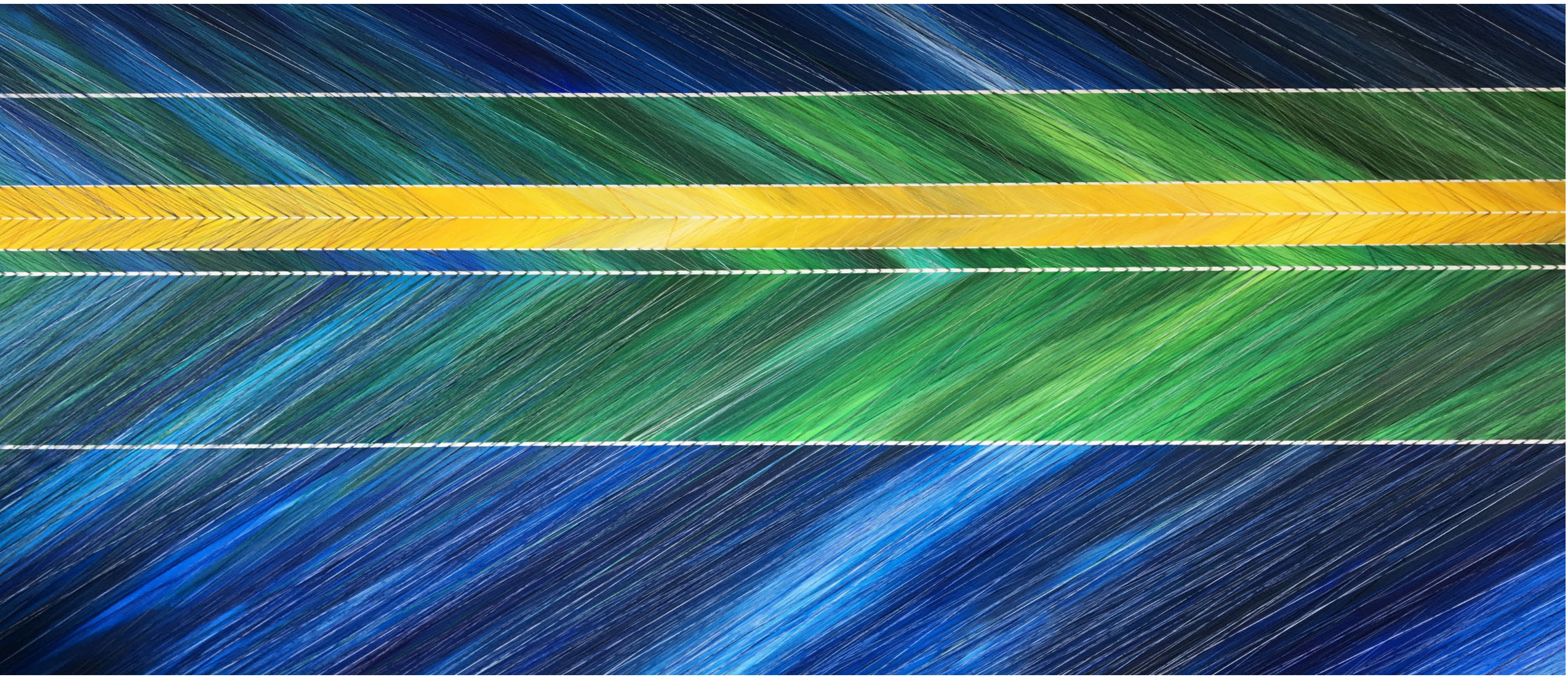

State Bankers Association Group Insurance Trust and Virginia Bankers Association Group Medical and Dental Trust

Audit Results & Communications

Report to the Virginia Bankers Association Audit Committee of the Board of Directors

June 1, 2021

Keiter
Your Opportunity Advisors

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Virginia Bankers Association Audit Committee
State Bankers Association Group Insurance Trust and Virginia Bankers Association Group Medical and Dental Trust

We are pleased to present the results of our audits of the December 31, 2020 financial statements of State Bankers Association Group Insurance Trust and Virginia Bankers Association Group Medical and Dental Trust (the "Trust Funds").

This report to the Audit Committee summarizes our audits, the scope of our engagements and the reports to be issued. The document also contains the Audit Committee communications required by our professional standards.

The audits are designed to express an opinion on the financial statements. We considered the Trust Funds' current and emerging business needs, along with an assessment of risks that could materially affect the financial statements and aligned our audit procedures accordingly. We conducted the audits with the objectivity and independence that you and the public expect. We received the full support and assistance of the Trust Funds' personnel.

This report is intended solely for the information and use of the Audit Committee, the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you.

Keiter

June 1, 2021
Glen Allen, Virginia

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Table of Contents

Audit Results and Communications

Appendix

Audit Results and Communications

SUMMARY OF WHAT WE AGREED TO DO

As discussed with management during our planning process, our audit plans were designed based on our assessment of risk for the Trust Funds and our assessment of external factors that impacted the Trust Funds' operating environment. Specifically, we designed our audits to express an opinion on the financial statements. In addition, included in this report at Appendix A is a letter that documents our consideration of the Trust Funds' internal control over financial reporting which also includes recommendations to improve or enhance the Trust Funds' internal control environment that we observed during the course of our audits.

We also assist in the preparation of the financial statements of the Trust Funds.

Under generally accepted auditing standards ("GAAS"), these non-attest services remain the responsibility of the Trust Funds' management. In order to ensure that they are in agreement with how these services are performed, a draft of the financial statements and adjusting entries are provided to the Trust Funds' management prior to finalization for their review and approval.

Required Communications

Professional standards require the auditor to communicate certain matters to those charged with governance that may assist the Audit Committee in overseeing management's financial reporting and disclosure process. Below we summarize these required communications as they apply to State Bankers Association Group Insurance Trust and Virginia Bankers Association Group Medical and Dental Trust.

AUDITOR'S RESPONSIBILITIES UNDER GENERALLY ACCEPTED AUDITING STANDARDS (GAAS)

The financial statements are the responsibility of management. Our audits were designed in accordance with auditing standards generally accepted in the United States to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As a part of our audits, we obtained an understanding of internal control sufficient to plan our audits and to determine the nature, timing, and extent of testing performed.

- We issued an unmodified opinion on the Trust Funds' financial statements for the year ended December 31, 2020.

CRITICAL ACCOUNTING POLICIES AND PRACTICES

We report all critical accounting policies and practices used by the Trust Funds in preparing the financial statements and our assessment of the disclosure of such policies.

- The financial statements of the Trust Funds have disclosed its accounting policies and practices.

OUR JUDGMENTS ABOUT THE QUALITY OF THE TRUST FUNDS' ACCOUNTING PRINCIPLES

We discuss our judgments about the quality, not just the acceptability, of the accounting principles as applied in the Trust Funds' financial reporting, including the consistency of the accounting principles and their application and the clarity and completeness of the financial statements and related disclosures.

- Based on our audits, we believe the accounting principles used by the Trust Funds are consistent with the previous year and the judgments made by management were reasonable. Disclosures are considered appropriate and consistent with the industry.

Required Communications, Continued

SENSITIVE ACCOUNTING ESTIMATES

The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.

We determine that the Audit Committee is informed about management's process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.

> Significant management estimates for 2020 consist of:

- Fair value of investments specifically for Virginia Bankers Association Group Medical and Dental Trust;
- Estimated health claims incurred but not reported specifically for Virginia Bankers Association Group Medical and Dental Trust.

We believe the accounting estimates made by management are reasonable and consistent with industry standards.

THE ADOPTION OF OR A CHANGE IN AN ACCOUNTING PRINCIPLE

We determine that the Audit Committee is informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.

> There were no new accounting principles or changes in accounting principles during 2020.

ALL MATERIAL ALTERNATIVE ACCOUNTING TREATMENTS DISCUSSED WITH MANAGEMENT

We report to the Audit Committee all alternative accounting treatments within generally accepted accounting principles for policies and practices related to material items (including recognition, measurement, presentation and disclosure alternatives) that have been discussed with management during the current audit period including:

(i) Ramifications of the use of such alternative disclosures and treatments, including the reasons why the alternative was selected and, if management did not select our preferred alternative, the reasons why it was not selected.

(ii) The treatment preferred by us.

> During 2020, we did not discuss any material alternative accounting treatments with management.

Required Communications, Continued

METHODS OF ACCOUNTING FOR SIGNIFICANT UNUSUAL TRANSACTIONS AND FOR CONTROVERSIAL OR EMERGING AREAS

We determine that the Audit Committee is informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

- We are not aware of any significant unusual transactions recorded by the Trust Funds or any significant accounting policies used by the Trust Funds related to controversial or emerging areas for which there is a lack of authoritative guidance.

SIGNIFICANT AUDIT ADJUSTMENTS

We provide the Audit Committee with information about adjustments arising from the audits (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the Trust Funds' financial statements.

- There were no significant audit adjustments related to the 2020 audits. Adjustments made related to reclassifying certain balances for financial statement presentation purposes.

UNADJUSTED AUDIT DIFFERENCES CONSIDERED BY MANAGEMENT TO BE IMMATERIAL

We inform the Audit Committee about unadjusted audit differences accumulated by us (i.e., adjustments either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

- There were no unadjusted audit differences.

FRAUD AND ILLEGAL ACTS

We report to the Audit Committee fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.

- We are not aware of any fraud or illegal acts.

DEFICIENCIES IN INTERNAL CONTROL

We are required to communicate all material weaknesses and significant deficiencies in internal control over financial reporting, which may have been identified during the course of our audits.

- See Appendix "A" for the communication regarding internal control.

Required Communications, Continued

DISAGREEMENTS WITH MANAGEMENT

- None

SERIOUS DIFFICULTIES ENCOUNTERED IN DEALING WITH MANAGEMENT WHEN PERFORMING THE AUDITS

- None

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

- None

MANAGEMENT REPRESENTATIONS IN CONNECTION WITH THE AUDITS

- We understand that the Trust Funds have provided you with a copy of the management representation letters.

CONSULTATION WITH OTHER ACCOUNTANTS

- None of which we are aware.

INDEPENDENCE

We communicate, at least annually, the following to the Audit Committee or Board of Directors of the Trust Funds.

1. Disclose, in writing, all relationships between Keiter and our related entities and the Trust Funds and their related entities that, in our professional judgment, may reasonably be thought to bear on independence.
2. Confirm in writing that, in our professional judgment, we are independent of the Trust Funds.

- We are independent of the Trust Funds.

APPENDIX A – INTERNAL CONTROL COMMUNICATION

Virginia Bankers Association Audit Committee
State Bankers Association Group Insurance Trust and Virginia Bankers Association Group Medical and Dental Trust

In planning and performing our audits of the financial statements of State Bankers Association Group Insurance Trust and Virginia Bankers Association Group Medical and Dental Trust (the "Trust Funds") as of December 31, 2020 and for the year then ended, in accordance with auditing standards generally accepted in the United States, we considered the Trust Funds' internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust Funds' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, the Board of Directors, management, and others within the Trust Funds and is not intended to be and should not be used by anyone other than these specified parties.

Keiter

June 1, 2021
Glen Allen, Virginia

VIRGINIA BANKERS ASSOCIATION

Audit Results & Communications

Report to the Audit Committee of the Board of Directors

June 1, 2021

Keiter
Your Opportunity Advisors

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Keiter
Your Opportunity Advisors

Audit Committee of the Board of Directors
Virginia Bankers Association and Subsidiaries

We are pleased to present the results of our audit of the December 31, 2020 consolidated financial statements of Virginia Bankers Association and Subsidiaries (collectively, the "Association").

This report to the Audit Committee summarizes our audit, the scope of our engagement and the reports to be issued. The document also contains the Audit Committee communications required by our professional standards, as well as significant current regulatory developments that could affect the Association.

The audit is designed to express an opinion on the consolidated financial statements. We considered the Association's current and emerging business needs, along with an assessment of risks that could materially affect the consolidated financial statements and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the entire Board of Directors, and the public expect. We received the full support and assistance of the Association's personnel.

This report is intended solely for the information and use of the Audit Committee, the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you.

Keiter

June 1, 2021
Glen Allen, Virginia

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Table of Contents

Audit Results and Communications

SUMMARY OF WHAT WE AGREED TO DO

As discussed with management during our planning process, our audit plan was designed based on our assessment of risk for the Association and our assessment of external factors that impacted the Association's operating environment. Specifically, we designed our audit to express an opinion on the consolidated financial statements. In addition, included in this report at Appendix A is a letter that documents our consideration of the Association's internal control over financial reporting which also includes recommendations to improve or enhance the Association's internal control environment that we observed during the course of our audit.

We also provide the following services to the Association:

- Prepare the informational tax return – Form 990, the 1120s, partnership tax return, and state tax returns; and
- Assist in the preparation of the consolidated financial statements, including calculation of deferred taxes and proposing adjusting entries.

Under generally accepted auditing standards ("GAAS"), these non-attest services remain the responsibility of the Association's management. In order to ensure that they are in agreement with how these services are performed, a draft of the financial statements, tax returns, deferred tax calculation, and adjusting entries are provided to the Association's management prior to finalization for their review and approval.

