

VIRGINIA BANKERS ASSOCIATION

Consolidated Financial Statements

December 31, 2021 and 2020



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VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Virginia Bankers Association and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, 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.

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 Consolidated Financial Statements section of our report. We are required to be independent of Virginia Bankers Association and Subsidiaries 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements, Continued

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 consolidated 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 consolidated 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 consolidated 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 Virginia Bankers Association and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Virginia Bankers Association and Subsidiaries' 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the 2021 and 2020 consolidated financial statements as a whole. The 2021 and 2020 consolidating and other supplemental information on pages 31-39 are presented for purposes of additional analysis and are not a required part of the 2021 and 2020 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 2021 and 2020 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the 2021 and 2020 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 2021 and 2020 consolidated financial statements or to the 2021 and 2020 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the 2021 and 2020 information is fairly stated in all material respects in relation to the 2021 and 2020 consolidated financial statements as a whole.



June 2, 2022
Glen Allen, Virginia

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidated Statements of Financial Position December 31, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,070,028	\$ 2,911,970
Investments	5,198,465	4,492,899
Accrued interest receivable	2,676	8,947
Accounts receivable	545,215	488,881
Accrued pension asset	27,717	-
Prepaid expenses	129,920	119,709
Property and equipment, net	2,415,684	2,445,570
Retirement benefits	1,309,741	1,042,418
Cash surrender value of life insurance	<u>129,775</u>	<u>124,309</u>
Total assets	<u>\$ 12,829,221</u>	<u>\$ 11,634,703</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 342,569	\$ 290,450
Income taxes payable	35,960	96,542
Deferred revenue	634,260	724,516
Accrued pension liability	-	403,667
Accrued postretirement health care benefits	156,587	164,219
Retirement liability	1,309,741	1,042,418
Deferred income taxes, net	<u>219,394</u>	<u>102,499</u>
Total liabilities	<u>2,698,511</u>	<u>2,824,311</u>
Net assets - without donor restrictions	<u>10,130,710</u>	<u>8,810,392</u>
Total liabilities and net assets	<u>\$ 12,829,221</u>	<u>\$ 11,634,703</u>

See accompanying notes to consolidated financial statements.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidated Statements of Activities Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Health and welfare administrative fees	\$ 2,019,902	\$ 2,006,036
Education and conference revenue	1,560,771	977,217
Membership dues	1,125,018	1,022,357
Management fees	898,830	813,274
Defined benefit and contribution administrative fees	834,419	454,863
Investment income, net	621,702	140,155
Product and endorsement income	467,025	428,613
Rental income	255,860	229,354
Nonqualified plan fees	140,924	149,058
Revenue sharing income	72,889	579,924
Insurance commissions	41,129	30,368
Other revenue	<u>25,804</u>	<u>1,879</u>
 Total revenue	 <u>8,064,273</u>	 <u>6,833,098</u>
Operating expenses:		
Salaries and benefits	3,584,866	3,391,756
Education and conferences	784,656	451,503
Consulting	752,045	739,978
Professional fees	433,060	446,663
Benefits administration	323,518	539,320
Depreciation	235,302	230,011
Office expenses	209,456	201,294
Occupancy	170,985	153,010
Travel and education	58,547	32,613
Insurance	48,014	47,410
Other operating expenses	39,886	50,651
Publications and products	8,947	1,780
Meetings	5,031	8,323
Marketing	4,031	23,215
Income tax expense	<u>363,874</u>	<u>171,657</u>
 Total operating expenses	 <u>7,022,218</u>	 <u>6,489,184</u>
 Change in net assets - without donor restrictions before pension-related changes	 1,042,055	 343,914

See accompanying notes to consolidated financial statements.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidated Statements of Activities, Continued Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Change in net assets - without donor restrictions before pension-related changes	\$ 1,042,055	\$ 343,914
Pension-related changes other than net periodic pension cost and postretirement benefits	275,564	(209,944)
Postretirement changes	<u>2,699</u>	<u>(5,608)</u>
Change in net assets - without donor restrictions	1,320,318	128,362
Net assets - without donor restrictions, beginning of year	<u>8,810,392</u>	<u>8,682,030</u>
Net assets - without donor restrictions, end of year	<u>\$ 10,130,710</u>	<u>\$ 8,810,392</u>

See accompanying notes to consolidated financial statements.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidated Statement of Functional Expenses Year Ended December 31, 2021

