (NCUA) Rules and Regulations Part 704.15(a) as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report, dated March 19, 2021, expressed an unmodified opinion.

Wipfli LLP

Wipfli LLP
South Portland, Maine
March 19, 2021

Years Ended December 31,	**2020**	2019
ASSETS		
Assets		
Cash - Federal Reserve Bank	**$ 216,049,708**	$ 149,088,517
Cash - Money Market Accounts	**5,104,045**	6,302,008
Cash - Other Institutions	**1,168,013**	3,613,636
Certificates of Deposit	**248,000**	248,000
National Credit Union Share Insurance Fund Capitalization	**210,350**	218,162
Loans	**35,919**	1,642,691
Investments		
Debt securities available for sale	**272,558,661**	215,386,452
Other investments - Credit Union Service Organization	**2,046,945**	1,840,161
Accrued interest receivable	**183,052**	450,031
Deferred and prepaid expenses	**71,350**	38,071
Premises and equipment, net	**770,850**	881,820
Federal Home Loan Bank stock, at cost	**227,600**	227,600
Central Liquidity Facility stock, at cost	**10,909,696**	—
Other assets	**8,332,382**	5,624,006
Total Assets	**$ 517,916,571**	$ 385,561,155
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	**$ 3,189,361**	$ 1,345,310
Deposits	**485,372,800**	357,141,423
Total Liabilities	**488,562,161**	358,486,733
Members' Equity		
Perpetual contributed capital	**16,861,345**	16,861,345
Undivided earnings	**11,943,375**	10,601,115
Unrealized income (loss) on securities available for sale, net	**549,690**	(388,038)
Total Members' Equity	**29,354,410**	27,074,422
Total Liabilities and Members' Equity	**$ 517,916,571**	$ 385,561,155

See accompanying notes to financial statements.

For the years ended December 31,	2020	2019
Interest Income		
Investment income	**$ 3,612,148**	$ 7,804,558
Interest on loans	**3,163**	103,115
Total Interest Income	**3,615,311**	7,907,673
Cost of Funds		
Dividends on members' share accounts	**1,184,563**	4,769,213
Interest on borrowed funds	**–**	89,919
Total Cost of Funds	**1,184,563**	4,859,132
Net Interest Income	**2,430,748**	3,048,541
Noninterest Income		
Fee income	**916,363**	754,958
Other income	**134,589**	174,315
Net gain on investment in CUSO	**206,784**	101,315
Net gain on sale of investment securities available-for-sale	**–**	1,695
Total Noninterest Income	**1,257,736**	1,032,283
Operating Expenses		
Salaries and wages	**925,800**	887,458
Payroll taxes	**52,336**	69,959
Data processing and audit services	**309,591**	289,660
Employee benefits	**252,641**	279,262
Education and promotional	**53,017**	65,540
Travel and conference	**33,602**	73,430
Depreciation	**133,455**	109,886
Bank charges and fees	**73,191**	56,765
Communications	**22,205**	36,718
Office operations	**27,243**	31,990
Insurance	**62,489**	60,331
Professional and outside services	**273,209**	301,659
Information systems	**26,151**	12,751
Operating and examination fees	**24,493**	23,141
Building maintenance	**31,920**	34,600
Miscellaneous	**26,553**	27,534
Annual meeting	**6,072**	13,758
Property taxes	**12,256**	11,068
Total Noninterest Expense	**2,346,224**	2,385,510
Net Income	**$ 1,342,260**	$ 1,695,314

See accompanying notes to financial statements.

Statements of Comprehensive Income

For the years ended December 31,	**2020**	2019
Net Income	**$ 1,342,260**	$ 1,695,314
Other Comprehensive Income (Loss)		
Changes in unrealized losses on debt securities available for sale (AFS)	**937,728**	380,247
Reclassification adjustment for gains realized in net income	**–**	(1,695)
	937,728	378,552
Total Comprehensive Income	**$ 2,279,988**	$ 2,073,866

Statements of Changes in Members' Equity

Years Ended December 31, 2020 and 2019

	Perpetual Contributed Capital	**Undivided Earnings**	**Accumulated Other Comprehensive Income**	**Total**
Balances at January 1, 2019	$ 16,861,345	$ 8,905,801	$ (766,590)	$ 25,000,556
Comprehensive Income	–	1,695,314	378,552	2,073,866
Balances at December 31, 2019	16,861,345	10,601,115	(388,038)	27,074,422
Comprehensive Income	**–**	**1,342,260**	**937,728**	**2,279,988**
Balances at December 31, 2020	**$ 16,861,345**	**$ 11,943,375**	**$ 549,690**	**$ 29,354,410**

See accompanying notes to financial statements.