Required Communications

Professional standards require the auditor to communicate certain matters to those charged with governance that may assist the Audit Committee in overseeing management's financial reporting and disclosure process. Below we summarize these required communications as they apply to Virginia Bankers Association and Subsidiaries.

AUDITOR'S RESPONSIBILITIES UNDER GENERALLY ACCEPTED AUDITING STANDARDS (GAAS)

The consolidated financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States to provide reasonable, rather than absolute, assurance that the consolidated financial statements are free of material misstatement. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audit and to determine the nature, timing, and extent of testing performed.

- We issued an unmodified opinion on the Association's consolidated financial statements for the year ended December 31, 2020.

CRITICAL ACCOUNTING POLICIES AND PRACTICES

We report all critical accounting policies and practices used by the Association in preparing the consolidated financial statements and our assessment of the disclosure of such policies.

- The consolidated financial statements of the Association have disclosed its accounting policies and practices. These critical accounting policies and practices include:
    - Consolidation of subsidiaries
    - Revenue recognition
    - Investments
    - Functional allocation of expenses
    - Pension assumptions

  The disclosures made by the Association relative to its critical accounting policies and practices are, in our opinion, appropriate.

Required Communications, Continued

OUR JUDGMENTS ABOUT THE QUALITY OF THE ASSOCIATION'S ACCOUNTING PRINCIPLES

We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the Association's financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the consolidated financial statements and related disclosures.

- Based on our audit, we believe the accounting principles used by the Association are consistent with the previous year and the judgments made by management were reasonable. Disclosures are considered appropriate and consistent with the industry.

SENSITIVE ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the consolidated financial statements and the possibility that future events may differ significantly from management's expectations.

We determine that the Audit Committee is informed about management's process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.

- Significant management estimates for 2020 consist of:
  - Collectability of accounts receivable
  - Depreciable lives for property and equipment
  - Fair value of investments
  - Assumptions for valuation of pension and postretirement benefit liabilities

  We believe the accounting estimates made by management are reasonable and consistent with industry standards.

Required Communications, Continued

THE ADOPTION OF OR A CHANGE IN AN ACCOUNTING PRINCIPLE

We determine that the Audit Committee is informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the consolidated financial statements.

- There were no new accounting principles or changes in accounting principles during 2020.

ALL MATERIAL ALTERNATIVE ACCOUNTING TREATMENTS DISCUSSED WITH MANAGEMENT

We report to the Audit Committee all alternative accounting treatments within generally accepted accounting principles for policies and practices related to material items (including recognition, measurement, presentation and disclosure alternatives) that have been discussed with management during the current audit period including:

(i) Ramifications of the use of such alternative disclosures and treatments, including the reasons why the alternative was selected and, if management did not select our preferred alternative, the reasons why it was not selected.

(ii) The treatment preferred by us.

- During 2020, we did not discuss any material alternative accounting treatments with management.

METHODS OF ACCOUNTING FOR SIGNIFICANT UNUSUAL TRANSACTIONS AND FOR CONTROVERSIAL OR EMERGING AREAS

We determine that the Audit Committee is informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

- We are not aware of any significant unusual transactions recorded by the Association or any significant accounting policies used by the Association related to controversial or emerging areas for which there is a lack of authoritative guidance.

Required Communications, Continued

SIGNIFICANT AUDIT ADJUSTMENTS

We provide the Audit Committee with information about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the Association's consolidated financial statements.

- There were no significant audit adjustments related to the 2020 audit. There were deferred tax entries related to Keiter's assistance with the calculation of deferred taxes and eliminating entries related to the financial statements being presented on a consolidated basis.

UNADJUSTED AUDIT DIFFERENCES CONSIDERED BY MANAGEMENT TO BE IMMATERIAL

We inform the Audit Committee about unadjusted audit differences accumulated by us (i.e., adjustments either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole.

- There were no unadjusted audit differences.

FRAUD AND ILLEGAL ACTS

We report to the Audit Committee fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the consolidated financial statements.

- We are not aware of any fraud or illegal acts.

DEFICIENCIES IN INTERNAL CONTROL

We are required to communicate all material weaknesses and significant deficiencies in internal control over financial reporting, which may have been identified during the course of our audit.

- See Appendix "A" for the communication regarding internal control.

DISAGREEMENTS WITH MANAGEMENT

- None

SERIOUS DIFFICULTIES ENCOUNTERED IN DEALING WITH MANAGEMENT WHEN PERFORMING THE AUDIT

- None

Required Communications, Continued

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

- None

MANAGEMENT REPRESENTATIONS IN CONNECTION WITH THE AUDIT

- We understand that the Association has provided you with a copy of the management representation letter.

CONSULTATION WITH OTHER ACCOUNTANTS

- None of which we are aware.

INDEPENDENCE

We communicate, at least annually, the following to the Audit Committee or Board of Directors of the Association.

1. Disclose, in writing, all relationships between Keiter and our related entities and the Association and its related entities that, in our professional judgment, may reasonably be thought to bear on independence.
2. Confirm in writing that, in our professional judgment, we are independent of the Association.

- We are independent of the Association.

Required Communications, Continued

NEW ACCOUNTING AND REGULATORY DEVELOPMENTS

Leases

In February 2016, the FASB issued new guidance over leases which requires that all leasing activity with initial terms in excess of twelve months be recognized on the balance sheet with a right of use asset and a lease liability. The standard will require entities to classify leases as either a finance, or operating lease based upon the contractual terms. For finance leases, the right to use asset and lease liability will be calculated based upon the present value of the lease payments. The asset will then be amortized and the interest on the obligation will be recognized separately within the statement of operations. For operating leases, the right to use asset and lease liability will also be calculated based upon the present value of the lease payments. However, the cost of the lease will generally be allocated over the lease term on a straight-line basis and presented as a single expense on the statement of operations. The new standard will be effective for private companies for periods beginning after December 15, 2021, and will require entities to use a modified retrospective approach to the earliest period presented.

Contributed Services

In September 2020, the FASB issued new guidance related to contributions of non-financial assets received (ASU 2020-07) which amends previous guidance concerning presentation and disclosure of non-financial assets received. Specifically, the amendments require (1) presentation as a separate line item of contributed non-financial assets and (2) disclosure of information about each category of non-financial assets. The new standard will be effective for periods beginning after June 15, 2021 and will require entities to use a retrospective approach to the earliest period presented.

APPENDIX A – INTERNAL CONTROL COMMUNICATION

Audit Committee of the Board of Directors
Virginia Bankers Association and Subsidiaries

In planning and performing our audit of the consolidated financial statements of Virginia Bankers Association and Subsidiaries (the “Association”) as of December 31, 2020 and for the year then ended, in accordance with auditing standards generally accepted in the United States, we considered the Association’s internal control over financial reporting (“internal control”) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

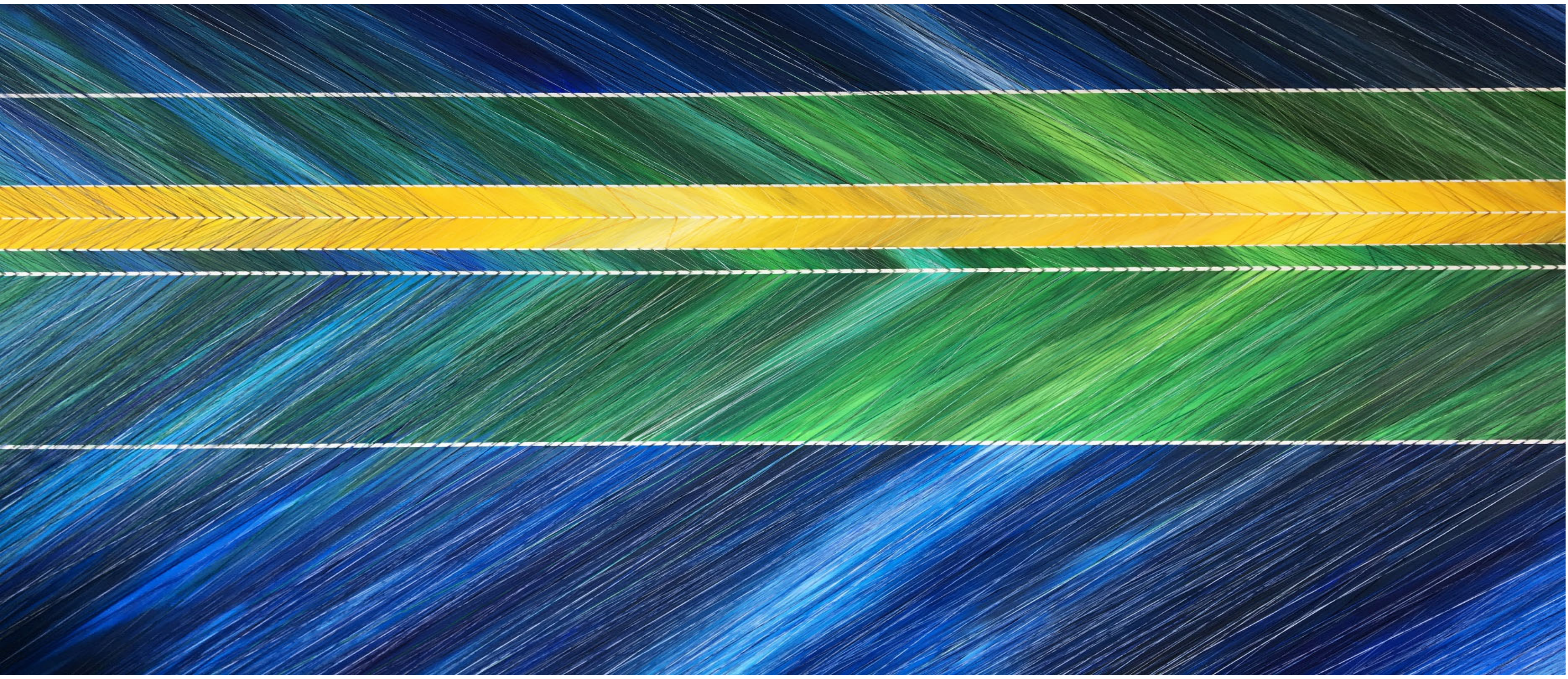
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, the Board of Directors, management, and others within the Association and is not intended to be and should not be used by anyone other than these specified parties.

Keiter

June 1, 2021
Glen Allen, Virginia



Virginia Bankers Association PAC

Audit Results & Communications

Report to the Audit Committee of the Board of Directors

June 1, 2021

Keiter
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Keiter
Your Opportunity Advisors

Audit Committee of the Board of Directors
Virginia Bankers Association PAC

We are pleased to present the results of our audit of the December 31, 2020 financial statement of Virginia Bankers Association PAC (the "Committee").

This report to the Audit Committee summarizes our audit, the scope of our engagement and the reports to be issued. The document also contains the Audit Committee communications required by our professional standards.

The audit is designed to express an opinion on the financial statement. We considered the Committee's current and emerging business needs, along with an assessment of risks that could materially affect the financial statement and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the entire Board of Directors, and the public expect. We received the full support and assistance of the Committee's personnel.

This report is intended solely for the information and use of the Audit Committee, the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you to discuss the audit and the matters in this report.

Keiter

June 1, 2021
Glen Allen, Virginia

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Table of Contents

Audit Results and Communications

SUMMARY OF WHAT WE AGREED TO DO

As discussed with management during our planning process, our audit plan was designed based on our assessment of risk for the Committee and our assessment of external factors that impacted the Committee's operating environment. Specifically, we designed our audit to express an opinion on the financial statement. In addition, included in this report at Appendix A is a letter that documents our consideration of the Committee's internal control over financial reporting.

We also provide the following services to the Committee:

- Prepare the federal 990 and 1120-POL tax returns and Virginia income tax returns; and
- Assist in the preparation of the financial statement, including proposing adjusting entries.

Under generally accepted auditing standards ("GAAS"), these non-attest services remain the responsibility of the Committee's management. In order to ensure that they are in agreement with how these services are performed, a draft of the financial statements and adjusting entries, as well as the income tax returns, are provided to the Committee's management prior to finalization for their review and approval.

Required Communications

Professional standards require the auditor to communicate certain matters to those charged with governance that may assist the Audit Committee in overseeing management's financial reporting and disclosure process. Below we summarize these required communications as they apply to Virginia Bankers Association PAC.

AUDITOR'S RESPONSIBILITIES UNDER GENERALLY ACCEPTED AUDITING STANDARDS (GAAS)

The financial statement is the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States to provide reasonable, rather than absolute, assurance that the financial statement is free of material misstatement. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audit and to determine the nature, timing, and extent of testing performed.

- We issued an unmodified opinion on the Committee's financial statement for the year ended December 31, 2020.

CRITICAL ACCOUNTING POLICIES AND PRACTICES

We report all critical accounting policies and practices used by the Committee in preparing the financial statement and our assessment of the disclosure of such policies.

- The financial statement of the Committee has disclosed its accounting policies and practices. These critical accounting policies and practices include:

    - Cash basis of accounting

  The disclosures made by the Committee relative to its critical accounting policies and practices are, in our opinion, appropriate.

OUR JUDGMENTS ABOUT THE QUALITY OF THE COMMITTEE'S ACCOUNTING PRINCIPLES

We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the Committee's financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statement and related disclosures.

