

Volunteer Corporate Credit Union

Financial Statements

December 31, 2017 and 2016



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Volunteer Corporate Credit Union
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December 31, 2017 and 2016

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
and Supervisory Committee of
Volunteer Corporate Credit Union

Report on the Financial Statements

We have audited the accompanying financial statements of Volunteer Corporate Credit Union (VolCorp), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 the risk assessment, 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 VolCorp as of December 31, 2017 and 2016, 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 of America.

Other Matter

We have also audited, in accordance with auditing standards generally accepted in the United States of America, VolCorp's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control Integrated - Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 8, 2018, expressed an unmodified opinion.

Carly Riggs & Ingram, L.L.C.

Nashville, Tennessee

May 8, 2018

Volunteer Corporate Credit Union
Balance Sheets
(In Thousands)

<i>December 31,</i>	2017	2016
Assets		
Cash	\$ 355,576	\$ 346,485
Uncollected cash items	84,127	72,857
Cash and cash equivalents	439,703	419,342
Certificates of deposit	248	1,719
Federal Home Loan Bank stock	9,680	9,680
Securities available for sale, at fair value	862,337	897,825
Investment in Credit Union Service Organizations	2,697	2,861
Loans to members and member affiliates	6,205	8,749
Accrued interest receivable and other assets	8,139	2,438
Premises and equipment, net	3,413	3,124
National Credit Union Share Insurance Fund deposit	684	682
Total assets	\$ 1,333,106	\$ 1,346,420
Liabilities and members' equity		
Liabilities		
Members' depository accounts	\$ 1,061,895	\$ 1,113,326
Deposits in collection	82,816	72,080
Accrued expenses and other liabilities	1,385	1,244
Federal Home Loan Bank note payable	94,251	72,620
Total liabilities	1,240,347	1,259,270
Members' equity		
Perpetual contributed capital	69,242	69,242
Equity acquired in merger	863	863
Retained earnings	23,488	18,679
Accumulated other comprehensive loss	(834)	(1,634)
Total members' equity	92,759	87,150
Total liabilities and members' equity	\$ 1,333,106	\$ 1,346,420

See notes to financial statements.

Volunteer Corporate Credit Union
Statements of Income
(In Thousands)

<i>For the Years Ended December 31,</i>	2017	2016
Interest and dividend income		
Cash	\$ 3,554	\$ 1,948
Investments	12,493	8,656
Loans to members and member affiliates	176	66
Total interest and dividend income	16,223	10,670
Interest expense		
Members' depository and share accounts	7,003	2,776
Borrowings	992	322
Total interest expense	7,995	3,098
Net interest income	8,228	7,572
Non-interest income		
Item processing	3,060	3,094
Gain on sale of securities	15	4
Income (loss) from investment in Credit Union Service Organizations	86	(20)
Currency services	1,599	1,527
Other	3,028	2,844
Total non-interest income	7,788	7,449
Non-interest expense		
Salaries and benefits	5,353	5,025
Office operations and occupancy	3,893	3,746
Professional and outside services	511	503
Travel and conferences	173	139
Other	446	394
Total non-interest expense	10,376	9,807
Net income	\$ 5,640	\$ 5,214

See notes to financial statements.

Volunteer Corporate Credit Union
Statements of Comprehensive Income
(In Thousands)

<i>For the Years Ended December 31,</i>	2017	2016
Net income	\$ 5,640	\$ 5,214
Other comprehensive income (loss):		
Unrealized gain (loss) on available for sale securities	815	694
Reclassification adjustment for realized gains included in net income	(15)	(4)
Other comprehensive income	800	690
Total comprehensive income	\$ 6,440	\$ 5,904

See notes to financial statements.

