

**TRUST FUND OF STATE BANKERS ASSOCIATION MASTER  
DEFINED CONTRIBUTION PLAN AND TRUST**

Financial Statements

December 31, 2022 and 2021

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**TRUST FUND OF STATE BANKERS ASSOCIATION MASTER  
DEFINED CONTRIBUTION PLAN AND TRUST**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Virginia Bankers Association Audit Committee of the Board of Directors  
Trust Fund of State Bankers Association Master Defined Contribution Plan and Trust  
Richmond, Virginia

### **Opinion**

We have audited the accompanying financial statements of the Trust Fund of State Bankers Association Master Defined Contribution Plan and Trust (the "Trust Fund"), which comprise the statements of net assets and trust balance as of December 31, 2022 and 2021, and the related statements of changes in net assets and trust balance for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets and trust balance of the Trust Fund of State Bankers Association Master Defined Contribution Plan and Trust as of December 31, 2022 and 2021, and the changes in its net assets and trust balance for the years then ended in accordance with accounting principles generally accepted in the United States.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust Fund of State Bankers Association Master Defined Contribution Plan and Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Other Matter – Form of Financial Statements**

The accompanying statements are those of the Trust Fund of State Bankers Association Master Defined Contribution Plan and Trust, which is established under the State Bankers Association Master Defined Contribution Plan (the "Plans"); the financial statements do not purport to present the financial status of the Plans and do not contain certain information and other disclosures necessary for a fair presentation of the financial status of the Plans in accordance with accounting principles generally accepted in the United States. Further, the financial 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 8, 2023  
Glen Allen, Virginia

**TRUST FUND OF STATE BANKERS ASSOCIATION MASTER  
DEFINED CONTRIBUTION PLAN AND TRUST**

Statements of Net Assets and Trust Balance  
December 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash	\$ 578,474	\$ 503,831
Investments, at fair value	306,418,361	331,330,614
Notes receivable from participants	3,365,301	2,817,441
Total assets	<u>\$ 310,362,136</u>	<u>\$ 334,651,886</u>
<u>Net Assets</u>		
Total net assets and trust balance	<u>\$ 310,362,136</u>	<u>\$ 334,651,886</u>

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See accompanying notes to financial statements.

**TRUST FUND OF STATE BANKERS ASSOCIATION MASTER  
DEFINED CONTRIBUTION PLAN AND TRUST**

Statements of Changes in Net Assets and Trust Balance  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
(Deductions) additions to net assets and trust balance attributed to:		
Investment (loss) income:		
Interest and dividends	\$ 5,339,852	\$ 9,936,230
Net (depreciation) appreciation in fair value of investments	(58,164,131)	26,886,138
Interest income on notes receivable from participants	<u>134,066</u>	<u>122,304</u>
Total investment (loss) income	<u>(52,690,213)</u>	<u>36,944,672</u>
Contributions:		
Participants	17,442,773	16,079,101
Employers	<u>11,934,886</u>	<u>9,326,655</u>
	<u>29,377,659</u>	<u>25,405,756</u>
Other additions:		
Transfers from other plans	29,883,641	11,600,839
Rollovers from other custodians	<u>2,251,490</u>	<u>3,296,337</u>
	<u>32,135,131</u>	<u>14,897,176</u>
Total additions	<u>8,822,577</u>	<u>77,247,604</u>
Deductions from net assets and trust balance attributed to:		
Investment fees	1,292,700	1,264,848
Benefits paid to participants	24,453,047	23,776,290
Plan terminations and transfers to other plans	<u>7,366,580</u>	<u>-</u>
Total deductions	<u>33,112,327</u>	<u>25,041,138</u>
Net change	(24,289,750)	52,206,466
Net assets and trust balance:		
Beginning of year	<u>334,651,886</u>	<u>282,445,420</u>
End of year	<u>\$ 310,362,136</u>	<u>\$ 334,651,886</u>

See accompanying notes to financial statements.

# TRUST FUND OF STATE BANKERS ASSOCIATION MASTER DEFINED CONTRIBUTION PLAN AND TRUST

## Notes to Financial Statements

### 1. Description of Organization:

Trust Fund of State Bankers Association Master Defined Contribution Plan and Trust ("Trust Fund") is sponsored by the VBA Benefits Corporation ("Benefits Corporation"). Benefits Corporation is a wholly owned subsidiary of the Virginia Bankers Association ("VBA"). The Trust Fund holds the assets of defined contribution plans ("Plans") for members ("Employers") of the VBA or other state bankers association each of which have adopted the Benefits Corporation's prototype plan. Under the terms of the prototype plan, the Trust Fund was established to receive the contributions from the Employers and their employees (also referred to herein as participants). The accounting records of the Trust Fund are maintained separately from those of the VBA, the Benefits Corporation and from all other trusts sponsored by the Benefits Corporation.