- Based on our audit, we believe the accounting principles used by the Committee are consistent with the previous year and the judgments made by management were reasonable. Disclosures are considered appropriate and consistent with the industry.

Required Communications, Continued

SENSITIVE ACCOUNTING ESTIMATES

The preparation of the financial statement requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statement and the possibility that future events may differ significantly from management's expectations.

We determine that the Audit Committee is informed about management's process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.

- There were no significant management estimates for 2020.

THE ADOPTION OF OR A CHANGE IN AN ACCOUNTING PRINCIPLE

We determine that the Audit Committee is informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statement.

- There were no new accounting principles or changes in accounting principles during 2020.

ALL MATERIAL ALTERNATIVE ACCOUNTING TREATMENTS DISCUSSED WITH MANAGEMENT

We report to the Audit Committee all alternative accounting treatments within generally accepted accounting principles for policies and practices related to material items (including recognition, measurement, presentation and disclosure alternatives) that have been discussed with management during the current audit period including:

(i) Ramifications of the use of such alternative disclosures and treatments, including the reasons why the alternative was selected and, if management did not select our preferred alternative, the reasons why it was not selected.

(ii) The treatment preferred by us.

- During 2020, we did not discuss any material alternative accounting treatments with management.

Required Communications, Continued

METHODS OF ACCOUNTING FOR SIGNIFICANT UNUSUAL TRANSACTIONS AND FOR CONTROVERSIAL OR EMERGING AREAS

We determine that the Audit Committee is informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

- We are not aware of any significant unusual transactions recorded by the Committee or any significant accounting policies used by the Committee related to controversial or emerging areas for which there is a lack of authoritative guidance.

SIGNIFICANT AUDIT ADJUSTMENTS

We provide the Audit Committee with information about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the Committee's financial statement.

- There were no significant audit adjustments related to the 2020 audit.

UNADJUSTED AUDIT DIFFERENCES CONSIDERED BY MANAGEMENT TO BE IMMATERIAL

We inform the Audit Committee about unadjusted audit differences accumulated by us (i.e., adjustments either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statement as a whole.

- There were no unadjusted audit differences.

FRAUD AND ILLEGAL ACTS

We report to the Audit Committee fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statement.

- We are not aware of any fraud or illegal acts.

DEFICIENCIES IN INTERNAL CONTROL

We are required to communicate all material weaknesses and significant deficiencies in internal control over financial reporting, which may have been identified during the course of our audit.

- See Appendix "A" for the communication regarding internal control.

Required Communications, Continued

DISAGREEMENTS WITH MANAGEMENT

- None

SERIOUS DIFFICULTIES ENCOUNTERED IN DEALING WITH MANAGEMENT WHEN PERFORMING THE AUDIT

- None

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

- None

MANAGEMENT REPRESENTATIONS IN CONNECTION WITH THE AUDIT

- We understand that the Committee has provided you with a copy of the management representation letter.

CONSULTATION WITH OTHER ACCOUNTANTS

- None of which we are aware.

INDEPENDENCE

We communicate, at least annually, the following to the Audit Committee or Board of Directors of the Committee.

1. Disclose, in writing, all relationships between Keiter and our related entities and the Committee and its related entities that, in our professional judgment, may reasonably be thought to bear on independence.
2. Confirm in writing that, in our professional judgment, we are independent of the Committee.

- We are independent of the Committee.

APPENDIX A – INTERNAL CONTROL COMMUNICATION

Audit Committee of the Board of Directors
Virginia Bankers Association PAC

In planning and performing our audit of the financial statement of Virginia Bankers Association PAC (the "Committee") for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States, we considered the Committee's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Committee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Committee's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, the Board of Directors, management, and others within the Committee and is not intended to be and should not be used by anyone other than these specified parties.

Keiter

June 1, 2021
Glen Allen, Virginia

State Bankers Association Group Insurance Trust

Financial Statements

December 31, 2020 and 2019

Keiter
Your Opportunity Advisors

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STATE BANKERS ASSOCIATION GROUP INSURANCE TRUST

Table of Contents

Keiter
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REPORT OF INDEPENDENT ACCOUNTANTS

To the Virginia Bankers Association Audit Committee of the Board of Directors
State Bankers Association Group Insurance Trust
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of State Bankers Association Group Insurance Trust (the "Trust"), which comprise the statements of net assets as of December 31, 2020 and 2019, and the related statements of changes in net assets 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 audits 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of State Bankers Association Group Insurance Trust as of December 31, 2020 and 2019, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States.

Other Matter – Form of Financial Statements

The accompanying statements are those of State Bankers Association Group Insurance Trust, which are established under the State Bankers Association Group Insurance Trust and its health and welfare plans (the “Plans”); the statements do not purport to present the financial status of the Plans. The statements do not contain certain information on benefit obligations and other disclosures necessary for a fair presentation of the financial status of the Plans in conformity with accounting principles generally accepted in the United States. Furthermore, these statements do not purport to satisfy the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 relating to the financial statements of employee benefits plans.

Keiter

June 1, 2021
Glen Allen, Virginia

STATE BANKERS ASSOCIATION GROUP INSURANCE TRUST

Statements of Net Assets
December 31, 2020 and 2019

Assets		2020		2019
Cash and cash equivalents	$	7,922	$	9,511
Receivables		536		12,037
Total assets	$	8,458	$	21,548
Liabilities and Net Assets				
Liabilities:				
Premiums payable and accrued expenses	$	520	$	12,514
Net assets		7,938		9,034
Total liabilities and net assets	$	8,458	$	21,548

See accompanying notes to financial statements.

STATE BANKERS ASSOCIATION GROUP INSURANCE TRUST

Statements of Changes in Net Assets
Years Ended December 31, 2020 and 2019

	2020	2019
Additions to net assets attributed to amounts from members:		
Group life insurance and AD&D	$ 3,153,923	$ 2,983,175
Long-term disability	1,659,948	1,562,591
Vision	743,854	700,520
Medicare supplement	634,245	671,059
Short-term disability	404,490	326,238
Hospital indemnity	309,744	269,365
Critical illness	305,693	277,369
Accident	234,788	201,225
Long-term care	108,343	116,171
Legal services	92,285	78,870
Total amounts from members	7,647,313	7,186,583
Investment return, net of fees	(1,714)	(1,302)
Total additions	7,645,599	7,185,281
Deductions from net assets attributed to amounts paid to insurance companies:		
Group life insurance and AD&D	3,153,923	2,983,175
Long-term disability	1,659,948	1,562,591
Vision	743,236	699,701
Medicare supplement	634,245	671,059
Short-term disability	404,490	326,238
Hospital indemnity	309,744	269,365
Critical illness	305,693	277,369
Accident	234,788	201,225
Long-term care	108,343	116,171
Legal services	92,285	78,870
Total amounts paid to insurance companies	7,646,695	7,185,764
Decrease in net assets	(1,096)	(483)
Net assets, beginning of year	9,034	9,517
Net assets, end of year	$ 7,938	$ 9,034

See accompanying notes to financial statements.

1. Organization and Nature of Activities:

The Virginia Bankers Association Benefits Corporation (“Benefits Corporation”), a Virginia corporation, is a wholly-owned subsidiary of the Virginia Bankers Association (“VBA”), the trade association for the banking industry in Virginia. Benefits Corporation offers VBA and other eligible state banking association members a program (the “Program”) of group employee health and welfare benefits that members may offer to their eligible employees and their dependents. The Program includes a variety of life, short-term disability, long-term disability, accidental death and dismemberment, vision, long-term care, accident and critical illness, hospital indemnity, Medicare supplement and pre-paid legal plans (collectively, the “Plans”). The Plans are fully insured pursuant to insurance policies (“Policies”).

The Benefits Corporation maintains the State Bankers Association Group Insurance Trust (the “Trust”) as a voluntary employees’ beneficiary association under Section 501(c)(9) of the Internal Revenue Code of the United States for the purpose of holding and utilizing contributed assets for the exclusive benefit of employees (and their eligible dependents and beneficiaries) of members that participate in the Plans. Each member that elects to participate in a Plan is the plan sponsor and plan administrator of its Plans, and each such member delegates to Benefits Corporation certain administrative duties and responsibilities with respect to such Plans. Benefits Corporation is the trust sponsor of the Trust, and SunTrust Bank is the trustee of the Trust. The Trust is a multiple employer welfare arrangement (“MEWA”) subject to federal and Virginia MEWA laws and regulations.

Each year, the Benefits Corporation and the Trust execute a participation agreement (“Participation Agreement”) with each employer member (a “Member”) that elects to participate in the Plans. The Participation Agreements set forth the rights, obligations and liabilities of the parties with respect to the Plans and the assets in the Trust, including among other things, the payment of premiums. The Plans require Members to make monthly payments based on rates that are fixed for the year and do not vary based on the Member’s claims experience. See Note 3 for more information about the Participation Agreements and Member payments to the Trust.

The Benefits Corporation and the Trust have procured insurance Policies with various insurance companies to pay claims incurred under the Plans. See Note 4 for more information about the insurance policies.

During March 2020, a novel strain of coronavirus (“COVID-19”) outbreak was declared a worldwide health pandemic by the World Health Organization. The situation is evolving with various cities and countries around the world responding in different ways to address the outbreak. There are direct and indirect economic effects developing for various industries and individual companies throughout the world. Management will continue to monitor the impact of COVID-19 on the Trust and will reflect the effects as appropriate in the Trust’s financial records.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The financial statements of the Trust are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Revenue Recognition: In May 2014, the FASB issued *Accounting Standards Update 2014-09 – Revenue Recognition from Contracts with Customers (Topic 606)*. The update modifies the guidance used to recognize revenue from contracts with customers for transfers of goods or services and transfers of nonfinancial assets, unless those contracts are within the scope of other guidance. The update eliminates all transaction and industry-specific accounting principles and replaces them with a unified, five step approach. The Trust adopted the standard as of January 1, 2019, under the full retrospective transition method. The adoption of the ASU resulted in no adjustments to previously recorded amounts.

The Trust recognizes revenue when earned. The performance obligation of the Trust to its customers is administration of the Trust. Specifically, the Trust is obligated to hold member premiums in the Trust until it is time to pay for the benefits. For all Plans, revenue is earned and recognized when payments are received from Members, which approximates the timing paid for benefits.

Income Taxes: As evidenced by a tax determination letter dated November 23, 2016, the Trust has received a favorable tax determination from the Internal Revenue Service specifying that the Trust is a voluntary employee's beneficiary association and a qualified trust under Section 501(c)(9) of the Internal Revenue Code and the Trust is generally exempt from taxation under the provisions of Section 501(a) and the tax statues of the Commonwealth of Virginia. Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. To the extent the assets in the Trust exceed statutory limits, the Trust may be subject to tax on its unrelated business income. Management has determined that the Trust does not have any material unrecognized tax benefits or obligations as of December 31, 2020 or 2019.

Subsequent Events: The Trust has evaluated subsequent events through June 1, 2021, the date the financial statements were available to be issued, and has determined that there are no subsequent events to be reported in the accompanying financial statements.

3. Payments from Participating Members and Participation Agreements:

Premiums for all of the Plans are paid by participating Members to the Benefits Corporation. Benefits Corporation applies a portion of those premiums to administrative fees and expenses for the Plans and Trust, and a remainder of the premiums are deposited in the Trust as Trust assets to be utilized for the benefit of Plan participants. "Amounts from members" on the Statements of Changes in Net Assets represents the amounts received from Members that are deposited into the Trust, and does not include the amounts the Benefits Corporation applies to administrative fees and expenses of the Plan and Trust. See Note 6.

The Benefits Corporation and the Trust execute a Participation Agreement with each Member that elects to participate in the Plans. The Participation Agreements set forth the rights, obligations, and liabilities of the parties with respect to the Plans and the assets in the Trust, including amount other things, the payment of premiums. Members are required to make monthly payments based on rates that are fixed for the year and do not vary based on the Member's claims experience.

The Trust and the Benefits Corporation, with assistance from the insurance companies that issue the applicable Policies, set the rates for each Plan that participating Members pay each year. The rates are designed to cover the Policy premiums and administrative fees and expenses.

4. Payments to Insurance Companies and Claims Administrators:

The Benefits Corporation and the Trust have procured insurance Policies with various insurance companies to pay claims under the Plans. The Trust pays the premiums for such Policies with the assets of the Trust. Such premiums are generally paid monthly. The insurance companies that issue the Policies are responsible for paying all claims and benefits under the Plans. The Benefits Corporation and the Trust are not responsible for paying any such claims or benefits.

Amounts paid to insurance companies on the Statements of Changes in Net Assets represent those payments described above to insurance companies for premiums for insurance Policies.