For the years ended December 31,	2020	2019
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Net income	$ **1,342,260**	$ 1,685,314
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	**133,455**	109,886
Amortization of investment premium (discount), net	**135,804**	127,630
Net gain on investments in Credit Union Service Organizations	**(206,784)**	(101,315)
Net gain investment securities available for sale	**–**	(1,695)
Accrued interest receivable	**266,980**	43,040
Deferred and prepaid expense	**(33,279)**	14,601
Other assets	**(2,708,379)**	(1,138,044)
Accounts payable and accrued expenses	**1,844,050**	747,989
Total adjustments	**(568,153)**	(197,908)
Net cash provided by operating activities	**774,107**	1,497,406
Cash flows from investing activities:		
Net increase in loans	**1,606,772**	9,321,407
Purchases of securities available for sale	**(99,475,552)**	(72,119,397)
Proceeds from sales, calls, and maturities of securities available for sale	**43,105,268**	51,914,351
Net proceeds from redemption of FHLB stock	**–**	1,254,000
National Credit Union share insurance fund capitalization	**7,812**	(6,728)
Capital expenditures	**(22,483)**	(282,567)
Purchase of CLF stock	**(10,909,696)**	–
Net cash used in investing activities	**(65,687,879)**	(9,918,934)
Cash flows from financing activities:		
FHLB short term advances	**3,000**	1,278,168,000
FHLB short term payments	**(3,000)**	(1,316,168,000)
Net change in members' share accounts	**128,231,377**	143,939,529
Net cash used in financing activities	**128,231,377**	105,939,529
Net increase (decrease) in cash and cash equivalents	**63,317,605**	97,518,001
Cash and cash equivalents at beginning of year	**159,252,161**	61,734,160
Cash and cash equivalents at end of year	**$ 222,569,766**	$ 159,252,161
Components of cash and cash equivalents at end of year:		
Cash paid during the year for:		
Cash - Federal Reserve Bank	**$ 216,049,708**	$ 149,088,517
Cash - money market accounts	**5,104,045**	6,302,008
Cash - other institutions	**1,168,013**	3,613,636
Certificates of deposits	**248,000**	248,000
Total Cash	**$ 222,569,766**	$ 159,252,161
Supplemental disclosures of cash flow information:		
Dividends on members' share accounts and interest on borrowed funds	**$ 1,184,563**	$ 4,859,132

See accompanying notes to financial statements.

NOTE 1: NATURE OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Tricorp Federal Credit Union is a corporate credit union that serves member credit unions throughout New England. Its purpose is to provide a broad range of financial services and products to its members, either internally or through strategic partnerships consistent with the philosophy of the Credit Union movement.

The Credit Union is a federally chartered Credit Union subject to the laws and regulations of the United States of America and regulated by the National Credit Union Administration (NCUA), an independent agency within the executive branch of the federal government.

Basis of Accounting

The accounting and reporting policies of the Credit Union are in conformity with U.S. generally accepted accounting principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the assessment of other than temporarily impairment on investments. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Credit Union considers all highly liquid debt instruments with original maturities of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents.

Federal Reserve Bank (FRB) – Excess Balance Account (EBA) Program

The Credit Union, as agent, entered into an EBA agreement with participating member credit unions and the FRB, whereby the FRB opened EBA accounts for the benefit of the participants at the request of the agent. As such, the balances in the EBA accounts are not reflected in the Credit Union’s financial statements. These balances totaled approximately $682,100,000 and $0 as of December 31, 2020 and 2019, respectively. Neither the participating member credit unions nor the agent may use the EBA for general payments or other activities. The aggregate balance in the EBA represents a deposit liability of the FRB solely to the participants. The agent is solely responsible for calculating and distributing the interest payable to each participant on the participant’s excess balance and for damages owed to participants for any inaccuracy in calculating the participant’s excess balance and interest.

Risks and Uncertainties

The Credit Union is subject to certain risks and uncertainties including, but not limited to, interest rate, prepayment, market, geographic concentration, regulatory and credit risk. Net interest income and dividends result from the difference between interest income and dividends earned on interest-earning assets and the interest and dividend expense incurred on interest-bearing liabilities and shares. Net interest income and dividends can be significantly affected by changes in the relative amounts of, and the interest and dividend rates associated with these assets and liabilities. In addition, during periods of falling interest rates, the loans underlying the Credit Union’s security portfolio are more likely to prepay, and the Credit Union may not be able to reinvest the proceeds from prepayments in securities and other financial assets with comparable yields to those of the prepaying securities.

Moreover, the Credit Union's assets and liabilities are primarily interest and credit sensitive financial instruments and, as such, are subject to a degree of market risk, which may affect their fair value.

The United States and world economies continue to suffer adverse effects from the COVID-19 virus pandemic ("CV19 pandemic"). The Credit Union has responded throughout the CV19 pandemic as guided by governmental authorities and regulatory agencies with necessary operational and procedural modifications. The Credit Union has not experienced a material adverse impact to the financial statements. Future potential impacts to the Credit Union may include disruptions or restrictions on employees and contracted agents ability to work, excess liquidity and increased repurchase risk or loan defaults that may impact investments. The future impact of the CV19 pandemic on the Credit Union cannot be reasonably estimated at this time.

Certificates of Deposit

Certificates of deposit are with insured financial institutions and are carried at cost.

Investment Securities

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

Available-for-Sale - U.S. Government agency bonds and asset-backed securities, which include debt securities collateralized by real estate, automobiles, credit card and student loans, are classified available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, and availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value. Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in other comprehensive income.

Credit Union Service Organizations - Shares in two credit union service organization (CUSO) are recorded at fair value with changes in value reported in net income. Income and losses are recognized based on the Credit Union's ownership applied to the earnings in the CUSO for the applicable period.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

The Credit Union does not maintain held-to-maturity and trading portfolios.