Volunteer Corporate Credit Union
Statements of Changes in Members' Equity
(In Thousands)

	Perpetual Contributed Capital	Equity Acquired in Merger	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2015	\$ 69,242	\$ 863	\$ 14,004	\$ (2,324)	\$ 81,785
Perpetual contributed capital dividends	-	-	(539)	-	(539)
Net income	-	-	5,214	-	5,214
Unrealized gains on securities available for sale	-	-	-	690	690
Balance at December 31, 2016	69,242	863	18,679	(1,634)	87,150
Perpetual contributed capital dividends	-	-	(831)	-	(831)
Net income	-	-	5,640	-	5,640
Unrealized gains on securities available for sale	-	-	-	800	800
Balance at December 31, 2017	\$ 69,242	\$ 863	\$ 23,488	\$ (834)	\$ 92,759

See notes to financial statements.

Volunteer Corporate Credit Union
Statements of Cash Flows
(In Thousands)

<i>For the Years Ended December 31,</i>	2017	2016
Operating activities		
Net income	\$ 5,640	\$ 5,214
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	512	472
(Accretion) amortization on securities held for sale, net	161	(14)
Gain on sale of premises and equipment	(11)	(12)
Gain on sale of securities	(15)	(4)
(Income) Loss from investment in Credit Union Service Organizations	(86)	20
Change in accrued interest receivable and other assets	(433)	(250)
Change in accrued expenses and other liabilities	141	167
Net cash from operating activities	5,909	5,593
Investing activities		
Net change in certificates of deposit with other financial institutions	1,471	269
Net change in loans to members and member affiliates	2,544	(5,590)
Outlays related to split dollar agreements	(5,268)	-
Net change in National Credit Union Share Insurance Fund deposit	(2)	27
Purchases of securities	(254,639)	(313,747)
Maturities, prepayments, and calls of securities	260,722	324,673
Proceeds from sale of securities	30,059	27,502
Return of investment from Credit Union Service Organization	250	-
Dividends from Credit Union Service Organizations	-	6
Purchases of premises and equipment	(845)	(415)
Proceeds from sale of premises and equipment	55	120
Net cash from investing activities	34,347	32,845
Financing activities		
Net change in members' depository accounts	(51,431)	(48,132)
Net change in deposits in collection	10,736	2,047
Proceeds from Federal Home Loan Bank advances, net	21,631	55,151
Payment of perpetual contributed capital dividends	(831)	(539)
Net cash from financing activities	(19,895)	8,527
Net change in cash and cash equivalents	20,361	46,965
Cash and cash equivalents, beginning of year	419,342	372,377
Cash and cash equivalents, end of year	\$ 439,703	\$ 419,342

See notes to financial statements.

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Volunteer Corporate Credit Union (VolCorp) conform to accounting principles generally accepted in the United States of America and to general practices within the credit union industry. The following represent the more significant of those policies and practices:

Nature of Business

VolCorp was created in April 1981 by the general assembly of the State of Tennessee to function as a credit union support system to credit unions in Tennessee to facilitate mergers, joint ventures, and cooperative efforts and to provide credit unions with investment, liquidity, and payment system services. VolCorp is regulated by the Tennessee Department of Financial Institutions' Credit Union Division and the National Credit Union Administration (NCUA).

Financial Instruments and Concentrations of Credit Risk

In the normal course of business, VolCorp invests in highly rated domestic corporations and uses nationally recognized broker/dealers in the execution of trades for financial instruments. Exposure to individual counterparties may be significant. In providing financial services solely to the credit union industry, VolCorp is dependent upon the viability of that industry.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. 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 based on available information. Specifically, management has made assumptions in estimating the fair value of financial instruments and the status of contingencies. Actual results could differ from estimates made based on management assumptions.

Cash and Cash Equivalents

Cash and cash equivalents includes cash and uncollected cash items.

Uncollected Cash Items and Deposits in Collection

These accounts represent deposits made by VolCorp's members that have not cleared the Federal Reserve Bank (Federal Reserve). Such amounts generally become available for investment or withdrawal by members within one to three days. The uncollected cash items represent the amounts due from the Federal Reserve, and the deposits in collection represent the amount due to the members when they become available. These amounts are not interest bearing.