	Program Services			Support Services	
	Advocacy and Communication	Employee Benefits	Products and Services	Administrative	Total Expenses
Salaries and benefits	\$ 714,475	\$ 1,180,321	\$ 1,212,263	\$ 477,807	\$ 3,584,866
Education and conferences	-	-	784,656	-	784,656
Consulting	17,446	705,830	28,103	666	752,045
Professional fees	124,202	289,379	19,108	371	433,060
Benefits administration	-	323,518	-	-	323,518
Depreciation	54,355	66,844	100,545	13,558	235,302
Office expenses	63,958	56,463	88,728	307	209,456
Occupancy	25,946	49,828	81,643	13,568	170,985
Travel and education	18,996	21,021	18,530	-	58,547
Insurance	11,963	20,566	15,226	259	48,014
Other operating expenses	7,829	10,436	20,534	1,087	39,886
Publications and products	-	-	8,947	-	8,947
Meetings	3,946	270	815	-	5,031
Marketing	-	4,000	31	-	4,031
Income tax expense	-	117,345	246,529	-	363,874
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,043,116</u>	<u>\$ 2,845,821</u>	<u>\$ 2,625,658</u>	<u>\$ 507,623</u>	<u>\$ 7,022,218</u>

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	<u>\$ 997,361</u>	<u>\$ 2,893,856</u>	<u>\$ 2,093,147</u>	<u>\$ 504,820</u>	<u>\$ 6,489,184</u>

See accompanying notes to consolidated financial statements.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,320,318	\$ 128,362
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	235,302	230,011
Net (appreciation) depreciation in the fair value of investments	(332,032)	39,314
Deferred income taxes, net	116,895	(41,916)
(Gain) loss on disposal of property and equipment	(21,986)	16,125
Realized gain on sale of investments	(35,417)	-
Changes in operating assets and liabilities:		
Receivables	(50,063)	(28,851)
Prepaid expenses	(10,211)	(25,042)
Retirement benefits	(267,323)	(201,868)
Income taxes receivable and payable	(60,582)	111,089
Accounts payable and accrued expenses	52,119	(133,315)
Deferred revenue	(90,256)	186,237
Accrued pension expense	(431,384)	120,842
Accrued postretirement health care benefits	(7,632)	1,161
Retirement liability	<u>267,323</u>	<u>201,868</u>
Net cash provided by operating activities	<u>685,071</u>	<u>604,017</u>
Cash flows from investing activities:		
Purchase of property and equipment	(205,430)	(179,200)
Proceeds from sale of property and equipment	22,000	-
Cash surrender value of life insurance policies	(5,466)	(5,466)
Purchase of investments	(2,397,783)	(369,699)
Proceeds from matured investments	1,932,449	865,835
Proceeds from the sale of investments	<u>127,217</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(527,013)</u>	<u>311,470</u>
Net change in cash and cash equivalents	158,058	915,487
Cash and cash equivalents, beginning of year	<u>2,911,970</u>	<u>1,996,483</u>
Cash and cash equivalents, end of year	<u>\$ 3,070,028</u>	<u>\$ 2,911,970</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 315,629</u>	<u>\$ 102,483</u>

See accompanying notes to consolidated financial statements.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

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”.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

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, equity securities, and common stock. 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.

The Association also has investments in common stock of four privately-held entities in the banking industry, four of which are valued at the lower of cost or market at December 31, 2020 and three of which are valued at the lower of cost or market at December 31, 2021. At December 31, 2020, the Association's investment in Infinex Investments, Inc., Compliance Alliance, Alliance of Bankers Association and Canapi Investments, Inc. was \$112,018. At December 31, 2021, the Association's investment in Infinex Investments, Inc., Compliance Alliance, and Alliance of Bankers Association was \$66,400. During 2021, the Association obtained fair value information from the investment manager at Canapi, and therefore, the investment in Canapi is reported at fair value at December 31, 2021. Annually, management evaluates these investments for potential impairment based on the financial results of the privately-held entities. These investments were not considered to be impaired at December 31, 2021. As Infinex investments, Inc., Compliance Alliance, and Alliance of Bankers Association are investments held at cost, they are excluded from the fair value hierarchy at Note 6.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

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, 2021 or 2020.

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 2021 and 2020. 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, 2021 and 2020. There are no board designated net assets.

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, 2021 and 2020.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

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.

The Association follows FASB guidance Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 affects any entity that enters into contracts with customers to transfer goods or services. The standard's core principle is that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services.

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.