Loans

Loans are made to members primarily through unsecured revolving lines-of-credit agreements. Loans are reported at the amount of unpaid principal outstanding. Interest on loans is recognized using the simple interest method on the amount of principal outstanding. No provision for loan losses is provided on these loans as historically there have been no loan losses and none are anticipated; however, management will continue to analyze the borrower's financial capacity to repay the debt

As of December 31, 2020 and 2019, there were no outstanding loans past due or deemed impaired.

Property and Equipment

Property and equipment are recorded at cost. Expenditures which do not extend the useful lives of these assets are charged to an appropriate expense account in the year incurred.

NOTE 1: NATURE OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is computed under the straight-line method utilizing the following lives:

Building and improvements	10 - 31.5 years
Building expansion	39.5 years
Furniture, fixtures and equipment	3 - 7 years

Members' Share and Savings Accounts

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by management of the Credit Union, based on an evaluation of current and future market conditions.

Credit Union deposits up to $250,000, other than PCC accounts, were guaranteed by NCUSIF through December 31, 2020.

Perpetual Contributed Capital (PCC)

Members of the Credit Union are required to contribute perpetual contributed capital, which is carried as part of member's equity. Dividends on Perpetual Contributed Capital are based on available earnings at the end of each month and are not guaranteed by the Credit Union. Dividend rates on Perpetual Contributed Capital are set by the Board of Directors of the Credit Union, based on an evaluation of current and future market conditions.

Perpetual contributed capital is not required to be paid back in the event that membership is terminated.

Income Taxes

The Credit Union is exempt from federal and state income taxes in accordance with the Federal Credit Union Act.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured Credit Union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

Federal Home Loan Bank Stock

The Credit Union is a member of the Federal Home Loan Bank (FHLB) and, as required by their membership agreement and in order to obtain the necessary borrowing capacity, the Credit Union acquired shares of FHLB stock valued at $227,600 as of December 31, 2020 and 2019. The Credit Union carries FHLB stock at cost less impairment, if any. The Credit Union is required to hold FHLB stock as a member of the FHLB and transfer of the stock is substantially restricted. The FHLB stock is pledged as collateral for outstanding FHLB advances. FHLB stock is evaluated for impairment on an annual basis.

Central Liquidity Facility Stock (CLF)

The Credit Union invested in the CLF in May 2020 to serve as an agent on behalf of member credit unions. The Credit Union carries the stock at cost.

NCUSIF Insurance Premiums

A credit union is generally required to pay an annual insurance premium equal to a percent of its total insured shares, unless the payment is waived or reduced by the NCUA Board.

Revenue from Contracts with Customers

The Credit Union records revenue from contracts with customers in accordance with Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers (ASC 606). Under ASC 606, the Credit Union must identify the contract with a customer, identify the performance obligation(s) within the contract, determine the transaction price, allocate the transaction price to the performance obligation(s) within the contract, and recognize revenue when (or as) the performance obligation(s) are/is satisfied. The core principle under ASC 606 requires the Credit Union to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The Credit Union generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers. The recognition of revenue under ASC 606 did not materially change the timing or magnitude of revenue recognition.

The majority of the Credit Union's revenue is not subject to ASC 606, including investment income, loan interest income, and gain on sales of securities.

The following significant revenue-generating transactions are within the scope of ASC 606, which are presented in the Statement of Income as a component of noninterest income:

Deposit Related Fees – The Credit Union earns fees from its deposit members for transaction-based activities, such as settlement, wires, currency orders, excess balance account fees and ACH fees. These fees are recognized at the time the transaction is executed as that is the point in time the Credit Union fulfills the request.

Maintenance Fees – The Credit Union earns fees from various maintenance activities, such as safekeeping and premier view user access. These fees are recognized within the month the service has been provided.

Commissions – The Credit Union receives commission income based on the activity of its members each month. The commissions are recognized within the month the transactions occurred.

Comprehensive Income

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

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Credit Union has entered into off-balance-sheet financial instruments consisting of agreements to extend credit. Such financial instruments are recorded in the financial statements when they become payable. Tricorp reserves the right to refuse any requested advances without affecting the borrower's obligation to repay other advances previously made. In addition, the Credit Union may terminate any existing agreements to extend credit to members based on adverse re-evaluation of the borrower's creditworthiness, failure of the borrower to satisfy any of the terms of their note and credit line agreement, or at the sole discretion of the Credit Union.

Legal Contingencies

Various legal claims arise from time to time in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not have a material impact on the financial statements of the Credit Union.

Recent Accounting Pronouncements

The Credit Union recently adopted the following Accounting Standards Updates (ASU) issued by the Financial Accounting Standards Board (FASB):

NOTE 1: NATURE OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASU No. 2017-08*, Premium Amortization on Purchased Callable Debt Securities* - This standard requires premiums on purchased callable debt securities to be amortized to the earliest call date. The Credit Union adopted this new accounting standard for the year ended December 31, 2020. The adoption of this accounting standard did not have a significant effect on the Credit Union's financial statements.