Certificates of Deposit

These items are certificates of deposit in various institutions.

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Securities

VolCorp has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320 *Debt and Equity Securities* which requires all investments in debt securities and all investments in equity securities that have readily determinable fair values to be classified into three categories as follows:

Trading Securities

Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value with unrealized gains and losses included in earnings. No securities have been classified as trading securities.

Securities Held to Maturity

Debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as held to maturity securities and reported at amortized cost using a method that does not differ materially from the level interest yield method.

Securities Available for Sale

Securities not classified as either held to maturity debt securities or trading securities are classified as available for sale securities and reported at fair value with unrealized gains and losses excluded from earnings and reported as other comprehensive income (loss) within members' equity.

If quoted market prices are not available, fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Declines in the fair value of securities below their cost that are related to credit losses and are other-than-temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers (1) the length of time and extent that fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) the financial condition and near-term prospects of the underlying collateral with loan level due diligence performed by an outside third party and (4) whether VolCorp does not have the intent to sell the security and it is more likely than not that it will be able to retain the security until recovery of the cost basis. Declines in the fair value of available for sale securities below their cost that are deemed to be other-than-temporarily impaired are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of impairment related to other factors is recognized in other comprehensive income.

Premiums and discounts are recognized in interest income using the interest method over the period until maturity or the expected maturity date based on prepayments. Gains and losses on investment dispositions are recognized using the specific identification method for determining the cost of securities sold.

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Restricted Stock

Restricted stock, such as Federal Home Loan Bank (FHLB) capital stock, can only be sold at par or a value as determined by the issuing institution and only to the respective institution or to another member institution. These securities are recorded at cost and evaluated annually for possible impairment.

Investment in Credit Union Service Organizations

Investments in Credit Union Service Organizations (CUSOs) are recorded at fair value under the equity method. The equity method is considered appropriate due to either VolCorp's percentage of ownership or the ability to exert influence over the CUSOs.

Loans to Members and Member Affiliates

Loans are stated at unpaid principal balances. Management believes that no allowance for loan losses is necessary due to the loans being generally short term in nature and secured by members' deposits and other assets. Interest income is accrued on the unpaid principal balance.

Premises and Equipment

Land is carried at cost. Premises and equipment are carried at cost, net of accumulated depreciation. Premises and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets which primarily range from 2 to 50 years.

Long-Term Assets

Premises and equipment and other long-term assets are reviewed for impairment when events indicate that their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

VolCorp is exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in the accompanying statements of income.

The Internal Revenue Service (IRS) and certain state taxing authorities are currently revisiting what, if any, products and services provided by state chartered credit unions are subject to unrelated business income tax (UBIT). There is little guidance in the IRS regulation on what activities should be subject to UBIT. The IRS issued guidance in the form of technical advice memorandums. As a result, there is uncertainty regarding whether state chartered credit unions should pay income tax on certain types of net taxable income from activities that may be considered by taxing authorities as unrelated to the purpose for which VolCorp was granted non-taxable status. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities deemed unrelated to VolCorp's non-taxable status is not expected to have a material effect on VolCorp's financial position or results of operations.

VolCorp has adopted FASB ASC 740, Income Taxes, which prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management evaluates the tax positions taken on tax filings and consults with outside professionals in evaluating the likelihood of unfavorable results from any such tax positions. The tax years from 2014 and forward remain open to tax audits.

National Credit Union Share Insurance Fund Deposit and Insurance Premiums

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with 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 will be refunded to VolCorp 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. NCUA Regulation 741.4 requires insured credit unions to pay the NCUSIF, on dates the NCUA Board determines, but not more than twice in any calendar year, an insurance premium in an amount stated as a percentage of insured shares, which will be the same for all insured credit unions. No payments were made during 2017 and 2016.