SageView Advisory Group is the 3(38) Fiduciary ("Fiduciary"). Voya Institutional Trust Company ("Voya") serves as Directed Trustee and Custodian. Voya is also the recordkeeper and administrator.

Contributions to the Trust Fund are determined in accordance with the options selected by Employers under the Adoption Agreement of the Master Prototype. Employee contributions are made under the 401(k) features of the Plans. All payments from the Trust Fund are made in accordance with the written instructions or directions of the administrator for each Employer's Plan.

Terms of the individual Plans vary from Employer to Employer and comply with the Employee Retirement Income Security Act of 1974 (ERISA). Each individual Employer has various options regarding the form of its Plan relating to eligibility, contributions, forfeitures, vesting provisions, benefits, interfund transfers, and terminations, among others. Various Employers have elected to allow participants to obtain loans from their individual account balances. Certain Employers have elected to allow participants to invest in the applicable Employer's common stock ("Employer Stock Fund"). Employers and participants should refer to individual plan documents for specific Plan provisions.

### 2. Summary of Significant Accounting Policies:

**Basis of Accounting:** The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

**TRUST FUND OF STATE BANKERS ASSOCIATION MASTER  
DEFINED CONTRIBUTION PLAN AND TRUST**

Notes to Financial Statements, Continued

**2. Summary of Significant Accounting Policies, Continued:**

**General:** The accompanying financial statements are those of the Trust Fund and do not purport to present the aggregate financial status of the Plans. Furthermore, these financial statements are not designed to be in compliance with the U.S. Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA) relating to financial statements of employee benefit plans. Individual Employers may be required to have separate audits performed of their respective Plans to comply with required reporting and disclosure requirements.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") 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 and 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 Fund considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Investment Valuation and Income Recognition:** Investments are stated at fair value as determined by the Trustee (generally based upon quoted market price or estimated fair value as determined by the Trustee). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The cash investments and participant loans are valued at cost, which approximates market. Interest on investments is recorded as earned. Interest on participant loans is recorded when received. Dividends are recorded on the ex-dividend date. Purchases and sales of securities and units in mutual funds are recorded as of the trade date. Net realized and unrealized (depreciation) appreciation includes the Trust Fund's gains and losses on investments bought and sold as well as held during the year.

Due to limitations in Voya's reporting system, income earnings from realized gains and losses and unrealized gains and losses are not recorded separate from asset transactions. Therefore, realized gains and losses and unrealized gains and losses are combined into one account reported as net (depreciation) appreciation in fair value of investments on the statements of changes in net assets and trust balance.



**TRUST FUND OF STATE BANKERS ASSOCIATION MASTER  
DEFINED CONTRIBUTION PLAN AND TRUST**

Notes to Financial Statements, Continued

**2. Summary of Significant Accounting Policies, Continued:**

**Risks and Uncertainties:** The Trust Fund invests in pooled bond and equity funds, common stock and collective trust funds. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the Statements of Net Assets and Trust Balance.

**Recognition of Benefits Paid to Participants:** Benefit payments to participants of the Trust Fund are recognized when paid.

**Administrative Expenses:** The Trust Fund and participating Employers pay administrative expenses. Fees paid by the Trust Fund consist of administrative, management and Trustee fees not reimbursed by Employers.

**Income Tax Status:** The Trust Fund is exempt from federal income taxes under Section 501(c)(9) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Trust Fund has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2022 and 2021. The Trust Fund is not required to file a tax return.

**Plan Terminations and Transfers to Other Plans:** During 2022, one participating Employer terminated with the Plan, with net assets associated with this Plan transferred out during 2022. The transfers are shown as Plan termination and transfers to other plans on the 2022 Statement of Changes in Net Assets and Trust Balance. During 2021, no participating Employers terminated their plans.

**Transfers from Other Plans:** During 2022 and 2021, three employers joined the Plan. This is shown as Transfers from other plans on the Statements of Changes in Net Assets and Trust Balance.

**Subsequent Events:** Management has evaluated subsequent events through June 8, 2023, 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.