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.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Revenue Recognition, Continued: *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 December 31, 2021, or 2020. The Association has contract liabilities of \$634,260 at December 31, 2021, 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 2021 and 2020 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.

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.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

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 \$4,031 for 2021 and \$23,215 for 2020.

Subsequent Events: Management has evaluated subsequent events through June 2, 2022, 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, 2021 and 2020 consisted of:

	2021	2020
Cash	\$ 2,685,095	\$ 2,527,210
Money market accounts	<u>384,933</u>	<u>384,760</u>
	<u>\$ 3,070,028</u>	<u>\$ 2,911,970</u>

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

4. Investment Income:

Investment income for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Interest on cash equivalents	\$ 7,448	\$ 786
Interest and dividends on investments	246,805	178,683
Net appreciation (depreciation) in the fair value of investments	337,070	(39,314)
Realized gain on investments	35,417	-
Less: investment expenses	<u>(5,038)</u>	<u>-</u>
	<u>\$ 621,702</u>	<u>\$ 140,155</u>

The net appreciation (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, net of investment expenses.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

5. Liquidity and Availability of Resources:

The following table reflects the Association's financial assets as of December 31, 2021 and 2020, 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.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 3,070,028	\$ 2,911,970
Investments - certificates of deposit	1,523,222	3,410,708
Investments	3,675,243	1,082,191
Accounts receivable	545,215	488,881
Retirement benefits	1,309,741	1,042,418
Cash surrender value of life insurance	129,775	124,309
Accrued interest receivable	<u>2,676</u>	<u>8,947</u>
Financial assets, at year-end	10,255,900	9,069,424
Less those unavailable for general expenditure within one year, due to:		
Investments not convertible to cash within next 12 months	(753,367)	(1,472,905)
Retirement benefits designated for future retirement liabilities	<u>(1,309,741)</u>	<u>(1,042,418)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,192,792</u>	<u>\$ 6,554,101</u>

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

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

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, 2021 and 2020.

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.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

6. Fair Value Measurements, Continued:

Alternative investment: Limited partnership interests accounted for at fair value based on net asset value ("NAV") of shares held by the Association as quoted by the fund manager, as a practical expedient. In accordance with Subtopic 820-10, investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. These investments totaled \$96,805 at December 31, 2021.

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, 2021:

	2021			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 1,523,222	\$ -	\$ 1,523,222
Mutual funds:				
Commodities	73,457	-	-	73,457
Mid cap	98,026	-	-	98,026
Money market	45,343	-	-	45,343
Large blend	602,868	-	-	602,868
International	520,978	-	-	520,978
Small cap	100,730	-	-	100,730
Financial	862,668	-	-	862,668
Other	76,130	-	-	76,130
Subtotal mutual funds	2,380,200	-	-	2,380,200
Equity securities	1,131,838	-	-	1,131,838
Subtotal investments at fair value	3,512,038	1,523,222	-	5,035,260
Retirement benefits	1,309,741	-	-	1,309,741
Cash surrender value of life insurance	-	-	129,775	129,775
Total assets at fair value	\$ 4,821,779	\$ 1,523,222	\$ 129,775	\$ 6,474,776

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

6. Fair Value Measurements, Continued:

The following table sets forth by level, within the fair value hierarchy, the Association's retirement benefits by category as of December 31, 2021:

	2021			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Commodities	\$ 64,672	\$ -	\$ -	\$ 64,672
Mid cap	235,147	-	-	235,147
Money market	31,683	-	-	31,683
Large blend	763,552	-	-	763,552
International	25,597	-	-	25,597
Small cap	69,695	-	-	69,695
Financial	55,646	-	-	55,646
Other	63,749	-	-	63,749
Subtotal retirement benefits	<u>\$ 1,309,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,309,741</u>

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	<u>970,173</u>	<u>3,410,708</u>	<u>-</u>	<u>4,380,881</u>
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	<u>1,042,418</u>	<u>-</u>	<u>-</u>	<u>1,042,418</u>
Cash surrender value of life insurance	<u>-</u>	<u>-</u>	<u>124,309</u>	<u>124,309</u>
Total assets at fair value	<u>\$ 2,012,591</u>	<u>\$ 3,410,708</u>	<u>\$ 124,309</u>	<u>\$ 5,547,608</u>

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

6. Fair Value Measurements, Continued:

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 2021 or 2020.

Premiums paid for life insurance were \$5,466 for each of the years ended December 31, 2021 and 2020.