Perpetual Contributed Capital (PCC)

PCC is a permanent, non-voting, non-cumulative equity investment. Payment of dividends is based on available earnings and is not guaranteed. PCC, in the event of liquidation, is subordinate to all other liabilities of VolCorp. Dividends declared on PCC are determined by management and approved by the Board of Directors based on an evaluation of current and future market conditions.

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale, which are also recognized as a separate component of members' equity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are currently such matters that will have a material effect on the financial statements.

Restrictions on Cash

There were no restrictions or requirements related to cash at December 31, 2017 and 2016.

Off Balance Sheet Financial Instruments

In the ordinary course of business, VolCorp enters into commitments to extend credit. Such financial instruments are recorded when they are funded.

Fair Value of Financial Instruments

VolCorp has an established process for determining fair values. Fair value is based upon quoted market prices, when available. If listed prices or quotes are not available, fair value is based upon pricing by an independent outsourced firm which uses proprietary models including market data, interest rate yield curves, option volatilities and other third party information. Management reviews the methodology and results of the pricing by the independent outsourced firm. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while VolCorp believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fair Value of Financial Instruments (Continued)

The three levels are explained as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever possible.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for valuations in situations in which there is little, if any, market activity for the asset or liability at the measurement.

Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications

Certain items in prior financial statements have been reclassified to conform to the current presentation. The reclassifications had no impact on net income or members' equity.

NOTE 2: CERTIFICATES OF DEPOSIT

At December 31, 2017 and 2016, certificates of deposit are classified as held to maturity and are carried at cost of \$248 and \$1,719, respectively. The certificate of deposit outstanding at December 31, 2017, is to mature during the year ending December 31, 2018.

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 3: SECURITIES AVAILABLE FOR SALE

The amortized cost and approximate estimated fair value of securities available for sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) at December 31, 2017 and 2016 were as follows:

<i>December 31, 2017</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government-guaranteed agency security	\$ 3,081	\$ -	\$ (39)	\$ 3,042
U.S. Government-sponsored agency securities	457,252	360	(1,935)	455,677
Asset-backed securities	402,838	890	(110)	403,618
	\$ 863,171	\$ 1,250	\$ (2,084)	\$ 862,337

<i>December 31, 2016</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government-guaranteed agency security	\$ 3,137	\$ -	\$ (35)	\$ 3,102
U.S. Government-sponsored agency securities	450,886	301	(1,809)	449,378
Asset-backed securities	445,436	508	(599)	445,345
	\$ 899,459	\$ 809	\$ (2,443)	\$ 897,825

U.S. Government-guaranteed and U.S. Government-sponsored agency securities consist of mortgage-backed securities and debentures. Asset-backed securities consist primarily of securitized credit card, student loan, mortgage, automobile dealer floor plan receivables and other assets.

Securities carried at fair value of \$440,223 at December 31, 2017 were pledged to secure FHLB borrowings. At December 31, 2016, securities carried at fair value of \$449,383 were pledged to secure FHLB borrowings.

Securities carried at fair value of \$94,776 and \$98,524 at December 31, 2017 and 2016 were pledged to secure a regional bank's federal fund line of credit.

VolCorp sold \$30,059 and \$27,502 of securities available for sale resulting in gross gains of \$15 and \$4 for the years ended December 31, 2017 and 2016, respectively. No securities available for sale were sold for a loss for the years ended December 31, 2017 and 2016.

The amortized cost and estimated fair value of securities available for sale at December 31, 2017, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 3: SECURITIES AVAILABLE FOR SALE (Continued)

	Amortized Cost	Estimated Fair Value
Due in less than one year	\$ 250,501	\$ 250,409
Due after one year through five years	304,677	304,166
Due after five years through ten years	101,418	101,122
Due after ten years	206,576	206,640
	\$ 863,171	\$ 862,337