**TRUST FUND OF STATE BANKERS ASSOCIATION MASTER  
DEFINED CONTRIBUTION PLAN AND TRUST**

Notes to Financial Statements, Continued

**3. Income Tax Status:**

The Internal Revenue Service has determined in an opinion letter dated June 30, 2020, that the Trust Fund's prototype plan is qualified and tax exempt under the applicable sections of the Internal Revenue Code. The Trust Fund has been amended since receiving the opinion letter; however, it is believed that the Trust Fund is currently designed and is being operated in compliance with the applicable requirements of the Internal Revenue Code.

**4. Related Party Transactions:**

Various affiliates of VBA participate in the Trust Fund. Contributions received by the Trust Fund from affiliates of the VBA were as follows for the years ended December 31:

	2022	2021
Bankers Insurance LLC	\$ 2,887,014	\$ 2,425,509
Virginia Bankers Association, LLC	377,500	385,452
Virginia Title Center, L.L.C.	154,288	142,935
Bankers Title, L.L.C.	54,851	56,397
Bankers Title Shenandoah, L.L.C.	47,473	45,538
West Virginia Bankers Title, L.L.C.	40,993	37,504
	\$ 3,562,119	\$ 3,093,335

The Trust Fund paid the Benefits Corporation \$616,144 and \$653,654 in fees for 2022 and 2021, respectively. The Trust Fund paid Voya and Voya Institutional Trust Company \$578,597 and \$531,194 for 2022 and 2021, respectively, for custodian, directed trustee, administrative and recording expenses. The Trust Fund paid SageView Advisory Group, the 338 Fiduciary, \$97,959 and \$80,000 in fees in 2022 and 2021, respectively.

**TRUST FUND OF STATE BANKERS ASSOCIATION MASTER  
DEFINED CONTRIBUTION PLAN AND TRUST**

Notes to Financial Statements, Continued

**5. 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 Trust Fund 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 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 following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

**Collective trust funds:** Valued at the NAV of units of a bank collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Participant transactions (purchased and sales) may occur daily. Were the Plan to initiate a full redemption of the collective trust, the investment advisor reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner.

**Pooled bond funds, pooled equity funds and common stocks:** Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Trust Fund 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.

**TRUST FUND OF STATE BANKERS ASSOCIATION MASTER  
DEFINED CONTRIBUTION PLAN AND TRUST**

Notes to Financial Statements, Continued

**5. Fair Value Measurements, Continued:**

The following table sets forth by level, within the fair value hierarchy, the Trust Fund's investments at fair value as of December 31, 2022:

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Pooled bond funds:				
Intermediate	\$ 8,033,763	\$ -	\$ -	\$ 8,033,763
Pooled equity funds:				
Large U.S. equity	41,706,683	-	-	41,706,683
Small/mid U.S. equity	16,490,424	-	-	16,490,424
International equity	8,049,592	-	-	8,049,592
Other	1,604,696	-	-	1,604,696
Common stock, financial services industry	<u>3,653,109</u>	-	-	<u>3,653,109</u>
Total assets in the fair value hierarchy	<u>\$ 79,538,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,538,267</u>
Investments measured at NAV (a)				<u>226,880,094</u>
Investments at fair value				<u>\$ 306,418,361</u>

**TRUST FUND OF STATE BANKERS ASSOCIATION MASTER  
DEFINED CONTRIBUTION PLAN AND TRUST**

Notes to Financial Statements, Continued

**5. Fair Value Measurements, Continued:**

The following table sets forth by level, within the fair value hierarchy, the Trust Fund's investments at fair value as of December 31, 2021:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Pooled bond funds:				
Intermediate	\$ 10,567,429	\$ -	\$ -	\$ 10,567,429
Pooled equity funds:				
Large U.S. equity	51,448,643	-	-	51,448,643
Small/mid U.S. equity	20,069,706	-	-	20,069,706
International equity	9,241,939	-	-	9,241,939
Other	2,105,475	-	-	2,105,475
Common stock, financial services industry	<u>4,268,192</u>	<u>-</u>	<u>-</u>	<u>4,268,192</u>
Total assets in the fair value hierarchy	<u>\$ 97,701,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,701,384</u>
Investments measured at NAV (a)				<u>233,629,230</u>
Investments at fair value				<u>\$ 331,330,614</u>

(a) In accordance with ASC Topic 820, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefits.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of December 31, 2022 and 2021:

	Fair Value at December 31, 2022	Fair Value at December 31, 2021	Unfunded Commitments	Redemption Notice Restrictions	Redemption Notice Period
Common collective trust - stable value	\$ 31,599,391	\$ 25,131,678	None	Daily	12 months
Other common collective trust funds	\$ 195,280,703	\$ 208,497,552	None	Daily	None