ASU No. 2018-13*, Changes to the Disclosure Requirements for Fair Value Measurement* – This standard modifies the disclosure requirements on fair value measurements, which includes removing the following disclosures: 1) amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; 2) the policy for timing of transfers between levels; 3) the valuation processes for Level 3 fair value measurements; and 4) changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The standard also modifies the following disclosure requirements: 1) allows the option to disclose transfers into and out of Level 3 of the fair value hierarchy, along with purchases and issues of Level 3 assets and liabilities, in lieu of a rollforward schedule; 2) requires for investments in certain entities that calculate net asset value to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if publicly communicated by the investee; and 3) clarifies the details of information necessary in the disclosure of uncertainties in the measurement of fair value as of the reporting date. The Credit Union adopted this new standard for the year ended December 31, 2020, and has retrospectively applied the amendments to the fair value disclosures in Note 13.

The following ASU's have been issued by FASB and may impact the Credit Union's financial statements in future reporting periods:

Leasing

In February 2016, FASB issued ASU 2016 – 2, Leases. The new standard provides users of the financial statements a more accurate representation of the assets and the long-term financial obligations of entities that lease. The proposal is for a dual-model approach; a lessee would account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both would be reported on the balance sheet of the company. Lessors will also see some changes, largely made to align with the revised lease model. For nonpublic companies, the new leasing standard would apply for fiscal years beginning after December 15, 2021.

Management is currently evaluating the impact of adoption on its financial statements.

Current Expected Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses, which introduces new guidance for accounting for credit losses on financial instruments that are within its scope. The core principle of the guidance requires entities to record the full amount of credit losses that are expected in their loan portfolio. This standard also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The guidance is effective for all nonpublic entities' annual periods beginning after December 15, 2022. Management is currently evaluating the impact of adoption on its financial statements.

NOTE 2: CASH

The Credit Union maintains cash accounts with various financial institutions, credit unions, commercial banks, the Federal Home Loan Bank, and the Federal Reserve Bank. The accounts are guaranteed up to $250,000 by either the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF). At various times throughout the year, the Credit Union had cash balances in excess of insurance.

The Credit Union has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 3: SECURITIES

The amortized cost and estimated fair value of securities with gross unrealized gains and losses at December 31, 2020 and 2019 follows:

2020	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
Securities available for sale:				
Floating rate CMOs	**$ 37,772,873**	**$ 144,718**	**$ (5,724)**	**$ 37,911,867**
Fixed rate CMOs	**9,024,756**	**118,876**	**(13,039)**	**9,130,593**
Floating rate CMBs	**50,439,879**	**189,810**	**(15,767)**	**50,613,923**
Fixed rate CMBs	**3,493,814**	**91,024**	**–**	**3,584,839**
Floating rate U.S. Government Agencies	**40,500,000**	**274,000**	**(82,770)**	**40,691,230**
Fixed Rate U.S. Government Agencies	**3,000,000**	**–**	**(4,380)**	**2,995,620**
FFELP loan pools	**4,985,665**	**6**	**(142,569)**	**4,843,102**
Floating rate ABS credit card pools	**55,514,688**	**245,915**	**–**	**55,760,603**
Fixed Rate ABS credit card pools	**2,597,494**	**302**	**–**	**2,597,796**
Floating rate ABS auto pools	**12,908,409**	**18,647**	**–**	**12,927,056**
Fixed rate ABS auto pools	**489,095**	**983**	**–**	**490,078**
SBA pools	**51,282,295**	**10,290**	**(280,630)**	**51,011,955**
Total securities available for sale	**$ 272,008,969**	**$1,094,571**	**$ (544,879)**	**$ 272,588,661**

2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available for sale:				
Floating rate CMOs	39,193,281	9,571	(119,018)	39,083,834
Fixed rate CMOs	5,012,732	14,904	(12,406)	5,015,230
Floating rate CMBs	26,783,437	58,703	(72,777)	26,769,364
Floating rate U.S. Government Agencies	27,500,000	19,600	(101,050)	27,418,550
FFELP loan pools	6,723,698	–	(150,028)	6,573,670
Floating rate ABS credit card pools	46,297,133	86,843	(36,194)	46,347,782
Floating rate ABS auto pools	20,959,502	6,740	–	20,966,242
Fixed Rate ABS auto pool	3,213,235	6,883	–	3,220,118
SBA pools	40,091,471	24,586	(124,395)	39,991,662
Total securities available for sale	$ 215,774,489	$ 227,830	$ (615,868)	$ 215,386,452

NOTE 3: SECURITIES (CONTINUED)

Management determined that there were no other-than-temporary impairments during 2020 and 2019.

The following table shows the gross unrealized losses and fair value of the Credit Union's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31:

	Less than 12 Months		12 Months or More		Total	
2020	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Floating rate CMOs	**$ 794,985**	**$ (3,114)**	**$ 3,013,510**	**$ (2,610)**	**$ 3,808,495**	**$ (5,724)**
Fixed rate CMOs	**2,998,055**	**(12,823)**	**56,416**	**(216)**	**3,054,471**	**(13,039)**
Floating rate CMBS	**5,999,973**	**(6)**	**5,533,164**	**(15,761)**	**11,533,137**	**(15,767)**
Floating rate U.S. Government Agencies	**9,969,600**	**(30,400)**	**8,947,630**	**(52,370)**	**18,917,230**	**(82,770)**
Fixed Rate U.S. Government Agencies	**2,995,620**	**(4,380)**	**–**	**–**	**2,995,620**	**(4,380)**
FFELP loan pools	**–**	**-**	**4,754,025**	**(142,569)**	**4.754,025**	**(142,569)**
SBA	**16,076,256**	**(118,151)**	**21,396,902**	**(162,479)**	**37,473,158**	**(280,630)**
Total	**$ 38,834,489**	**$ (168,874)**	**$ 43,701,647**	**$ (376,005)**	**$ 82,536,136**	**$ (544,879)**