5. Related Party Transactions:

Various affiliates of the Virginia Bankers Association participate in the Trust. Premiums paid by the individual affiliates were comprised of the following for the years ended December 31:

	2020	2019
Bankers Insurance, LLC	$ 263,880	$ 227,392
Virginia Bankers Association	58,076	56,975
Virginia Title Center, L.L.C.	15,551	14,967
Bankers Title, L.L.C.	6,681	6,169
West Virginia Bankers Title, L.L.C	6,610	5,981
Bankers Title Shenandoah, L.L.C.	4,840	3,927
	$ 355,638	$ 315,411

6. Plans:

The financial statements are those of the Trust, not of the Plans or Benefits Corporation. The financial statements do not purport to present the financial performance or condition of the Plans or Benefits Corporation. The financial statements do not contain certain information on the benefit obligations and other disclosure necessary for a fair presentation of the financial status of the Plans in conformity with accounting principles generally accepted in the United States. Furthermore, the financial statements do not purport to satisfy the Department of Labor’s Rules and Regulations for Reporting and Disclosures under the Employee Retirement Income Security Act of 1974 relating to the financial statements of employee benefit plans.

Virginia Bankers Association

Consolidated Financial Statements

December 31, 2020 and 2019

Keiter
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VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Table of Contents

Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

The Audit Committee of the Board of Directors
Virginia Bankers Association and Subsidiaries
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Virginia Bankers Association and Subsidiaries (the "Association"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Virginia Bankers Association and Subsidiaries as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the 2020 and 2019 consolidated financial statements as a whole. The 2020 and 2019 consolidating and other supplemental information on pages 31-39 are presented for purposes of additional analysis and are not a required part of the 2020 and 2019 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 and 2019 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the 2020 and 2019 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 and 2019 consolidated financial statements or to the 2020 and 2019 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 and 2019 information is fairly stated in all material respects in relation to the 2020 and 2019 consolidated financial statements as a whole.

Keiter

June 1, 2021
Glen Allen, Virginia

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidated Statements of Financial Position
December 31, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	$ 2,911,970	$ 1,996,483
Investments	4,492,899	5,028,349
Accrued interest receivable	8,947	5,301
Accounts receivable	488,881	463,676
Income taxes receivable	-	14,547
Prepaid expenses	119,709	94,667
Property and equipment, net	2,445,570	2,512,506
Retirement benefits	1,042,418	840,550
Cash surrender value of life insurance	124,309	118,843
Total assets	$ 11,634,703	$ 11,074,922
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 290,450	$ 423,765
Income taxes payable	96,542	-
Deferred revenue	724,516	538,279
Accrued pension liability	403,667	282,825
Accrued postretirement health care benefits	164,219	163,058
Retirement liability	1,042,418	840,550
Deferred income taxes, net	102,499	144,415
Total liabilities	2,824,311	2,392,892
Net assets - without donor restrictions	8,810,392	8,682,030
Total liabilities and net assets	$ 11,634,703	$ 11,074,922

See accompanying notes to consolidated financial statements.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Health and welfare administrative fees	$ 2,006,036	$ 1,909,238
Membership dues	1,022,357	1,078,815
Education and conference revenue	977,217	1,645,639
Management fees	813,274	741,762
Revenue sharing income	579,924	648,534
Defined benefit and contribution administrative fees	454,863	413,717
Product and endorsement income	428,613	517,649
Rental income	229,354	169,430
Nonqualified plan fees	149,058	139,614
Investment income, net	140,155	41,473
Insurance commissions	30,368	33,077
Other revenue	1,879	940
Total revenue	6,833,098	7,339,888
Operating expenses:		
Salaries and benefits	3,391,756	3,375,992
Consulting	739,978	702,937
Benefits administration	539,320	965,959
Education and conferences	451,503	1,003,514
Professional fees	446,663	274,637
Depreciation	230,011	221,016
Office expenses	201,294	217,479
Occupancy	153,010	183,493
Other operating expenses	50,651	69,794
Insurance	47,410	44,202
Travel and education	32,613	130,163
Marketing	23,215	3,107
Meetings	8,323	42,552
Publications and products	1,780	14,540
Interest expense	-	53,364
Income tax expense	171,657	45,278
Total operating expenses	6,489,184	7,348,027
Change in net assets - without donor restrictions before pension-related changes	343,914	(8,139)

See accompanying notes to consolidated financial statements.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidated Statements of Activities, Continued
Years Ended December 31, 2020 and 2019

	2020	2019
Change in net assets - without donor restrictions before pension-related changes	$ 343,914	$ (8,139)
Pension-related changes other than net periodic pension cost and postretirement benefits	(209,944)	(145,313)
Postretirement changes	(5,608)	13,181
Change in net assets - without donor restrictions	128,362	(140,271)
Net assets - without donor restrictions, beginning of year	8,682,030	8,822,301
Net assets - without donor restrictions, end of year	$ 8,810,392	$ 8,682,030

See accompanying notes to consolidated financial statements.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services			Support Services	
	Advocacy and Communication	Employee Benefits	Products and Services	Administrative	Total Expenses
Salaries and benefits	$ 658,848	$ 1,043,879	$ 1,218,802	$ 470,227	$ 3,391,756
Consulting expense	15,735	694,821	28,609	813	739,978
Benefits administration	-	539,320	-	-	539,320
Education and conference	-	-	451,503	-	451,503
Professional fees	144,754	282,460	19,014	435	446,663
Depreciation	56,698	64,169	93,815	15,329	230,011
Office expenses	59,617	53,305	87,898	474	201,294
Occupancy	22,103	44,640	71,457	14,810	153,010
Other operating expenses	10,021	12,660	25,598	2,372	50,651
Insurance	11,548	19,804	15,698	360	47,410
Travel and education	14,014	9,643	8,956	-	32,613
Marketing	-	23,215	-	-	23,215
Meetings	4,023	445	3,855	-	8,323
Publications and products	-	-	1,780	-	1,780
Income tax expense	-	105,495	66,162	-	171,657
Total expenses	$ 997,361	$ 2,893,856	$ 2,093,147	$ 504,820	$ 6,489,184

See accompanying notes to consolidated financial statements.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services			Support Services	
	Advocacy and Communication	Employee Benefits	Products and Services	Administrative	Total Expenses
Salaries and benefits	$ 683,882	$ 1,001,536	$ 1,221,794	$ 468,780	$ 3,375,992
Education and conference	-	-	1,003,514	-	1,003,514
Benefits administration	-	965,959	-	-	965,959
Consulting expense	12,221	667,577	22,357	782	702,937
Professional fees	130,303	125,510	18,429	395	274,637
Depreciation	56,471	62,843	86,887	14,815	221,016
Office expenses	67,898	57,124	92,131	326	217,479
Occupancy	26,598	53,227	86,577	17,091	183,493
Travel and education	50,214	35,046	44,903	-	130,163
Other operating expenses	5,782	22,335	40,701	976	69,794
Interest expense	7,735	15,479	25,179	4,971	53,364
Insurance	10,858	19,482	13,516	346	44,202
Meetings	22,049	6,752	13,751	-	42,552
Publications and products	-	-	14,540	-	14,540
Marketing	-	3,070	37	-	3,107
Income tax expense	-	8,416	36,862	-	45,278
Total expenses	$ 1,074,011	$ 3,044,356	$ 2,721,178	$ 508,482	$ 7,348,027

See accompanying notes to consolidated financial statements.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 128,362	$ (140,271)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	230,011	221,016
Net depreciation in the fair value of investments	39,314	110,841
Deferred income taxes, net	(41,916)	(70,841)
Loss on disposal of property and equipment	16,125	-
Realized loss on sale of investments	-	3,504
Changes in operating assets and liabilities:		
Receivables	(28,851)	(122,353)
Prepaid expenses	(25,042)	29,835
Retirement benefits	(201,868)	(191,120)
Income taxes receivable and payable	111,089	15,295
Accounts payable and accrued expenses	(133,315)	(101,624)
Deferred revenue	186,237	(63,366)
Accrued pension expense	120,842	163,669
Accrued postretirement health care benefits	1,161	(15,136)
Retirement liability	201,868	191,120
Net cash provided by operating activities	604,017	30,569
Cash flows from investing activities:		
Purchase of property and equipment	(179,200)	(43,572)
Cash surrender value of life insurance policies	(5,466)	(5,466)
Purchase of investments	(369,699)	(1,024,862)
Proceeds from matured investments	865,835	2,040,378
Net cash provided by investing activities	311,470	966,478
Cash flows used in financing activities:		
Principal payments on long-term debt	-	(1,926,598)
Net change in cash and cash equivalents	915,487	(929,551)
Cash and cash equivalents, beginning of year	1,996,483	2,926,034
Cash and cash equivalents, end of year	$ 2,911,970	$ 1,996,483
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 102,483	$ 100,825
Cash paid for interest	$ -	$ 53,364

See accompanying notes to consolidated financial statements.

1. Description of Business:

Virginia Bankers Association ("VBA"), founded in 1893, is a not-for-profit Virginia nonstock corporation representing commercial and savings banks in the Commonwealth of Virginia. The primary mission of VBA includes supporting the federal and state legislative processes as they relate to banks and savings institutions, providing member education and training, and generally supporting any member need or common issue that can best be accomplished by a central organization. Other banking support is provided through two wholly owned for-profit subsidiaries, VBA Benefits Corporation ("Benefits Corporation") and VBA Management Services, Inc. ("Management Services").

Benefits Corporation, founded in 1992, is incorporated in the Commonwealth of Virginia. It administers the Virginia Bankers Association Group Medical and Dental Trust, the State Bankers Association Group Insurance Trust, the Trust Fund of Virginia Bankers Association Master Defined Benefit Pension Plan and Trust, and the Trust Fund of Virginia Bankers Association Master Defined Contribution Plan and Trust ("Affiliated Trusts") for participating members of VBA. Accordingly, Benefits Corporation receives revenue sharing income and fees for these administrative services (included in health and welfare administrative fees and defined benefit and contribution administrative fees in the accompanying Consolidated Statements of Activities) and pays certain operating expenses of these Affiliated Trusts. The Benefits Corporation also operates as an agent for various types of nonqualified plans. Benefits Corporation offers these plans to commercial banks, savings institutions, and associate members, who in turn provide coverage to their employees.

Management Services, founded in 1993, is incorporated in the Commonwealth of Virginia and its primary mission is to introduce products and services to members of VBA that provide new income opportunities, offer cost savings, help banks stay in regulatory compliance and help train bank employees. To accomplish this mission, Management Services provides education and training and product endorsements to VBA member banks. Management Services has been contracted by the owners of certain companies to manage the business affairs of these companies.

VBA Properties, LLC ("Properties") is a Virginia limited liability company created in 2004. Properties is equally owned by VBA, Benefits Corporation and Management Services. The primary purpose of Properties is to hold and manage the assets and liabilities of the Association's headquarters building.

VBA and subsidiaries are collectively referred to herein as the "Association".

1. Description of Business, Continued:

During March 2020, a novel strain of coronavirus ("COVID-19") outbreak was declared a worldwide health pandemic by the World Health Organization. The situation is evolving with various cities and countries around the world responding in different ways to address the outbreak. There are direct and indirect economic effects developing for various industries and individual companies throughout the world. Management will continue to monitor the impact COVID-19 has on the Association and will reflect the effects as appropriate in the Association's financial records.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The Association prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States, which include using the accrual basis of accounting.

Consolidation: The consolidated financial statements include the accounts of VBA and its subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation. Net assets are reported as without donor restrictions since they are available at the discretion of the Board of Directors for use in the Association's operations.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Association considers all highly liquid investment instruments with an original maturity at purchase of three months or less to be cash equivalents.

Investments: Investments include certificates of deposit, mutual funds, and equity securities. These investments are measured at fair value based on the most recent trade price with gains and losses included in the accompanying Consolidated Statements of Activities.

2. Summary of Significant Accounting Policies, Continued:

Investments, Continued: The Association also has investments in common stock of four privately-held companies in the banking industry, which are valued at the lower of cost or market. At December 31, 2020 and 2019, the Association's investment in Infinex Investments, Inc., Compliance Alliance, Alliance of Bankers Association, and Canapi Ventures Fund, LLC was $112,018 and $82,724, respectively. Annually, management evaluates these investments for potential impairment based on the financial results of the privately-held companies. These investments were not considered to be impaired at December 31, 2020 or 2019. As these investments are held at cost, the privately held stock is excluded from the fair value hierarchy at Note 6.

Accounts Receivable: The Association closely monitors outstanding accounts receivables and identifies bad debts based on the collectability of the receivable and management's judgment. The Association uses the reserve method of accounting for bad debts. There was no reserve for uncollectible receivables as of December 31, 2020 or 2019.

Property and Equipment: Property and equipment are stated at cost. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets, generally three to ten years for furniture, fixtures and vehicles and thirty years for building and improvements. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Valuation of Long-lived Assets: The Association reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of assets exceeds the estimated value of the assets. There were no impairment losses in 2020 and 2019. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less cost to sell.

Net Assets: The consolidated financial statements report amounts separately by class of net assets as follows:

> Net assets without donor restriction are those available for use at the discretion of the Board of Directors for use in the Association's operations and those resources invested in property and equipment. All net assets without donor restrictions are undesignated as of December 31, 2020 and 2019. There are no board designated net assets.

2. Summary of Significant Accounting Policies, Continued:

Net Assets, Continued:

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include donor-imposed stipulations for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, temporarily restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that they be maintained permanently by the Association to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation. The Association had no net assets with donor restrictions at December 31, 2020 and 2019.