Information pertaining to securities with gross unrealized losses at December 31, 2017 and 2016 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2017						
U.S. Government-guaranteed agency security	\$ -	\$ -	\$ 3,042	\$ 39	\$ 3,042	\$ 39
U.S. Government-sponsored agency securities	67,282	542	206,451	1,393	273,733	1,935
Asset-backed securities	63,191	30	15,783	80	78,974	110
Total	\$ 130,473	\$ 572	\$ 225,276	\$ 1,512	\$ 355,749	\$ 2,084

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2016						
U.S. Government-guaranteed agency security	\$ 3,137	\$ 35	\$ -	\$ -	\$ 3,137	\$ 35
U.S. Government-sponsored agency securities	272,100	1,551	57,786	258	329,886	1,809
Asset-backed securities	45,255	32	51,916	567	97,171	599
Total	\$ 320,492	\$ 1,618	\$ 109,702	\$ 825	\$ 430,194	\$ 2,443

At December 31, 2017 and 2016, VolCorp had 58 and 74 securities in a loss position, respectively. The unrealized losses associated with these investments are primarily driven by changes in interest rates and are not related to the credit quality of the securities. VolCorp does not intend to sell these securities, and it is not likely they will be required to sell the securities before the amortized cost basis is recovered, which may be at maturity. Management does not consider these securities to be other-than-temporarily impaired at December 31, 2017 and 2016.

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 4: INVESTMENT IN CREDIT UNION SERVICE ORGANIZATIONS

VolCorp's investment in CUSOs at December 31, 2017 and 2016 is as follows:

December 31, 2017

Name	Percentage of Ownership	Recorded Value
Credit Union Business Group, LLC	4.41 %	\$ 106
Primary Financial Company, LLC	10.67	2,206
CU Investment Solutions, LLC	25.00	385
		\$ 2,697

December 31, 2016

Name	Percentage of Ownership	Recorded Value
Credit Union Business Group, LLC	4.41 %	\$ 93
Primary Financial Company, LLC	10.67	2,090
CU Investment Solutions, LLC	22.22	446
Core Network Processing, LLC	22.24	232
		\$ 2,861

Investments in CUSOs are accounted for under the equity method. The equity method is considered appropriate for these investments based on VolCorp's percentage of ownership or the ability to exert significant influence over the CUSOs by serving on the board of directors.

NOTE 5: FAIR VALUE MEASUREMENTS

The following table presents the assets carried at fair value subject to measurement on a recurring basis. Assets are presented as of December 31, 2017 and 2016, by their nature and by FASB ASC 820, *Fair Value Measurements and Disclosures*, valuation hierarchy:

December 31, 2017

	Total Value	Value Level 1	Value Level 2	Value Level 3
U.S. Government-guaranteed agency security	\$ 3,042	\$ -	\$ 3,042	\$ -
U.S. Government-sponsored agency securities	455,677	-	455,677	-
Asset-backed securities	403,618	-	403,618	-
Total assets at fair value	\$ 862,337	\$ -	\$ 862,337	\$ -

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

December 31, 2016

	Total Value	Value Level 1	Value Level 2	Value Level 3
U.S. Government-guaranteed agency security	\$ 3,102	\$ -	\$ 3,102	\$ -
U.S. Government-sponsored agency securities	449,378	-	449,378	-
Asset-backed securities	445,345	-	445,345	-
Total assets at fair value	\$ 897,825	\$ -	\$ 897,825	\$ -

There were no liabilities carried at fair value for 2017 and 2016.

The following valuation method was used for assets carried at fair value as of December 31, 2017 and 2016:

- U.S. Government-guaranteed and U.S. Government-sponsored agency securities and asset-backed securities – fair values are estimated using pricing models that use observable inputs or quoted prices of securities with similar characteristics. These securities are classified within Level 2 of the valuation hierarchy.

NOTE 6: PREMISES AND EQUIPMENT

Premises and equipment at December 31, 2017 and 2016, respectively were as follows:

<i>December 31,</i>	2017	2016
Land	\$ 427	\$ 427
Building	2,413	2,222
Furniture, fixtures, and equipment	4,522	4,012
Total	7,362	6,661
Less accumulated depreciation and amortization	3,949	3,537
Total	\$ 3,413	\$ 3,124

Depreciation expense was \$512 and \$472 for 2017 and 2016, respectively.