	Less than 12 Months		12 Months or More		Total	
2019	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Floating rate CMOs	$ 21,257,192	$ (67,886)	$ 11,531,816	$ (51,132)	$ 37,789,008	$ (119,018)
Fixed rate CMO	–	–	2,014,983	(12,406)	2,014,983	(12,406)
Floating rate CMBs	12,988,525	(36,800)	10,228,318	(35,977)	23,216,843	(72,777)
Floating rate U.S. Government Agencies	6,984,270	(15,730)	15,414,680	(83,320)	22,398,950	(101,050)
FFELP loans	–	–	6,573,670	(150,028)	6,573,670	(150,028)
Floating Rate ABS - credit card pools	3,007,716	(5,454)	7,395,971	(30,740)	10,403,687	(36,194)
SBA	4,829,669	(11,013)	25,473,184	(113,382)	30,302,853	(124,395)
Total	$ 49,067,372	$ (136,883)	$ 78,632,622	$ (478,985)	$127,699,994	$ (615,868)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period sufficient to allow for any anticipated recover in fair value.

The unrealized losses on the Credit Union's investments in asset-backed securities and agencies were caused by interest rates being higher than when the securities were originally purchased. The contractual cash flows of US Government Agencies and SBA pools investments are guaranteed by an agency of the U.S. Government. Because the decline in market value is attributable to changes in interest rates and not credit quality and because the Credit Union has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Credit Union does not consider these investments to be other-than-temporarily impaired at December 31, 2020.

Investment Maturities

The contractual maturities of asset-backed securities, including collateralized mortgage obligations and collateralized mortgage-backed securities, cannot be estimated due to the nature of these investments. The estimated fair values of the Credit Union's investments in U.S. Government Agencies as of December 31, 2020, by contractual maturity, are shown below.

Description of Securities	**1 Year**	**1 - 5 Years**	**5 - 10 Years**	**More than 10 Years**	**Total**
Floating Rate U.S Government Agencies	$ –	$ 13,617,640	$ 20,122,820	$ 6,950,770	$ 40,691,230
Fixed Rate U.S. Government Agencies	–	–	$ 2,995,620	–	$ 2,995,620
Total	$ 1,659,691	$ 2,002,400	$ 13,472,740	$ 6,950,770	$ 43,686,850

As of December 31, 2020 and 2019, gross proceeds on sale of investments were $0 and $6,503,110, respectively, gross gains were $0 and $1,695, respectively, and there were no gross losses.

NOTE 4: INVESTMENT IN CREDIT UNION SERVICE ORGANIZATIONS (CUSO)

The following investments in CUSOs are recorded using the equity method of accounting based on the Credit Union's ownership percentages and overall influence. The following represent the carrying cost for each investment as of December 31, 2020.

Years ended December 31,	**2020**	2019
CU Investment Solutions, LLC	**$ 336,975**	$ 180,470
Primary Financial Company, LLC	**1,709,970**	1,659,691
Total	**$ 2,046,945**	$ 1,840,161

As of December 31, 2020 and 2019, Tricorp's ownership percentage in CU Investments Solutions, LLC was 11.11% and 12.50%, respectively.

As of December 31, 2020 and 2019, Tricorp's ownership percentage in Primary Financial Company, LLC was 8%.

NOTE 5: PREMISES AND EQUIPMENT

An analysis of premises and equipment at December 31, 2020 and 2019 is, as follows:

	2020	2019
Land	**$ 22,801**	$ 22,801
Buildings	**980,572**	980,572
Furniture and equipment	**1,322,245**	1,302,260
Construction in progress	**–**	–
Subtotal	**2,325,618**	2,305,633
Accumulated depreciation	**1,554,768**	1,423,813
Total	**$ 770,850**	$ 881,820

NOTE 6: BORROWED FUNDS

As of December 31, 2020 and 2019, securities with collateral value totaling approximately $21,586,000 and $21,636,000, respectively, were pledged as collateral to the Federal Reserve Bank. As of December 31, 2020 and 2019, the Credit Union's borrowing capacity with the FRB was approximately $20,000,000 for an emergency line of credit. As of December 31, 2020 and 2019, Tricorp had no advances on this line of credit.

Tricorp is a member of the Federal Home Loan Bank of Boston and, under their membership agreement, the Credit Union has an available short-term borrowing capacity. Additionally, the Credit Union was granted a new IDEAL Way revolving line of credit during 2019. Borrowings from the FHLB are required to be collateralized by securities held in safekeeping by the FHLB. As of December 31, 2020 and 2019, Tricorp had securities held in safekeeping at the FHLB with a fair value of approximately $106,096,000 and $94,220,000, respectively. As of December 31, 2020 and 2019, the Credit Union's available borrowing capacity, in addition to the new IDEAL Way line of credit, was approximately $99,832,000 and $88,507,000, respectively. Borrowing capacity is based on a formula published periodically by the FHLB. At December 31, 2020 and 2019, Tricorp had $0 outstanding short term advances.