Revenue Recognition: Revenue is generated through membership dues, management services, health and welfare administrative fees, retirement plan fees, rental income, insurance commissions, and educational training seminars sponsored by the Association. Dues revenue is recorded as earned on a pro rata basis over the Association's fiscal year.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014- 09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in Generally Accepted Accounting Principles ("GAAP"). The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Association adopted the new standard effective January 1, 2019, the first day of the Association's fiscal year using the modified retrospective approach. The adoption of this ASU did not have a significant impact on the Association's financial statements and no changes were required to previously reported revenues as a result of the adoption.

The Association recognizes the majority of its revenue, other than educational and conferences, over time. Economic factors may impact the nature, amount, and timing of revenue recognition.

Dues: The Association provides services for its members in the forms of communication, member relations, and government relations. Fees associated with these services are billed as part of membership dues each year. The performance obligation for providing these services is satisfied over time (the calendar year) because the members are continually receiving and consuming the benefits as they are provided by the Association each month. Therefore, revenue related to dues is recognized during the calendar year, which is equivalent, annually, to recognizing the dues monthly, or over time.

2. Summary of Significant Accounting Policies, Continued:

Revenue Recognition, Continued: *Management Fees*: The Association provides management type services for its members pursuant to individual management agreements. The performance obligation for providing these services is satisfied over time because the members are continually receiving and consuming the benefits as they are provided by the Association each month. Therefore, revenue related to management fees is recognized monthly, or over time.

Health and Welfare Administration: The Association provides insurance services for its members whereby it collects insurance premiums and remits them to the applicable carrier. Fees associated with these services are billed monthly pursuant to individual participation agreements. The performance obligation for providing these services is satisfied over time because the members are continually receiving and consuming the benefits as they are provided by the Association each month. Therefore, revenue related to health and welfare administration is recognized monthly, or over time.

Educational and Conferences: The Association earns revenues related to registration fees and educational program or event fees. The performance obligation for providing these classes or events is satisfied at a point in time, the day of the class or event. Therefore, revenue related to classes and events is recognized on the day that the class or event is completed.

Contract assets relate to the Association's conditional right to payment for performance completed to date under a contract. Accounts receivable are recorded when the right to payment becomes unconditional. Contract liabilities represent the Association’s obligation to transfer goods or services to a customer when the customer prepays consideration for goods and services. The Association has no contract assets at January 1, 2019, December 31, 2019, or December 31, 2020. The Association has contract liabilities of $601,645 at January 1, 2019, $538,279 at December 31, 2019, and $724,516 at December 31, 2020, which are recorded as deferred revenue on the accompanying Consolidated Statements of Financial Position.

Functional Allocation of Expenses: The accompanying 2020 and 2019 Consolidated Statements of Functional Expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Association are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other supporting services based on time and effort or the proportion of employees within a program or other supporting service versus the total organizational employee count.

2. Summary of Significant Accounting Policies, Continued:

Income Taxes: VBA is generally exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia. The consolidated financial statements provide for income taxes for its for-profit subsidiaries, Benefits Corporation and Management Services. These subsidiaries file separate federal and state income tax returns. Properties is classified as a partnership for federal income tax purposes and, therefore, the consolidated financial statements do not include a provision for income taxes for this entity.

Income Tax Uncertainties: The Association follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Association's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Association's tax positions and concluded that the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Association is not currently under audit by any tax jurisdiction.

Concentrations of Credit Risk: Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash, investments and receivables.

The Association maintains its cash balances in financial institutions with balances that periodically exceed federally insured limits.

Accounts receivable are reviewed for credit worthiness and consist mainly of amounts due from members of the Association, Affiliated Trusts, and affiliated companies.

The Association invests in certificates of deposit, mutual funds and equity securities. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the consolidated financial statements.

Advertising Expense: Advertising costs are expensed as incurred and amounted to $23,215 for 2020 and $3,107 for 2019.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

2. Summary of Significant Accounting Policies, Continued:

Subsequent Events: Management has evaluated subsequent events through June 1, 2021, the date the consolidated financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying consolidated financial statements.

3. Cash and Cash Equivalents:

Cash and cash equivalents at December 31, 2020 and 2019 consisted of:

	2020	2019
Cash	$ 2,527,210	$ 1,647,050
Money market accounts	384,760	349,433
	$ 2,911,970	$ 1,996,483

4. Investment Income:

Investment income for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Interest on cash equivalents	$ 786	$ 5,764
Interest and dividends on investments	178,683	150,054
Net depreciation in the fair value of investments	(39,314)	(110,841)
Realized loss on investments	-	(3,504)
	$ 140,155	$ 41,473

The net depreciation in the fair value of investments shown above includes retirement benefits and nonmarketable stock included in investments in the accompanying Consolidated Statements of Financial Position. No investment expenses were incurred during 2020 or 2019.

5. Liquidity and Availability of Resources:

The following table reflects the Association's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 2,911,970	$ 1,996,483
Investments - certificates of deposit	3,410,708	3,936,138
Investments	1,082,191	1,092,211
Accounts receivable	488,881	463,676
Retirement benefits	1,042,418	840,550
Cash surrender value of life insurance	124,309	118,843
Income tax receivable	-	14,547
Accrued interest receivable	8,947	5,301
Financial assets, at year-end	9,069,424	8,467,749
Less those unavailable for general expenditure within one year, due to:		
Investments not convertible to cash within next 12 months	(1,472,905)	(2,935,105)
Retirement benefits designated for future retirement liabilities	(1,042,418)	(840,550)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,554,101	$ 4,692,094

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

6. Fair Value Measurements:

FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The fair values of equity investments (equities and mutual funds) that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Certificates of deposit: Valued at face value, plus accrued interest as reported by the issuing institutions.

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Cash surrender value of life insurance: The fair value and cash value of life insurance was determined to be the same because the life insurance policies have no liquid market value, they are not transferrable or assignable, and there are no defined maturities of the cash flows.

6. Fair Value Measurements, Continued:

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association 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 fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2020:

	2020			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 3,410,708	$ -	$ 3,410,708
Equity securities	970,173	-	-	970,173
Subtotal investments	970,173	3,410,708	-	4,380,881
Mutual funds:				
Commodities	52,884	-	-	52,884
Mid cap	198,818	-	-	198,818
Money market	53,671	-	-	53,671
Large blend	582,142	-	-	582,142
International	27,075	-	-	27,075
Small cap	71,019	-	-	71,019
Financial	40,851	-	-	40,851
Other	15,958	-	-	15,958
Subtotal retirement benefits	1,042,418	-	-	1,042,418
Cash surrender value of life insurance	-	-	124,309	124,309
Total assets at fair value	$ 2,012,591	$ 3,410,708	$ 124,309	$ 5,547,608

6. Fair Value Measurements, Continued:

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2019:

	2019			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 3,936,138	$ -	$ 3,936,138
Equity securities	1,009,487	-	-	1,009,487
Subtotal investments	1,009,487	3,936,138	-	4,945,625
Mutual funds:				
Commodities	48,334	-	-	48,334
Mid cap	158,677	-	-	158,677
Money market	5,078	-	-	5,078
Large blend	494,122	-	-	494,122
International	23,512	-	-	23,512
Small cap	49,592	-	-	49,592
Financial	45,924	-	-	45,924
Other	15,311	-	-	15,311
Subtotal retirement benefits	840,550	-	-	840,550
Cash surrender value of life insurance	-	-	118,843	118,843
Total assets at fair value	$ 1,850,037	$ 3,936,138	$ 118,843	$ 5,905,018

Due to significant unobservable inputs included in the valuation model for the cash value of life insurance, the resulting accumulated premiums applied to the savings component of the life insurance policy is classified as level 3. The fair value of the life insurance contract was estimated at the net cash value the Association would receive if it surrendered the policy to the insurance provider. There were no transfers in or out of level three assets for 2020 or 2019.

Premiums paid for life insurance were $5,466 for each of the years ended December 31, 2020 and 2019.

7. Property and Equipment:

Property and equipment at December 31, 2020 and 2019 consisted of:

	2020	2019
Land	$ 399,547	$ 399,547
Building	3,066,554	3,098,803
Building improvements	683,628	558,567
Furniture and fixtures	1,001,938	982,932
Vehicles	165,994	130,862
	5,317,661	5,170,711
Accumulated depreciation	(2,872,091)	(2,658,205)
	$ 2,445,570	$ 2,512,506

Depreciation expense was $230,011 for 2020 and $221,016 for 2019.

A portion of the Association's office space is leased to an unrelated party with lease term that began in January 2020. The amount received for rent during 2020 was $63,299. The office space was previously leased to an unrelated party with lease term that ended in January 2019. The amount received for rent during 2019 was $6,150. Additional space is leased to a related party as discussed in Note 11.

8. Employee Benefit Plans:

The Association participates in a defined benefit cash balance plan through the Virginia Bankers Association Master Defined Benefit Pension Plan and Trust (the "Plan"), which covers substantially all employees. Contributions and benefits are based upon age and level of compensation.

The Association is required to recognize the funded status of defined benefit and other postretirement plans as an asset or liability in the accompanying Consolidated Statements of Financial Position. Funded status represents the difference between the fair value of plan assets and the projected benefit obligation. Changes in the net actuarial pension loss, net of taxes, are required to be recognized through the accompanying Consolidated Statements of Activities in the year in which the changes occur.

8. Employee Benefit Plans, Continued:

Defined benefit plan

The following sets forth the changes in the benefit obligation, plan assets and funded status of the Plan and the amounts recognized in the Association's accompanying Consolidated Statements of Financial Position as of December 31:

	2020	2019
Change in benefit obligation:		
Projected benefit obligation, beginning of year	$ 3,737,894	$ 3,292,707
Service cost	125,925	91,838
Interest cost	119,951	137,030
Actuarial loss	411,541	502,646
Benefits paid	(143,051)	(286,327)
Projected benefit obligation, end of year	4,252,260	3,737,894
Change in plan assets:		
Fair value of assets, beginning of year	3,455,069	3,173,545
Actual return on plan assets	436,575	567,851
Employer contributions	100,000	-
Benefits paid	(143,051)	(286,327)
Fair value of assets, end of year	3,848,593	3,455,069
Accumulated benefit obligation	$ 4,252,260	$ 3,737,894
Funded status at end of year	$ (403,667)	$ (282,825)
Net periodic pension cost	$ 10,899	$ 18,356

8. Employee Benefit Plans, Continued:

Assumptions used to determine benefit obligation:

	2020	2019
Discount rate	2.50%	3.25%
Expected return on plan assets	7.25%	7.25%
Rate of compensation increase	3.00%	3.00%

Expected long-term return on assets is determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio.

The Association's pension plan weighted-average asset allocations by asset category are as follows as of December 31:

	2020	2019
Mutual funds - fixed income	37%	39%
Mutual funds - equity	63%	61%
	100%	100%

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Cash and cash equivalents: Valued at cost which approximates fair value.

Broker receivable: Valued at cost which approximates fair value.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

8. Employee Benefit Plans, Continued:

The following tables set forth, by level within the fair value hierarchy, the Plan's assets at fair value as of December 31:

	2020			
	Level 1	Level 2	Level 3	Total
Cash and equivalents	$ 1,170	$ -	$ -	$ 1,170
Mutual funds:				
Fixed income funds	1,429,411	-	-	1,429,411
Equity funds	2,418,012	-	-	2,418,012
Total assets at fair value	$ 3,848,593	$ -	$ -	$ 3,848,593

	2019			
	Level 1	Level 2	Level 3	Total
Broker receivable	$ 11,004	$ -	$ -	$ 11,004
Mutual funds:				
Fixed income funds	1,328,991	-	-	1,328,991
Equity funds	2,115,074	-	-	2,115,074
Total assets at fair value	$ 3,455,069	$ -	$ -	$ 3,455,069

The Plan is sufficiently diversified to maintain a reasonable level of risk without imprudently sacrificing return, with a targeted asset allocation of 40% fixed income and 60% equities for 2020 and 2019. The investment manager selects investment fund managers with demonstrated experience and expertise, and funds with demonstrated historical performance, for the implementation of the Plan's investment strategy. The investment manager considers both actively and passively managed investment strategies and allocates funds across the asset classes.

8. Employee Benefit Plans, Continued:

Expected long-term rate of return on assets

The plan sponsor selects the expected long-term rate-of-return-on-assets assumption in consultation with the investment advisors and actuary. This rate is intended to reflect the average rate of earnings expected to be earned on the funds invested or to be invested to provide plan benefits. Historical performance is reviewed especially with respect to real rates of return (net of inflation) for the major asset classes held or anticipated to be held by the trust, and for the trust itself. Undue weight is not given to recent experience with higher significance placed on current forecasts of future long-term economic conditions. Because assets are held in a qualified trust, anticipated returns are not reduced for taxes. Consideration is given to the potential impact of current and future investment policy, cash flow into and out of the trust, and expenses (both investment and non-investment) typically paid from plan assets (to the extent such expenses are not explicitly estimated within periodic cost).

Discount rate

The process used to select the discount rate assumption takes into account the benefit cash flow and the segmented yields on high-quality corporate bonds that would be available to provide for the payment of the benefit cash flow. A single effective discount rate, rounded to the nearest .25%, is then established that produces an equivalent discounted present value.