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 7: MEMBERS' DEPOSITORY ACCOUNTS

At December 31, 2017 and 2016, the balances of the various types of members' depository accounts are as follows:

<i>December 31,</i>	2017		2016	
Daily shares	\$	1,054,229	\$	1,104,601
Share certificates		7,666		8,725
Total	\$	1,061,895	\$	1,113,326

Scheduled maturities of share certificates at December 31, 2017 were as follows:

Within one year	\$	5,866
One to three years		1,800
	\$	7,666

At December 31, 2017 and 2016, there were no depository accounts exceeding 10% of total members' depository accounts. The aggregate amount of members' depository accounts over \$250 as of December 31, 2017 and 2016 was approximately \$994,578, and \$1,044,807, respectively.

NOTE 8: BORROWINGS

VolCorp, as a member of the Federal Home Loan Bank of Cincinnati, is eligible for advances from this bank pursuant to the terms of various borrowing agreements. VolCorp has pledged 118 securities, with a carrying value of \$440,223 as collateral under the borrowing agreement with the Federal Home Loan Bank of Cincinnati as of December 31, 2017.

At December 31, 2017 and 2016, amounts outstanding under this line of credit were \$94,251 and \$72,620, respectively. The interest rate range for the borrowings was .64% to 1.42% in 2017 and .35% to .65% in 2016. The maturity is overnight for this line of credit. At December 31, 2017, VolCorp had \$219,666 in additional borrowing availability with the Federal Home Loan Bank of Cincinnati.

VolCorp maintains a federal funds line of credit with a regional bank. Securities with a carrying value of \$94,776 were pledged as collateral with this bank at December 31, 2017. No amounts were outstanding under this line of credit at December 31, 2017, and borrowing availability totaled \$70,000. This agreement may be cancelled at the discretion of either party. Effective June 30, 2017, VolCorp renewed an unsecured federal funds facility from a regional bank with a borrowing availability of \$15,000. This agreement expires on June 30, 2018 unless otherwise extended or terminated.

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 9: REGULATORY CAPITAL REQUIREMENTS

VolCorp is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain additional actions by regulators that, if undertaken, could have a direct material effect on VolCorp's financial statements. Beginning October 2016, a portion of PCC is excluded from Tier 1 capital as defined by the NCUA. The portion of PCC also reduces daily average net assets and monthly moving average net risk-weighted assets for the applicable ratio calculations. NCUA Regulations as of December 22, 2017 were modified to include all PCC received from federally insured credit unions when the corporate credit union's retained earnings ratio is greater than 2.5%.

At December 31, 2017 and 2016, VolCorp's capital ratios were as follows:

	Regulatory Capital		Required Capitalization under NCUA Regulation 704		
	Amount	Ratio	Under Capitalized	Adequately Capitalized	Well Capitalized
2017					
Leverage ⁽¹⁾	\$ 70,608	5.84%	< 4.00%	4.00%	5.00%
Tier 1 Risk Based Capital ⁽²⁾	\$ 70,608	39.55%	< 4.00%	4.00%	6.00%
Total Risk Based Capital ⁽²⁾	\$ 90,896	50.92%	< 8.00%	8.00%	10.00%
2016					
Leverage ⁽¹⁾	\$ 61,228	4.83%	< 4.00%	4.00%	5.00%
Tier 1 Risk Based Capital ⁽²⁾	\$ 61,228	34.97%	< 4.00%	4.00%	6.00%
Total Risk Based Capital ⁽²⁾	\$ 85,923	49.07%	< 8.00%	8.00%	10.00%

(1) to rolling daily average net assets

(2) to moving monthly average net risk-weighted assets

The retained earnings ratio is key in maintaining capital adequacy in compliance with NCUA regulations. Beginning in October 2013, NCUA regulation 704.3 requires corporate credit unions to calculate and report a retained earnings ratio of at least 0.45%. VolCorp's retained earnings ratio at December 31, 2017 and 2016 was 1.98% and 1.51%, respectively.