Tricorp is a member of Corporate One Credit Union, and under their membership agreement, the Credit Union has an available short-term borrowing capacity. Borrowings from Corporate One Credit Union are required to be collateralized by securities held in safekeeping at BNY Mellon as of December 31, 2020 and 2019. As of December 31, 2020 and 2019, Tricorp had securities held in safekeeping with a fair value of approximately $90,052,000 and $83,376,000, respectively. As of December 31, 2020 and 2019, the Credit Union's borrowing capacity was approximately $50,000,000, with an additional $20,000,000 in emergency borrowing. At December 31, 2020 and 2019, Tricorp had no short-term advances from Corporate One Credit Union.

NOTE 7: MEMBERS' SHARED ACCOUNTS

Members' share accounts at December 31, 2020 and 2019 totaled $485,372,800 and $357,141,423, respectively. The aggregate amount of deposit accounts with a balance in excess of $250,000 was $464,037,015 and $335,545,568 at December 31, 2020 and 2019, respectively. The rates on members' share accounts ranged from .00% to 1.50% and .00% to 1.45% during the years ended December 31, 2020 and 2019, respectively.

NOTE 8: REGULATORY CAPITAL

The Credit Union is subject to regulatory net worth ratio requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under regulatory reporting requirements. The Credit Union's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain three ratios: A 4% leverage ratio, a 4% Tier 1 capital ratio, and an overall 8% total capital ratio with a risk-based element. Effective October 20, 2016, new regulations require augmenting of Perpetual Contributed Capital (PCC) when calculating the leverage ratio and Tier 1 capital ratio. This regulation applies to credit unions with retained earnings ratios below 2.5%. Per the regulation, the Credit Union must deduct any amount of PCC that causes PCC, minus retained earnings, all divided by moving daily net average assets, to exceed two percent. As of December 31, 2020 and 2019, the Credit Union's retained earnings ratio exceeded 2.5% so the adjustment to the leverage ratio and Tier 1 capital was not required.

The Credit Union's capital amounts and ratios as of December 31, 2020 and 2019 are presented in the tables.

December 31, 2020	**Actual**		**For Capital Adequacy Purposes**		**To Be Well Capitalized Under Prompt Corrective Action Provisions**	
(Dollars in Thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Credit Union						
Total Capital (to moving monthly average net risk-weighted assets	**$26,757,774**	**57.64%**	**$ 3,713,797**	**≥ 8.00%**	**$ 4,642,246**	**≥ 10.00%**
Tier 1 capital (to moving monthly average net risk-weighted assets)	**26,757,774**	**57.64%**	**1,856,898**	**≥ 4.00%**	**2,785,348**	**≥ 6.00%**
Leverage (to moving daily average net assets)	**26,757,774**	**4.28%**	**25,004,302**	**≥ 4.00%**	**31,255,377**	**≥ 5.00%**

December 31, 2019	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to moving monthly average net risk-weighted assets	$25,622,299	65.95%	$ 3,127,226	≥ 8.00%	$3,909,033	≥ 10.00%
Tier 1 capital (to moving monthly average net risk-weighted assets)	25,622,299	65.95%	1,563,613	≥ 4.00%	2,345,420	≥ 6.00%
Leverage (to moving daily average net assets)	25,622,299	7.78%	13,165,478	≥ 4.00%	16,456,848	≥ 5.00%

NOTE 8: REGULATORY CAPITAL (CONTINUED)

As of December 31, 2020, the most recent call-reporting period, the NCUA categorized the Credit Union as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Credit Union must maintain a minimum total risk-based, Tier 1 risk-based, and leverage ratios as set forth in the tables. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

NOTE 9: RELATED PARTY TRANSACTIONS

The Credit Union's Board consists of senior executive officers of full member credit unions and credit union related entities. Loans made to these entities are made in the ordinary course of business with normal credit terms including interest rates and collateral. The loans outstanding to these entities were $0 as of December 31, 2020 and 2019 and $31,350,000 available as lines of credit at December 31, 2020 and 2019. The shares outstanding for these credit unions were approximately $19,853,000 and $16,420,000 at December 31, 2020 and 2019, respectively.

NOTE 10: PENSIONS

The Credit Union maintains a 401(k) plan, which covers substantially all of its employees. Employees may contribute a percentage of their annual wages up to the annual limit established by the Internal Revenue Service. The employer contribution is based on 8% of eligible salary. Each year, the Credit Union may elect to make a discretionary contribution to the Plan. During 2020 and 2019, the Credit Union made contributions to the 401(k) plan of $72,569 and $72,141, respectively.

During 2002, the Credit Union implemented a supplemental executive retirement plan (SERP) covering the chief executive officer. The plan was funded using split dollar life insurance arrangements that require the Credit Union to pay annual life insurance premiums of $63,000 for a ten-year period, effective as of 2002. No premiums were required to be paid in 2020 and 2019. The Credit Union received a collateral assignment of the cash surrender value from the insured. Under the collateral assignment arrangement, the Credit Union is entitled to receive the cash surrender value of the policy. The cash surrender value of the policy included in other assets was $1,014,751 and $991,900 at December 31, 2020 and 2019, respectively.

