

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Audit Results & Communications

**Report to the Audit Committee
of the
Board of Directors**

June 8, 2023



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, 2022 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 8, 2023
Glen Allen, Virginia

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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 assisting with the 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, 2022.

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.

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.

Required Communications, Continued

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 2022 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
 - Functional allocation of expenses

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 consolidated financial statements.

- Implementation of *ASU 842, Leases*, does not have an impact on the consolidated financial statements. The leases where the Association is the lessee are eliminated in the consolidated financial statements. The additional two leases where VBA Properties, LLC is the lessor are operating leases and do not require additional disclosure.

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 2022, 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 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.

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 2022 audit. However, Keiter did propose and record the income tax provision as part of our non-attest services.

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.

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 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.

NEW ACCOUNTING AND REGULATORY DEVELOPMENTS

- > **Current Expected Credit Losses:** In June 2016, the FASB issued new guidance under ASU 2016-13, which replaces the current incurred loss model used to measure impairment losses with an expected loss model for trade and other receivables. The new standard will be effective for private companies for periods beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the reporting and economic implications of the new standard.

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, 2022 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 8, 2023
Glen Allen, Virginia