NOTE 10: RELATED PARTY TRANSACTIONS

Each of the directors of VolCorp is affiliated with credit unions that, in the ordinary course of business, may engage in financial transactions with VolCorp. Outstanding balances of members' share accounts with these related parties were \$151,064 and \$129,975 at December 31, 2017 and 2016, respectively. There were no outstanding loan balances to related parties at December 31, 2017. There was a loan to a related party totaling \$5,000 at December 31, 2016.

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 11: EMPLOYEE BENEFITS

VolCorp maintains two defined contribution plans. Under the 401(k) employee savings plan, all full-time employees who have been employed at least one year are required to contribute 5% of their gross annual salary to the plan. Contributions are fully vested when made. VolCorp makes no contributions to the employee savings plan. Under the retirement savings plan, VolCorp contributes an amount equal to 10% of each participant's salary to the plan. Employees who have been employed at least one year become participants in the plan. Benefits are fully vested after five years. VolCorp made contributions to the retirement savings plan of \$344 and \$323 during 2017 and 2016, respectively.

During the year ended December 31, 2017, the Credit Union entered into two collateral assignment split dollar agreements between the Credit Union and a key employee. The agreements involve a method of paying for insurance coverage by splitting the elements of a life insurance policy. Under the agreements, the employee is the owner of the policies and made collateral assignments to the Credit Union in return for loans equal to the amount of premiums to be paid on behalf of the employee plus accrued interest at the applicable long-term federal rate when placed into effect in 2017 plus an additional 19 basis points. At the time of death of the key employee, the Credit Union will be paid the loan amounts plus accrued interest and the balance of the insurance benefits will be paid to the designated beneficiaries. As of December 31, 2017, the balance of the loan approximated \$5,404 and is included in accrued interest and other assets on the balance sheet.

NOTE 12: COMMITMENTS, CONTINGENCIES AND OFF BALANCE SHEET ACTIVITIES

In the normal course of business, there may be various outstanding legal proceedings or potential claims. In the opinion of management, after consultation with legal counsel, the financial position of VolCorp will not be affected materially by the outcome of any such legal proceedings or potential claims.

Some financial instruments, such as loan commitments, irrevocable letters of credit, and lines of credit, are issued to meet member-financing needs. These are agreements to provide credit or to support the credit of others as long as conditions established in the contract are met and usually have expiration dates. Commitments may expire without being used. These instruments contain, to varying degrees, elements of credit and market risk in excess of the amounts recognized in the balance sheets. The credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. The market risk relates to the possibility that future changes in market prices may make a financial instrument less valuable or more onerous. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral upon exercise of the commitment. The contractual amount of financial instruments with off balance sheet risk at December 31, 2017 and 2016 were as follows:

<i>December 31,</i>	2017	2016
Loan commitments (remaining un-advanced loan principal)	\$ 1,209,638	\$ 1,029,419
Letter of credit	422	188
Total	\$ 1,210,060	\$ 1,029,607

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 13: DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the estimated fair value of financial instruments were as follows at December 31, 2017 and 2016:

	2017		2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets				
Cash and cash equivalents	\$ 439,703	\$ 439,703	\$ 419,342	\$ 419,342
Certificates of deposit	248	247	1,719	1,720
FHLB stock	9,680	9,680	9,680	9,680
Securities available for sale	862,337	862,337	897,825	897,825
Investment in CUSOs	2,697	2,697	2,861	2,861
Loans to members and member affiliates	6,205	6,205	8,749	8,749
Accrued interest receivable	1,246	1,246	1,012	1,012
Split dollar arrangement	5,404	5,538	-	-
NCUSIF deposit	684	684	682	682
Financial liabilities				
Members' depository accounts	1,061,895	1,061,817	1,113,326	1,113,283
Deposits in collection	82,816	82,816	72,080	72,080
FHLB note payable	94,251	94,251	72,620	72,620