During 2014, the Credit Union implemented an additional supplemental executive retirement plan (SERP) covering the chief executive and chief financial officer. The plan is funded using split dollar life insurance arrangements that require the Credit Union to pay annual life insurance premiums of $255,000 for a ten-year period, if funded on an annual basis. The Credit Union received a collateral assignment of the life insurance policies from the chief executive and chief financial officers. Under the collateral assignment arrangements, premiums paid on behalf of the executives are considered a demand loan and the Credit Union is entitled to receive the aggregate premiums paid on behalf of the executives, plus accrued interest at 2% per annum through November 21, 2019. On November 22, 2019, the loans were amended for a new rate of 1.94%. Upon agreement termination, if the cash surrender value of the life insurance policies is less than the outstanding demand loans, plus accrued interest, the executive is obligated to repay the difference. On October 1, 2020, the Credit Union amended and restated these notes with the executives. The new notes advanced additional funds for remaining future premium payments. These funds are maintained in accounts held by the executive and Credit Union's Board Members as signer. The notes will accrue interest at a rate of 1.12%. Total premiums paid, plus accrued interest included in other assets, totaled $2,721,195 and $1,908,500 as of December 31, 2020 and 2019, respectively.

During 2014, the Credit Union also entered into an additional life insurance rider (ALIR) covering the chief executive officer. The Credit Union is the owner and beneficiary of the additional life insurance rider and, as such, is entitled to the cash surrender value of the policy. The cash surrender value of the ALIR included in other assets was $1,542,628 and $1,478,169 as of December 31, 2020 and 2019, respectively.

NOTE 11: FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

The Credit Union's exposure to credit loss, in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, is represented by the contractual amount of those instruments. The Credit Union uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

The Credit Union had outstanding commitments for approved unused lines of credit approximating \$307,148,000 and \$295,338,000 at December 31, 2020 and 2019, respectively.

NOTE 12: CONCENTRATIONS OF CREDIT RISK

At December 31, 2020, four member credit unions' share accounts exceeded 5% of total deposits. The accounts comprised 28.86% of the Credit Union's total shares. At December 31, 2019, five member credit unions' share accounts exceeded 5% of total deposits. The accounts comprised 39.35% of the Credit Union's total shares.

NOTE 13: FAIR VALUE MEASUREMENTS

Fair Value Measurements

Fair value is the 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. In determining fair value, the Credit Union uses various methods, including market, income and cost approaches. Based on these approaches, the Credit Union often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Credit Union utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Credit Union is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the Credit Union performs a detailed analysis of the assets and liabilities. At each reporting period, if applicable, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the years ended December 31, 2020 and 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

NOTE 13: FAIR VALUE MEASUREMENTS (CONTINUED)

Investment Securities

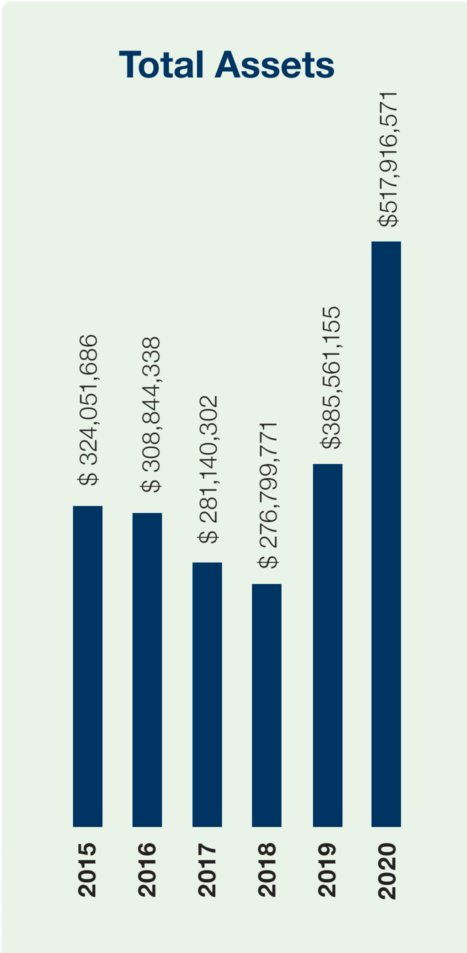
The fair value of investments, including government-backed fixed or floating rate collateralized mortgage obligations (CMO), U.S. Government agency bonds, Federal Home Loan Mortgage Corp. (FHLMC) mortgage pool, Federal Family Education Loan Program (FFELP) loan pool, asset-backed securities (ABS), which are backed by pools of credit cards and vehicle loans, and Small Business Administration (SBA) loan pools, are valued using inputs by the independent pricing service under Level 2, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications.