Pension benefit payments, which reflect future service, as appropriate, are expected to be paid as follows for the subsequent years ending December 31:

Year Ended	Amount
2021	$ 131,390
2022	135,301
2023	133,750
2024	161,684
2025	130,116
Thereafter	3,121,199
	$ 3,813,440

8. Employee Benefit Plans, Continued:

Net periodic pension cost for 2021 is expected as follows:

Service costs	$	144,270
Interest cost		105,470
Expected return on assets		(282,643)
Amortization of unrecognized prior service cost and net loss		27,078
	$	(5,825)

Defined contribution plan

The Association has a 401(k) profit sharing plan for substantially all of their employees. The total amount contributed to the plan was $126,975 and $124,666 for 2020 and 2019, respectively.

Postretirement benefits plan

The Association has committed to pay a portion of the health care premiums after retirement for one retired employee. The retiree has been granted insurance at the same rate as current employees. The accrued postretirement health care benefit for the covered retiree has been actuarially determined based on the maximum monthly amount and their life expectancy. The discount rate used that sets forth the weighted average assumptions for the accrued postretirement health care benefit for 2020 and 2019 was 3.25% and 4.25%, respectively. This plan is unfunded. Annual payments for 2020 and 2019 approximate $11,600 and $12,200 respectively. The healthcare cost trend rate for 2021 is expected to be 6%, and ultimately expected to be 4% by 2025.

8. Employee Benefit Plans, Continued:

The following sets forth the change in the benefit obligation, plan assets and funded status of the postretirement health care benefit plan and the amounts recognized in the Association's accompanying Consolidated Statements of Financial Position as of December 31:

	2020	2019
Change in benefit obligation:		
Projected benefit obligation, beginning of year	$ 163,058	$ 178,194
Interest cost	5,112	7,316
Actuarial loss (gain)	7,691	(10,224)
Benefits paid	(11,642)	(12,228)
Projected benefit obligation, end of year	164,219	163,058
Change in plan assets:		
Fair value of assets, beginning of year	-	-
Employer contributions	11,642	12,228
Benefits paid	(11,642)	(12,228)
Fair value of assets, end of year	-	-
Funded status, end of year	$ (164,219)	$ (163,058)

The Association also provides retirement benefits for the current President and CEO through fully funded annuity and mutual fund contracts. The Association is the beneficiary under the contracts until retirement of the individual. The present value of the future benefits to be paid and the related retirement asset account have been recorded in the accompanying Consolidated Statements of Financial Position as retirement benefits and retirement liability.

9. Note Payable:

Properties had a note payable due in monthly installments of $16,343, including interest rate of 3.75% through April 5, 2023, with a balloon payment due at maturity. This note was collateralized by a first deed of trust on the land and building. The note was paid in full on September 30, 2019.

10. Cash Surrender Value of Life Insurance:

The Association maintains a split-dollar life insurance policy with one key employee. The Association's interest in the agreement is limited to the lesser of the total premiums paid by the Association or the total cash value of the policy, less any indebtedness against the policy. The Association has paid cumulative premiums, net of redemption proceeds, of $124,309 and $118,843 at December 31, 2020 and 2019, respectively. The accompanying Consolidated Statements of Financial Position reflect the amount that could be realized by the Association from the surrender of the life insurance policies as of December 31, 2020 and 2019.

11. Related Party Transactions:

Properties leases a portion of the headquarters building to an affiliated company. The amounts received from this company for rent during 2020 and 2019 were $166,055 and $163,280, respectively, and are included in rental income on the accompanying Consolidated Statements of Activities. Payments due under the lease are $168,216 for 2021 with an annual rate increase based on the Consumer Price Index through 2024, for a total of $672,864.

Management Services collects fees for the management of affiliated companies. The fees received from these companies for management services during 2020 and 2019 were $793,274 and $721,762, respectively, and have been included in the accompanying Consolidated Statements of Activities as management fees.

Benefits Corporation received management fees from some of the Affiliated Trusts in the amounts of $438,291 and $313,750 during 2020 and 2019, respectively. These management fees have been included as revenue in the accompanying Consolidated Statements of Activities as defined benefit and contribution administrative fees and as nonqualified plan fees.

At December 31, 2020 and 2019, the amounts owed to the Association by affiliated companies totaled $110,372 and $116,256, respectively. These amounts are included in accounts receivable on the accompanying Consolidated Statements of Financial Position.

12. Income Taxes:

Deferred income taxes result primarily from accelerated depreciation, unrealized investment gains, pension liabilities/assets, and certain other items of income and expense, which are recognized in the financial statements in periods different from when they are recognized for tax purposes.

12. Income Taxes, Continued:

Net deferred income taxes include the following components at December 31:

	2020	2019
Deferred tax assets	$ 58,499	$ 37,374
Deferred tax liabilities	(160,998)	(181,789)
Deferred income taxes, net	$ (102,499)	$ (144,415)

Income tax expense (benefit) consists of the following for the years ended December 31:

	2020		
	VBA Benefits Corporation	VBA Management Services, Inc.	Total
Current tax expense	$ 126,620	$ 86,952	$ 213,572
Deferred tax benefit	(21,125)	(20,790)	(41,915)
	$ 105,495	$ 66,162	$ 171,657

	2019		
	VBA Benefits Corporation	VBA Management Services, Inc.	Total
Current tax expense	$ 26,721	$ 89,398	$ 116,119
Deferred tax benefit	(18,305)	(52,536)	(70,841)
	$ 8,416	$ 36,862	$ 45,278

12. Income Taxes, Continued:

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities consisted of the following at year end:

	2020		
	VBA Benefits Corporation	VBA Management Services, Inc.	Total
Unrealized gains on securities	$ -	$ (208,992)	$ (208,992)
Property and equipment	(5,160)	(10,615)	(15,775)
Accrued pension	33,104	28,149	61,253
Investment in subsidiary	26,391	21,814	48,205
Accrued vacation	4,164	4,532	8,696
Contribution carryforward	-	4,114	4,114
	$ 58,499	$ (160,998)	$ (102,499)

	2019		
	VBA Benefits Corporation	VBA Management Services, Inc.	Total
Unrealized gains on securities	$ -	$ (219,111)	$ (219,111)
Property and equipment	(5,837)	(9,931)	(15,768)
Accrued pension	19,164	11,381	30,545
Investment in subsidiary	20,348	20,347	40,695
Accrued vacation	3,699	4,248	7,947
Contribution carryforward	-	11,277	11,277
	$ 37,374	$ (181,789)	$ (144,415)

The Association’s effective tax rate differs from the federal statutory rate of 21% primarily due to state taxes and certain nondeductible expenses.

13. Compensated Absences:

The Association has a vacation policy under which vacation benefits accrue during active service. Vacation benefits accrued but not taken, subject to certain limitations, are paid to employees upon termination. The liability, included in accounts payable and accrued expenses on the accompanying Consolidated Statements of Financial Position, was $44,804 at December 31, 2020 and $42,411 at December 31, 2019.

14. Accounting Standards Updates:

Leases: In February 2016, the FASB issued new guidance over leases which requires that all leasing activity with initial terms in excess of twelve months be recognized on the statement of financial position with a right of use asset and a lease liability. The standard will require entities to classify leases as either a finance, or operating lease based upon the contractual terms. For finance leases, the right to use asset and lease liability will be calculated based upon the present value of the lease payments. The asset will then be amortized and the interest on the obligation will be recognized separately within the statement of activities. For operating leases, the right to use asset and lease liability will also be calculated based upon the present value of the lease payments. However, the cost of the lease will generally be allocated over the lease term on a straight-line basis and presented as a single expense on the statement of activities.

The new standard will be effective for periods beginning after December 15, 2021, and will require entities to use a modified retrospective approach to the earliest period presented. The Association is currently evaluating the reporting and economic implications of the new standard.

Current Expected Credit Losses: In June 2016, the FASB issued ASU 2016-13 – Current Expected Credit Losses (“CECL”). The guidance requires use of the current expected credit loss model that is based on expected losses (net of expected recoveries), rather than incurred losses, to determine its allowance for credit losses on financial assets measured at amortized cost.

The new standard will be effective for periods beginning after December 15, 2022, and will require entities to use a modified retrospective approach to the earliest period presented. The Association is currently evaluating the reporting and economic implications of the new standard.VBA -

SUPPLEMENTAL INFORMATION

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidating Statement of Financial Position
December 31, 2020

Assets	VBA General Fund	VBA Benefits Corporation	VBA Management Services, Inc.	VBA Properties, LLC	Eliminations	Total
Cash and cash equivalents	$ 302,536	$ 1,920,343	$ 440,419	$ 248,672	$ -	$ 2,911,970
Investments	801,700	2,191,576	1,499,623	-	-	4,492,899
Accrued interest receivable	1,404	7,118	425	-	-	8,947
Accounts receivable	4	266,328	222,549	-		488,881
Prepaid expenses	34,438	39,067	46,204	-	-	119,709
Property and equipment, net	38,311	20,046	66,903	2,320,511	(201)	2,445,570
Investment in subsidiaries	9,210,269	845,480	845,480	-	(10,901,229)	-
Retirement benefits	812,768	-	229,650	-	-	1,042,418
Cash surrender value of life insurance	124,309	-	-	-	-	124,309
Total assets	$ 11,325,739	$ 5,289,958	$ 3,351,253	$ 2,569,183	$ (10,901,430)	$ 11,634,703
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	$ 56,936	$ 152,918	$ 61,146	$ 19,450	$ -	$ 290,450
Income taxes payable	-	76,492	20,050	-	-	96,542
Deferred revenue	618,634	-	98,848	7,034	-	724,516
Accrued pension liability	157,697	128,608	109,360	8,002	-	403,667
Accrued postretirement health care benefits	164,219	-	-	-	-	164,219
Retirement liability	812,768	-	229,650	-	-	1,042,418
Deferred income tax (asset) liability	-	(58,499)	160,998	-	-	102,499
Total liabilities	1,810,254	299,519	680,052	34,486	-	2,824,311
Net assets:						
Common stock	-	1,000	10,000	-	(11,000)	-
Additional paid-in capital	-	-	103,567	3,135,000	(3,238,567)	-
Net assets (deficit) - without donor restrictions	9,515,485	4,989,439	2,557,634	(600,303)	(7,651,863)	8,810,392
Total liabilities and net assets	$ 11,325,739	$ 5,289,958	$ 3,351,253	$ 2,569,183	$ (10,901,430)	$ 11,634,703

See Report of Independent Accountants.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidating Statement of Activities
Year Ended December 31, 2020

	VBA General Fund	VBA Benefits Corporation	VBA Management Services, Inc.	VBA Properties, LLC	Eliminations	Total
Without donor restrictions:						
Revenue:						
Health and welfare administrative fees	$ -	$ 2,006,036	$ -	$ -	$ -	$ 2,006,036
Membership dues	1,022,357	-	-	-	-	1,022,357
Education and conference revenue	-	-	977,217	-	-	977,217
Management fees	-	-	813,274	-	-	813,274
Revenue sharing income	-	579,924	-	-	-	579,924
Defined benefit and contribution administrative fees	-	454,863	-	-	-	454,863
Product and endorsement income	-	-	428,613	-	-	428,613
Rental income	-	-	-	339,384	(110,030)	229,354
Nonqualified plan fees	-	149,058	-	-	-	149,058
Investment income, net	16,596	45,512	77,600	447	-	140,155
Insurance commissions	-	-	30,368	-	-	30,368
Other revenue	-	1,879	-	-	-	1,879
Income (loss) from subsidiaries	459,085	(11,465)	(11,465)	-	(436,155)	-
Total revenue	1,498,038	3,225,807	2,315,607	339,831	(546,185)	6,833,098
Operating expenses:						
Salaries and benefits	847,556	1,158,308	1,371,253	14,639	-	3,391,756
Consulting	14,522	692,370	24,686	8,400	-	739,978
Benefits administration	-	539,320	-	-	-	539,320
Education and conferences	-	-	451,503	-	-	451,503
Professional fees	144,107	281,152	16,920	4,484	-	446,663
Depreciation	33,820	17,962	19,852	158,377	-	230,011
Office expenses	58,909	51,878	85,405	5,102	-	201,294
Occupancy	20,000	34,425	55,605	153,010	(110,030)	153,010
Other operating expenses	6,164	4,867	13,128	26,492	-	50,651
Insurance	11,010	18,718	13,959	3,723	-	47,410
Travel and education	14,013	9,641	8,959	-	-	32,613
Marketing	-	23,215	-	-	-	23,215
Meetings	4,023	445	3,855	-	-	8,323
Publications and products	-	-	1,780	-	-	1,780
Income tax expense	-	105,495	66,162	-	-	171,657
Total operating expenses	1,154,124	2,937,796	2,133,067	374,227	(110,030)	6,489,184
Change in net assets before pension-related changes	343,914	288,011	182,540	(34,396)	(436,155)	343,914
Pension-related changes other than net periodic pension cost and postretirement benefits	(56,191)	(76,121)	(76,881)	(751)	-	(209,944)
Postretirement changes	(5,608)	-	-	-	-	(5,608)
Change in net assets	282,115	211,890	105,659	(35,147)	(436,155)	128,362
Net assets, beginning of year	9,233,370	4,778,549	2,565,542	2,569,844	(10,465,275)	8,682,030
Net assets, end of year	$ 9,515,485	$ 4,990,439	$ 2,671,201	$ 2,534,697	$ (10,901,430)	$ 8,810,392