Carrying amount is the estimated fair value for cash and cash equivalents, FHLB stock, investment in CUSOs, accrued interest receivable, NCUSIF deposit, daily share accounts, short-term debt, and variable rate loans or deposits that re-price frequently, due to the short-term nature or fixed redemption amounts. Security fair values are based on market prices or dealer quotes and, if no such information is available, fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Certificates of deposit are based on discounted cash flows using current market rates. For fixed rate loans (including the split dollar arrangements) or deposits and for variable rate loans or deposits with infrequent re-pricing or re-pricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. For the FHLB note payable, the estimated fair value is computed using the discount rate that equaled the interest rates offered at the valuation date for such borrowings from the FHLB with similar terms. Loan commitments are not included in the preceding table as their estimated fair value is immaterial due to secured nature at time of commitment fulfillment. For open lines of credit and letters of credit fair value is not deemed significant.

Volunteer Corporate Credit Union
Notes to the Financial Statements
(Dollar Amounts in Thousands)

NOTE 14: SUPPLEMENTARY CASH FLOW INFORMATION

Additional cash flow disclosures for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Interest paid	\$ 7,986	\$ 3,100
Non-cash item - Unrealized gain (loss) on available for sale securities	\$ 800	\$ 690

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 8, 2018, the date on which the financial statements were available to be issued.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
and Supervisory Committee of
Volunteer Corporate Credit Union

We have audited Volunteer Corporate Credit Union's (VolCorp) internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the National Credit Union Administration (NCUA) 5310 – Corporate Credit Union Call Report, as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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 Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control over Financial Reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on VolCorp'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the 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 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. 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 VolCorp's internal control over financial reporting included controls over the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and with the NCUA 5310 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 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 limitation, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment 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 policies or procedures may deteriorate.

Opinion

In our opinion, VolCorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Other Matter

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet and related statements of income, comprehensive income, changes in member's equity, and cash flows of VolCorp and our report dated May 8, 2018, expressed an unmodified opinion.

Carly Riggs & Ingram, L.L.C.

Nashville, Tennessee
May 8, 2018



**MANAGEMENT REPORT REGARDING STATEMENT OF MANAGEMENT'S RESPONSIBILITIES,
COMPLIANCE WITH DESIGNATED LAWS AND REGULATIONS, AND MANAGEMENT'S ASSESSMENT OF
INTERNAL CONTROL OVER FINANCIAL REPORTING**

Statement of Management's Responsibilities

The Management of Volunteer Corporate Credit Union (the "Corporate") is responsible for preparing the Corporate's annual financial statements in accordance with generally accepted accounting principles; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial reports in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report; and for complying with Federal and, as applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure.

Management's Assessment of Compliance with Designated Laws and Regulations

Management has assessed the Corporate's compliance with Federal and State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2017. Based upon its assessment, management has concluded that the Corporate complied with the Federal and State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2017.

Management's Assessment of Internal Control over Financial Reporting

The Corporate'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, i.e., NCUA 5310 – Corporate Credit Union Call Report. The Corporate'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 Corporate; (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 Corporate are being made only in accordance with authorizations of management and directors of the Corporate; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Corporate'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 and procedures may deteriorate.

Management assessed the effectiveness of the Corporate'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, 2017, 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, 2017, the Corporate'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 criteria established in *Internal Control—Integrated Framework*.

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, 2017, has been audited by Carr, Riggs & Ingram, LLC, an independent public accounting firm, as stated in their report dated May 8, 2018.

Volunteer Corporate Credit Union



Jeffrey W. Merry, President and Chief Executive Officer

5.8.2018

Date



5/8/18

Susan Stack, SVP and Chief Financial Officer

Date