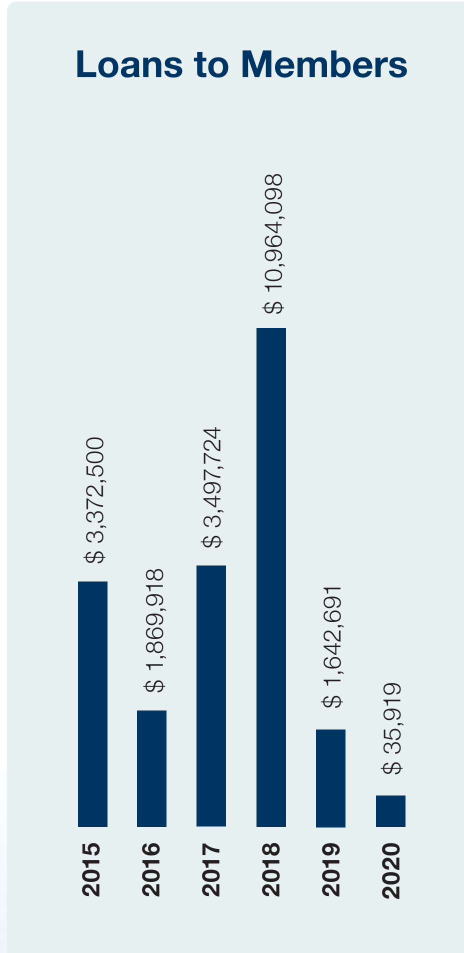
	Recurring Fair Value Measurements Using			
2020	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Securities available for sale:				
Floating rate CMOs	$ 37,911,867	–	$ 37,911,867	–
Fixed rate CMOs	9,130,593	–	9,130,593	–
Floating rate CMBs	50,613,923	–	50,613,923	–
Fixed rate CMBs	3,584,839	–	3,584,839	–
Floating rate U.S. Govt. Agencies	40,691,230	–	40,691,230	–
Fixed rate U.S. Govt. Agencies	2,995,620	–	2,995,620	–
FFELP loan pools	4,843,102	–	4,843,102	–
Floating rate ABS - credit card pools	55,760,603	–	55,760,603	–
Fixed rate ABS - credit card pools	2,597,796	–	2,597,796	–
Floating rate ABS - auto pool	12,927,056	–	12,927,056	–
Fixed rate ABS - auto pool	490,078	–	490,078	–
SBA pools	51,011,955	–	51,011,955	–
Total	$ 272,558,661	$ –	$ 272,558,661	$ –

	Recurring Fair Value Measurements Using			
2019	Fair Value	Level 1	Level 2	Level 3
Assets:				
Securities available for sale:				
Floating rate CMOs	$ 39,083,834	–	$ 39,083,834	–
Fixed rate CMOs	5,015,230	–	5,015,230	–
Floating rate CMBs	26,769,364	–	26,769,364	–
Floating rate U.S. Govt. Agencies	27,418,550	–	27,418,550	–
FFELP loan pools	6,573,670	–	6,573,670	–
ABS - Credit Card loan pools	46,347,782	–	46,347,782	–
Floating rate ABS - auto pool	20,966,242	–	20,966,242	–
Fixed rate ABS - auto pool	3,220,118	–	3,220,118	–
SBA pools	39,991,662	–	39,991,662	–
Total	$ 215,386,452	$ –	$ 215,386,452	$ –

NOTE 14: SUBSEQUENT EVENT

Management has made an evaluation of subsequent events to and including March 19, 2021, which was the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation





Payment Services

ACH Receipt and Origination
Wire Transfer
International Services
Automated Settlement
Coin and Currency
Corporate Share Drafts
Regulation D Funding

Liquidity Solutions

Line-of-Credit
SimpliCD Issuance
Secured Loan
Settlement Loan
Letters of Credit

Investment Solutions

SimpliCD
CU Investment Solutions, Inc. (CU-ISI)
Market Valuations
Securities Safekeeping
Overnight Account
Premium Overnight Account
Perpetual Capital Account

Strategic Alliances

CU Business Group (Business Lending)
MY CU Services (Bill Payment)
Pay Lynxs, Inc. (SimpliRisk)
Primary Financial, LLC (SimpliCD)
LoanStreet, LLC
Sallie Mae Student Loans

Board of Directors

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Chairman

Matt Kaubris, Oxford FCU
Vice Chairman

Joseph Bergeron, AVCU
Secretary

Bob DesMeules, St. Mary's Bank CU
Principal Financial Officer

Brian Hughes, Holy Rosary CU

Bruce Leighton, Members First CU of NH

Katie O'Brien, Casco FCU

Supervisory Committee

Brian Hughes, Holy Rosary CU
Chairman

Alaina Daisey, Katahdin FCU

Jean Giard, Vermont FCU

ALM Committee

Bob DesMeules, St. Mary's Bank CU
Chairman

Katie O'Brien, Casco FCU

Ryan Poulin, New Dimensions FCU

Michael McLoud, Tricorp FCU

Stephen Roy, Tricorp FCU

ERM Committee

Matt Kaubris, Oxford FCU
Chairman

Bruce Leighton, Members First CU of NH

Stephen Roy, Tricorp FCU

Michael McLoud, Tricorp FCU

Tom Loring, Wipfli LLP

Our Corporate Team

Stacy Farwell
Member Service Representative

Charlene Grebin
Member Service Representative

Christina Johnson
Executive Assistant

Louise Lachance
Member Service Representative

Carol Anne Lamontagne
Director of Operations

Gwynne Martin
Wire Room Operator

Michael McLoud
Chief Financial Officer

Rose Murphy
Compliance Officer

Denise Nowinski
Director of Education and Member Relations

Stephen Roy
President/Chief Executive Officer

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https://paulcyr.zenfolio.com

Tricorp Federal Credit Union

www.tricorp.org · 2 Ledgeview Drive · Westbrook, Maine 04092 · 800-346-1936