See Report of Independent Accountants.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA General Fund - Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Membership dues:		
Active dues	$ 843,757	$ 882,215
Associate dues	178,600	196,600
Total membership dues	1,022,357	1,078,815
Investment income, net	16,596	22,197
Other revenue	-	186
Income from subsidiaries	459,085	129,250
Total revenue	1,498,038	1,230,448
Operating expenses:		
Salaries and benefits	847,556	872,566
Occupancy	20,000	39,150
Office expenses:		
Membership and public relations	23,445	22,693
Postage	528	905
Property taxes and business license	2,757	3,266
Supplies and maintenance	26,698	30,006
Telephone	5,481	7,447
Total office expenses	58,909	64,317
Consulting	14,522	11,003
Professional fees:		
Audit and tax	14,360	13,900
Legal and professional	129,747	115,775
Total professional fees	144,107	129,675
Meetings:		
Board expenses	117	12,322
Committee meetings	673	2,275
Lobbying expenses	3,233	7,452
Total meetings	4,023	22,049
Insurance	11,010	10,318

See Report of Independent Accountants.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA General Fund - Statements of Activities, Continued
Years Ended December 31, 2020 and 2019

	2020	2019
Operating expenses, continued:		
Travel and education:		
Travel	$ 13,058	$ 46,922
Training and education	955	3,292
Total travel and education	14,013	50,214
Depreciation	33,820	33,413
Other operating expenses	6,164	5,882
Total operating expenses	1,154,124	1,238,587
Change in net assets before pension-related changes	$ 343,914	$ (8,139)

See Report of Independent Accountants.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA Benefits Corporation - Statements of Income
Years Ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Health and welfare administrative fees	$ 2,006,036	$ 1,909,238
Revenue sharing income	579,924	648,534
Defined benefit and contribution administrative fees	454,863	413,717
Nonqualified plan fees	149,058	139,614
Investment income, net	45,512	57,873
Other revenue	1,879	461
Total revenue	3,237,272	3,169,437
Operating expenses:		
Salaries and benefits	1,158,308	1,119,908
Benefits administration:		
ACA Taxes	30,000	-
Actuarial	-	219,996
COBRA administration	28,389	30,930
Recordkeeping	480,931	715,033
Total benefits administration	539,320	965,959
Occupancy	34,425	67,700
Office expenses:		
Membership and public relations	5,186	6,402
Postage	1,023	965
Property taxes and business license	1,439	1,789
Supplies and maintenance	32,597	34,856
Telephone	11,633	9,514
Total office expenses	51,878	53,526
Consulting	692,370	665,140
Professional fees:		
Audit and tax	60,436	58,600
Legal and professional	220,716	65,662
Total professional fees	281,152	124,262
Meetings:		
Benefit seminars	-	5,091
Board of directors	445	1,661
Total meetings	445	6,752

See Report of Independent Accountants.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA Benefits Corporation - Statements of Income, Continued
Years Ended December 31, 2020 and 2019

	2020	2019
Operating expenses, continued:		
Insurance	$ 18,718	$ 18,402
Marketing	23,215	3,070
Travel and education:		
Training and education	3,726	8,108
Travel	5,915	26,938
Total travel and education	9,641	35,046
Depreciation	17,962	16,701
Other operating expenses	4,867	21,712
Loss from subsidiary	11,465	18,885
Total operating expenses	2,843,766	3,117,063
Income before income taxes	393,506	52,374
Income tax expense	105,495	8,416
Net income before pension-related changes	$ 288,011	$ 43,958

See Report of Independent Accountants.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA Management Services, Inc. - Statements of Income
Years Ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Management fees:		
Bankers Insurance, LLC	$ 189,379	$ 186,899
Title agencies	550,295	473,652
Consulting services income	20,000	20,000
Virginia Mortgage Bankers Association	53,600	61,211
	813,274	741,762
Education and conference revenue	977,217	1,645,639
Product and endorsement income	428,613	517,649
Insurance commissions	30,368	33,077
Investment gain (loss), net	77,600	(38,841)
Other revenue	-	205
Total revenue	2,327,072	2,899,491
Operating expenses:		
Salaries and benefits	1,371,253	1,367,404
Education and conferences	451,503	1,003,514
Occupancy	55,605	109,250
Office expenses:		
Membership and public relations	8,875	8,491
Postage	811	776
Property taxes and business license	1,986	1,173
Supplies and maintenance	58,273	72,152
Telephone	15,460	13,388
Total office expenses	85,405	95,980
Publications and products	1,780	14,540
Consulting	24,686	18,394
Professional fees	16,920	16,400
Board meetings	3,855	13,751
Insurance	13,959	11,759
Marketing	-	37

See Report of Independent Accountants.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA Management Services, Inc. - Statements of Income, Continued
Years Ended December 31, 2020 and 2019

	2020	2019
Operating expenses, continued:		
Travel and education:		
Training and education	2,516	6,558
Travel	6,443	38,345
Total travel and education	8,959	44,903
Depreciation	19,852	11,834
Other operating expenses	13,128	31,802
Loss from subsidiary	11,465	18,885
Total operating expenses	2,078,370	2,758,453
Income before income taxes	248,702	141,038
Income tax expense	66,162	36,862
Net income before pension-related changes	$ 182,540	$ 104,176

See Report of Independent Accountants.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA Properties, LLC - Statements of Loss
Years Ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Rental income	$ 339,384	$ 385,530
Investment income	447	244
Other income	-	88
Total revenue	339,831	385,862
Operating expenses:		
Salaries and benefits	14,639	16,114
Occupancy:		
Janitorial	15,481	21,808
Property taxes and business license	30,673	30,600
Repairs and maintenance	53,747	66,466
Utilities	53,109	64,619
Total occupancy	153,010	183,493
Office expenses:		
Membership and public relations	3,069	2,911
Postage	63	105
Supplies and maintenance	1,826	584
Telephone	144	56
Total office expenses	5,102	3,656
Consulting	8,400	8,400
Professional fees, audit and tax	4,484	4,300
Insurance	3,723	3,723
Depreciation	158,377	159,068
Interest expense	-	53,364
Other operating expenses	26,492	10,398
Total operating expenses	374,227	442,516
Net loss before pension-related changes	$ (34,396)	$ (56,654)

See Report of Independent Accountants.

Virginia Bankers Association Group Medical and Dental Trust

Financial Statements

December 31, 2020 and 2019

Keiter
Your Opportunity Advisors

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VIRGINIA BANKERS ASSOCIATION GROUP MEDICAL AND DENTAL TRUST

Table of Contents

REPORT OF INDEPENDENT ACCOUNTANTS

To the Virginia Bankers Association Audit Committee of the Board of Directors
Virginia Bankers Association Group Medical and Dental Trust
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Bankers Association Group Medical and Dental Trust, which comprise the statements of net assets as of December 31, 2020 and 2019, and the related statements of changes in net assets 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 audits 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Virginia Bankers Association Group Medical and Dental Trust as of December 31, 2020 and 2019, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States.

Other Matter – Form of Financial Statements

The accompanying financial statements are those of Virginia Bankers Association Group Medical and Dental Trust, which are established under the Virginia Bankers Association Group Medical and Dental Trust and its health plans; the statements do not purport to present the financial status of the Plans. The statements do not contain certain information on benefit obligations and other disclosures necessary for a fair presentation of the financial status of the Plans in conformity with accounting principles generally accepted in the United States. Furthermore, these statements do not purport to satisfy the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 relating to the financial statements of employee benefit plans.

Keiter

June 1, 2021
Glen Allen, Virginia

VIRGINIA BANKERS ASSOCIATION GROUP MEDICAL AND DENTAL TRUST

Statements of Net Assets
December 31, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	$ 20,544,233	$ 14,956,179
Certificates of deposit (over three months		
original maturity)	3,671,078	4,120,523
Interest receivable	169,473	188,731
Amounts receivable from minimum		
premium members:		
Health claims incurred not yet paid	1,410,038	1,281,198
Estimated health claims incurred but not reported	4,233,939	3,980,579
Other receivables	25,607	577,217
Total assets	$ 30,054,368	$ 25,104,427
Liabilities and Shareholders' Equity		
Liabilities:		
Estimated health claims incurred but not reported	$ 6,735,101	$ 6,109,458
Claims payable and accrued expenses	3,872,002	2,532,013
Total liabilities	10,607,103	8,641,471
Net assets	19,447,265	16,462,956
Total liabilities and net assets	$ 30,054,368	$ 25,104,427

See accompanying notes to financial statements.

VIRGINIA BANKERS ASSOCIATION GROUP MEDICAL AND DENTAL TRUST

Statements of Changes in Net Assets
Years Ended December 31, 2020 and 2019

	2020	2019
Additions to net assets attributed to amounts from members:		
Medical	$ 75,210,212	$ 70,865,166
Dental	5,035,576	4,520,502
Total amounts from members	80,245,788	75,385,668
Investment return, net of fees	122,602	434,186
Total additions	80,368,390	75,819,854
Deductions from net assets attributed to amounts paid to insurance companies		
Medical	73,208,656	69,811,872
Dental	3,803,142	4,086,603
Total amounts paid to insurance companies	77,011,798	73,898,475
Change in provision for estimated health claims incurred but not reported, net	372,283	(707,928)
Total deductions	77,384,081	73,190,547
Increase in net assets	2,984,309	2,629,307
Net assets, beginning of year	16,462,956	13,833,649
Net assets, end of year	$ 19,447,265	$ 16,462,956

See accompanying notes to financial statements.

1. Organization and Nature of Activities:

The Virginia Bankers Association Benefits Corporation ("Benefits Corporation"), a Virginia corporation, is a wholly-owned subsidiary of the Virginia Bankers Association ("VBA"), the trade association for the banking industry in Virginia. Benefits Corporation offers VBA employer members a program of group employee health benefits that VBA employer members may offer to their eligible employees and their dependents (the "Program"). The Program includes a variety of group medical and dental benefit plans (collectively, the "Plans") which are self-funded with contributions from the VBA members that participate.

The Benefits Corporation maintains the VBA Group Medical and Dental Trust (the "Trust") as a voluntary employees' beneficiary association under Section 501(c)(9) of the Internal Revenue Code of the United States for the purpose of holding and utilizing contributed assets for the exclusive benefit of employees (and their eligible dependents and beneficiaries) of VBA members that participate in the Plans. Benefits Corporation is the plan sponsor and plan administrator of the Plans. Benefits Corporation is the trust sponsor of the Trust, and SunTrust Bank is the trustee of the Trust. The Trust is a multiple employer welfare arrangement ("MEWA") subject to federal MEWA laws and regulations, but it is exempt from Virginia MEWA laws and regulations.

Each year, the Benefits Corporation and the Trust execute a participation agreement ("Participation Agreement") with each VBA employer member (a "Member") that elects to participate in the Plans. The Participation Agreements set forth the rights, obligations, and liabilities of the parties with respect to the Plans and the assets in the Trust, including among other things, the payment of premiums, claims, fees, and expenses. Most Plans require Members to make monthly payments based on rates that are fixed for the year and do not vary based on the Member's claims experience. Certain Members with a larger number of employees have elected to participate in a minimum premium arrangement health Plan (the "Minimum Premium Plan") where Members pay monthly based on rates that are fixed for the year, but that are adjusted based on the Member's actual claims experience. See Note 4 for more information about the Participation Agreements and Member payments to the Trust.

The Benefits Corporation and the Trust have entered into an administrative services only contract with a dental claims administrator to process claims under the dental Plan. The Benefits Corporation and the Trust have entered into an administrative services only contract with an insurance company to process claims under the medical Plan, and procured an excess loss insurance policy with the same insurance company for excess medical Plan claims. See Note 5 for more information about the insurance policies, administrative services only contracts and excess loss insurance policies.

In 2020, the Benefits Corporation and the Trust entered into an administrative services only contract with a pharmacy benefit administrator and pharmacy benefit manager to process prescription drug claims. The prescription drug claims are covered and combined with the medical claims under the excess loss insurance policy.

1. Organization and Nature of Activities, Continued:

During March 2020, a novel strain of coronavirus ("COVID-19") outbreak was declared a worldwide health pandemic by the World Health Organization. The situation is evolving with various cities and countries around the world responding in different ways to address the outbreak. There are direct and indirect economic effects developing for various industries and individual companies throughout the world. Management will continue to monitor the impact of COVID-19 on the Trust and will reflect the effects as appropriate in the Trust's financial records.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The financial statements of the Trust are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents: The Trust considers its money market accounts and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents.

Certificates of Deposit: Certificates of deposit are recorded at face value.

Credit Risk: Financial instruments that potentially subject the Trust to concentration of credit risk consist of cash and cash equivalents and certificates of deposit. Cash and cash equivalents and certificates of deposit are held with high credit quality financial institutions whose credit ratings are monitored by management to minimize credit risk. Periodically the Trust may have cash and cash equivalents that exceed the amount insured by the Federal Deposit Insurance Corporation.

Estimated Health Claims Incurred but not Reported: The liability for "Estimated health claims incurred but not reported" on the Statements of Net Assets includes management's estimates of the Trust's expected liabilities under the health plan, pharmacy plan, and the dental plan for claims incurred prior to December 31, 2020 and 2019, but not reported until after those dates. Due to the nature of such estimates, it is reasonably possible that actual costs may differ from those estimates.

2. Summary of Significant Accounting Policies, Continued:

Income Taxes: As evidenced by a tax determination letter dated June 25, 1990, the Trust has received a favorable determination letter from the Internal Revenue Service specifying that the Trust is a voluntary employees' beneficiary association and is a qualified trust under Section 501(c)(9) of the Internal Revenue Code and, accordingly, is generally exempt from taxation under the provisions of Section 501(a) and the tax statutes of the Commonwealth of Virginia to the extent the assets in the Trust exceed statutory limits, the Trust may be subject to tax on its unrelated business income. Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. Management has determined that the Trust does not have any material unrecognized tax benefits or obligations as of December 31, 2020 or 2019.

Amounts Receivable from Minimum Premium Members and Allowance for Doubtful Accounts: "Amounts receivable from minimum premium members – Health claims incurred not yet paid" on the Statements of Net Assets result when the Minimum Premium Plan Member's fixed monthly payments for the year are less than the annual actual claims. In instances where a Minimum Premium Plan Member has paid more than the actual claims during the year, a liability is included in the claims payable number. "Amounts receivable from minimum premium members – Estimated health claims incurred but not reported" represents management's estimate of medical claims incurred by Minimum Premium Plan Members prior to December 31 of each year, that were not reported until after that date. "Amounts receivable from minimum premium members" are carried at their estimated realizable value, net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of such amounts receivable that will actually be collected. At December 31, 2020 and 2019, no allowance for doubtful accounts was deemed necessary.

Revenue Recognition: In May 2014, the FASB issued *Accounting Standards Update 2014-09 – Revenue Recognition from Contracts with Customers (Topic 606)*. The update modifies the guidance used to recognize revenue from contracts with customers for transfers of goods or services and transfers of nonfinancial assets, unless those contracts are within the scope of other guidance. The update eliminates all transaction and industry-specific accounting principles and replaces them with a unified, five step approach. The Trust adopted the standard as of January 1, 2019, under the full retrospective transition method. The adoption of the ASU resulted in no adjustments to previously recorded amounts.

The Trust recognizes revenue when earned. For all Plans other than the Minimum Premium Plan, revenue is earned and recognized when payments are received from Members. For the Minimum Premium Plan, Member payments are fixed during the year with an annual settlement of the actual claims incurred. Accordingly, Minimum Premium Plan revenue includes Minimum Premium Plan Members' health claims incurred but not yet reported or paid. See Note 4 for more information about Member payments to the Trust.

2. Summary of Significant Accounting Policies, Continued:

Subsequent Events: The Trust has evaluated subsequent events through June 1, 2021, the date the financial statements were available to be issued, and has determined that there are no subsequent events to be reported in the accompanying financial statements.

3. Investments:

"Investment return, net" on the Statements of Changes in Net Assets was comprised of the following for the years ended December 31:

	2020	2019
Interest income	$ 150,272	$ 459,034
Administrative fees	(27,670)	(24,848)
Investment return, net	$ 122,602	$ 434,186

4. Payments from Participating Members and Participation Agreements:

Premiums for all of the Plans are paid by participating Members to the Benefits Corporation. Benefits Corporation applies a portion of those premiums to administrative fees and expenses for the Plans and Trust, and the remainder of the premiums are deposited in the Trust as Trust assets to be utilized for the benefit of Plan participants. "Amounts from members" on the Statements of Changes in Net Assets represents the amounts received from Members that are deposited into the Trust, and does not include the amounts the Benefits Corporation applies to administrative fees and expenses of the Plans and Trust.

4. Payments from Participating Members and Participation Agreements, Continued:

The Benefits Corporation and the Trust execute a Participation Agreement with each Member that elects to participate in the Plans. The Participation Agreements set forth the rights, obligations, and liabilities of the parties with respect to the Plans and the assets in the Trust, including among other things, the payment of premiums, claims, fees and expenses. Members are required to make monthly payments based on rates that are fixed for the year and do not vary based on the Member's claims experience. Certain Members with a larger number of employees have elected to participate in the Minimum Premium Plan for medical benefits where Members pay monthly based on rates that are fixed for the year, but that are adjusted based on the Member's actual claims experience, such that the Member's payment obligation is reduced if its actual claims are less than expected and increased if its actual claims are greater than expected, subject to individual and aggregate claims liability caps. For two years following the termination or expiration of a Member's participation in the Minimum Premium Plan, the Trust will pay all claims incurred but not reported prior to such termination or expiration, and the Member is required to reimburse the Trust for such claims up to an expected claims cap. There were 16 and 15 Minimum Premium Plan Members in 2020 and 2019, respectively.

The Benefits Corporation offers the Plans pursuant to the self-funding arrangement between the Members and the Trust, and the Trust is responsible for paying all claims and benefits under the Plans. The Trust and the Benefits Corporation, with the assistance of underwriting analysis by an independent underwriter, set the rates for each Plan that participating Members pay each year. The rates are designed to cover the expected claims liability, excess loss, policy premiums, administrative fees and expenses, as well as any amounts by which the prior year's actual claims liability exceeded the expected claims liability and to replenish or increase reserves to reasonably prudent levels as determined by management and the Benefits Corporation board of directors.

5. Payments to Insurance Companies and Claims Administrators:

The Benefits Corporation and the Trust have entered into an administrative services only contract with a dental claims administrator to process claims under the dental Plan. The dental claims administrator pays claims periodically and the Trust then reimburses the administrator with Trust assets. The Trust is responsible for paying all claims and benefits under the dental Plan. The dental claims administrator is not liable for paying any claims or benefits under the dental Plan. The Benefits Corporation and the Trust do not have excess loss insurance on the dental Plan, but there is a cap on annual dental benefits per individual participant.

5. Payments to Insurance Companies and Claims Administrators, Continued:

The Benefits Corporation and the Trust have entered into an administrative services only contract with an insurance company to process claims under the medical Plan, and procured an excess loss insurance policy with the same insurance company for excess medical Plan claims. The insurance company pays claims periodically and the Trust reimburses the insurance company with Trust assets. The Trust is responsible for paying all claims and benefits under the medical Plan. The excess loss insurance policy provides that the insurance company will reimburse the Trust for claims liabilities in excess of specified individual and aggregate claims liability thresholds.

The Benefits Corporation and the Trust have entered into an administrative services only contract with a pharmacy benefits administrator and pharmacy benefit manager to process claims under the pharmacy Plan. The insurance company pays claims periodically and the Trust reimburses the insurance company with Trust assets. The Trust is responsible for paying all claims and benefits under the pharmacy Plan. The prescription drug claims are covered and combined with the medical claims under the excess loss insurance policy.

“Amounts paid to insurance companies” on the Statements of Changes in Net Assets represents the payments described above to insurance companies for (i) fees for claims administrative services, (ii) premiums for excess loss insurance policies, and (iii) reimbursements for actual medical and dental claims paid. As of December 31, 2020 and 2019, the Trust has recorded a liability for “Estimated health claims incurred but not reported” on the Statements of Net Assets. This liability represents an estimate for claims that were incurred prior to December 31, 2020 and 2019 but were not paid until 2021 and 2020, respectively.

6. Related Party Transactions:

Various affiliates of the Virginia Bankers Association participate in the Trust. Premiums paid by the individual affiliates were comprised of the following for the years ended December 31:

	2020	2019
Bankers Insurance, LLC	$ 2,229,374	$ 2,484,983
Virginia Bankers Association	328,166	356,416
Virginia Title Center, L.L.C.	192,416	136,053
Bankers Title, L.L.C.	112,875	116,061
Bankers Title Shenandoah, L.L.C.	79,733	73,339
West Virginia Bankers Title, L.L.C.	52,958	49,242
	$ 2,995,522	$ 3,216,094

7. Plans:

The financial statements are those of the Trust, not of the Plans or Benefits Corporation. The financial statements do not purport to present the financial performance or condition of the Plans or Benefits Corporation. The financial statements do not contain certain information on the benefit obligations and other disclosures necessary for a fair presentation of the financial status of the Plans in conformity with accounting principles generally accepted in the United States. Furthermore, the financial statements do not purport to satisfy the Department of Labor's Rules and Regulations for Reporting and Disclosures under the Employee Retirement Income Security Act of 1974 relating to the financial statements of employee benefit plans.

Virginia Bankers Association PAC

Financial Statements

December 31, 2020 and 2019

Keiter
Your Opportunity Advisors

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VIRGINIA BANKERS ASSOCIATION PAC

Table of Contents

Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

Audit Committee of the Board of Directors
Virginia Bankers Association
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying statements of cash receipts and disbursements of Virginia Bankers Association PAC (a political action committee sponsored by the Virginia Bankers Association, taxed as a corporation) for the years ended December 31, 2020 and 2019 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 the cash basis of accounting described in Note 2; this includes determining that the cash basis is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 audits 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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.

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Opinion

In our opinion, the financial statements referred to above presents fairly, in all material respects, the cash receipts and disbursements of Virginia Bankers Association PAC for the years ended December 31, 2020 and 2019 in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

Keiter

June 1, 2021
Glen Allen, Virginia

VIRGINIA BANKERS ASSOCIATION PAC

Statements of Cash Receipts and Disbursements
Years Ended December 31, 2020 and 2019

	2020	2019
Receipts:		
Contributions from participants	$ 427,487	$ 388,289
Interest income	593	3,102
Total receipts	428,080	391,391
Disbursements:		
Political contributions	198,500	270,660
American Bankers Association BankPac contributions	110,000	110,000
Industry sponsorships	25,000	14,500
Audit and tax fees	9,200	8,500
Operating expenses	8,406	14,462
Miscellaneous	1,384	1,022
Income taxes	810	178
In-kind contributions	-	8,054
Total disbursements	353,300	427,376
Excess (deficit) of receipts over disbursements	74,780	(35,985)
Cash and cash equivalents, beginning of year	350,069	386,054
Cash and cash equivalents, end of year	$ 424,849	$ 350,069

See accompanying notes to financial statements.

VIRGINIA BANKERS ASSOCIATION PAC

Notes to Financial Statements

1. Organization and Nature of Business:

Virginia Bankers Association PAC ("BankPac") is a political action committee sponsored by the Virginia Bankers Association ("VBA"). The purposes of BankPac are the protection, preservation, and furtherance of the private free enterprise system and, in particular, the protection and advancement of the banking industry through political activity. BankPac has the discretion to deposit contributions in either its Federal Election Fund or State Election Fund within the guidelines of federal and state election laws, and transfers between these funds may only occur from the Federal Election Fund to the State Election Fund.

During March 2020, a novel strain of coronavirus ("COVID-19") outbreak was declared a worldwide health pandemic by the World Health Organization. The situation is evolving with various cities and countries around the world responding in different ways to address the outbreak. There are direct and indirect economic effects developing for various industries and individual companies throughout the world. Management will continue to monitor the impact COVID-19 has on the BankPac and will reflect the effects as appropriate in the BankPac's financial records.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The accounts of BankPac are maintained on the cash basis and the statements of cash receipts and disbursements recognize only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenses and amortization and depreciation, which would be recognized under accounting principle generally accepted in the United States, and which may be material in amount, are not recognized in the accompanying financial statements.

Income Taxes: BankPac is a political organization as described in Internal Revenue Code Section 527. Contributions received by BankPac are exempt from federal and state income taxes to the extent they are segregated for use in accordance with the exempt function of BankPac. Investment income earned by BankPac is subject to federal and state income taxes at the maximum corporate rate. The BankPac follows the Financial Accounting Standard Board's ("FASB") guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in BankPac's financial statements. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the BankPac's tax position and concluded that the BankPac had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The BankPac is not currently under audit by any tax jurisdiction.

Cash and Cash Equivalents: BankPac considers money market funds, interest bearing checking accounts, and certificates of deposit to be cash and cash equivalents.

2. Summary of Significant Accounting Policies, Continued:

Concentration of Credit Risk: Financial instruments that potentially subject BankPac to concentration of credit risk consist of cash and cash equivalents. BankPac places its cash and cash equivalents with high credit quality financial institutions. BankPac deposits periodically exceed the amount that is insured by the Federal Deposit Insurance Corporation.

Subsequent Events: BankPac has evaluated subsequent events through June 1, 2021, the date the financial statements were available to be issued, and has determined that there are no subsequent events to be reported in the accompanying financial statements.

3. Cash and Cash Equivalents:

Cash and cash equivalents consisted of the following at December 31:

	2020	2019
Checking account	$ 225,898	$ 86,711
Savings account	198,951	263,358
	$ 424,849	$ 350,069

Cash and cash equivalents by election fund consisted of the following at December 31:

	2020	2019
State Election Fund	$ 107,080	$ 36,383
Federal Election Fund	317,769	313,686
	$ 424,849	$ 350,069