The Association's investments in alternative investments are subject to restrictions on frequency of redemptions. At December 31, 2021, no redemptions are allowed until the termination of the fund. At December 31, 2021, the Association had unfunded commitments related to alternative investments totaling \$38,016.

7. Property and Equipment:

Property and equipment at December 31, 2021 and 2020 consisted of:

	2021	2020
Land	\$ 399,547	\$ 399,547
Building	3,151,137	3,066,554
Building improvements	746,691	683,628
Furniture and fixtures	1,005,760	1,001,938
Vehicles	167,764	165,994
	5,470,899	5,317,661
Accumulated depreciation	(3,055,215)	(2,872,091)
	<u>\$ 2,415,684</u>	<u>\$ 2,445,570</u>

Depreciation expense was \$235,302 for 2021 and \$230,011 for 2020.

A portion of the Association's office space is leased to an unrelated party with a lease term that began in January 2020. The amount received for rent was \$87,645 for 2021 and \$63,299 for 2020. Additional space is leased to a related party as discussed in Note 10.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

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.

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:

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 4,252,260	\$ 3,737,894
Service cost	144,276	125,925
Interest cost	105,470	119,951
Actuarial (gain) loss	(104,369)	411,541
Benefits paid	<u>(152,506)</u>	<u>(143,051)</u>
Projected benefit obligation, end of year	<u>4,245,131</u>	<u>4,252,260</u>
Change in plan assets:		
Fair value of assets, beginning of year	3,848,593	3,455,069
Actual return on plan assets	426,761	436,575
Employer contributions	150,000	100,000
Benefits paid	<u>(152,506)</u>	<u>(143,051)</u>
Fair value of assets, end of year	<u>4,272,848</u>	<u>3,848,593</u>
Accumulated benefit obligation	<u>\$ 4,245,131</u>	<u>\$ 4,252,260</u>
Funded status at end of year	<u>\$ 27,717</u>	<u>\$ (403,667)</u>
Net periodic pension cost	<u>\$ (5,825)</u>	<u>\$ 10,899</u>

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

8. Employee Benefit Plans, Continued:

Assumptions used to determine benefit obligation:

	2021	2020
Discount rate	2.75%	2.50%
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:

	2021	2020
Mutual funds - fixed income	38%	37%
Mutual funds - equity	<u>62%</u>	<u>63%</u>
	<u>100%</u>	<u>100%</u>

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, 2021 and 2020.

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.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

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:

	2021			Total
	Level 1	Level 2	Level 3	
Cash and equivalents	\$ 5,179	\$ -	\$ -	\$ 5,179
Mutual funds:				
Fixed income funds	1,620,357	-	-	1,620,357
Equity funds	<u>2,647,312</u>	<u>-</u>	<u>-</u>	<u>2,647,312</u>
Total assets at fair value	<u>\$ 4,272,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,272,848</u>

	2020			Total
	Level 1	Level 2	Level 3	
Broker receivable	\$ 1,170	\$ -	\$ -	\$ 1,170
Mutual funds:				
Fixed income funds	1,429,411	-	-	1,429,411
Equity funds	<u>2,418,012</u>	<u>-</u>	<u>-</u>	<u>2,418,012</u>
Total assets at fair value	<u>\$ 3,848,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,848,593</u>

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 2021 and 2020. 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.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

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 0.25%, 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:

<u>Year Ended</u>	<u>Amount</u>
2022	\$ 122,565
2023	135,325
2024	163,753
2025	131,660
2026	129,681
Thereafter	<u>3,390,043</u>
	<u>\$ 4,073,027</u>

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

8. Employee Benefit Plans, Continued:

Net periodic pension cost for 2022 is expected as follows:

Service costs	\$ 148,826
Interest cost	115,717
Expected return on assets	(313,387)
Amortization of unrecognized prior service cost and net loss	<u>6,372</u>
	<u>\$ (42,472)</u>

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 \$131,820 and \$126,975 for 2021 and 2020, 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 2021 and 2020 was 2.50% and 3.25%, respectively. This plan is unfunded. Annual payments for 2021 and 2020 approximate \$11,700 and \$11,600 respectively. The healthcare cost trend rate for 2022 is expected to be 6%, and ultimately expected to be 4% by 2026.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

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:

	2021	2020
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 164,219	\$ 163,058
Interest cost	3,960	5,112
Actuarial loss	93	7,691
Benefits paid	<u>(11,685)</u>	<u>(11,642)</u>
Projected benefit obligation, end of year	<u>156,587</u>	<u>164,219</u>
Change in plan assets:		
Fair value of assets, beginning of year	-	-
Employer contributions	11,685	11,642
Benefits paid	<u>(11,685)</u>	<u>(11,642)</u>
Fair value of assets, end of year	<u>-</u>	<u>-</u>
Funded status, end of year	<u>\$ (156,587)</u>	<u>\$ (164,219)</u>

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. 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 \$129,775 and \$124,309 at December 31, 2021 and 2020, 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, 2021 and 2020.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

10. Related Party Transactions:

Properties leases a portion of the headquarters building to an affiliated company. The amounts received from this company for rent during 2021 and 2020 were \$168,215 and \$166,055, respectively, and are included in rental income on the accompanying Consolidated Statements of Activities. Payments due under the lease are \$177,130 for 2022 with an annual rate increase based on the Consumer Price Index through 2025, for a total of \$708,520.

Management Services collects fees for the management of affiliated companies. The fees received from these companies for management services during 2021 and 2020 were \$878,830 and \$793,274, 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 \$826,196 and \$438,291 during 2021 and 2020, 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, 2021 and 2020, the amounts owed to the Association by affiliated companies totaled \$144,442 and \$110,372, respectively. These amounts are included in accounts receivable on the accompanying Consolidated Statements of Financial Position.

11. 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.

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

	2021	2020
Deferred tax assets	\$ 32,343	\$ 58,499
Deferred tax liabilities	(251,737)	(160,998)
Deferred income taxes, net	<u>\$ (219,394)</u>	<u>\$ (102,499)</u>

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

11. Income Taxes, Continued:

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

	2021		
	VBA Benefits Corporation	VBA Management Services, Inc.	Total
Current tax expense	\$ 91,189	\$ 155,790	\$ 246,979
Deferred tax expense	26,156	90,739	116,895
	<u>\$ 117,345</u>	<u>\$ 246,529</u>	<u>\$ 363,874</u>
	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)
	<u>\$ 105,495</u>	<u>\$ 66,162</u>	<u>\$ 171,657</u>

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

11. 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:

	2021		
	VBA	VBA	
	Benefits	Management	
	Corporation	Services, Inc.	Total
Unrealized gains on securities	\$ (10,783)	\$ (255,539)	\$ (266,322)
Property and equipment	(4,295)	(8,162)	(12,457)
Accrued pension	19,680	(5,072)	14,608
Investment in subsidiary	23,266	12,709	35,975
Accrued vacation	4,475	4,327	8,802
	<u>\$ 32,343</u>	<u>\$ (251,737)</u>	<u>\$ (219,394)</u>
	2020		
	VBA	VBA	
	Benefits	Management	
	Corporation	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
	<u>\$ 58,499</u>	<u>\$ (160,998)</u>	<u>\$ (102,499)</u>

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

12. 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 \$45,895 at December 31, 2021 and \$44,804 at December 31, 2020.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

13. 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.

SUPPLEMENTAL INFORMATION

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidating Statement of Financial Position December 31, 2021

	VBA					
<u>Assets</u>	VBA General Fund	VBA Benefits Corporation	Management Services, Inc.	VBA Properties, LLC	Eliminations	Total
Cash and cash equivalents	\$ 517,738	\$ 1,241,237	\$ 1,080,290	\$ 230,763	\$ -	\$ 3,070,028
Investments	378,772	3,103,284	1,716,409	-	-	5,198,465
Accrued interest receivable	728	1,759	189	-	-	2,676
Accounts receivable	31,946	292,226	213,256	8,073	(286)	545,215
Accrued pension (liability) asset	(29,792)	26,443	37,114	(6,048)	-	27,717
Prepaid expenses	39,043	27,998	62,879	-	-	129,920
Property and equipment, net	56,504	14,794	46,230	2,298,357	(201)	2,415,684
Investment in subsidiaries	10,287,758	835,995	835,995	-	(11,959,748)	-
Retirement benefits	1,014,473	-	295,268	-	-	1,309,741
Cash surrender value of life insurance	129,775	-	-	-	-	129,775
Total assets	\$ 12,426,945	\$ 5,543,736	\$ 4,287,630	\$ 2,531,145	\$ (11,960,235)	\$ 12,829,221
<u>Liabilities and Net Assets</u>						
Liabilities:						
Accounts payable and accrued expenses	\$ 60,380	\$ 173,769	\$ 93,516	\$ 15,190	\$ (286)	\$ 342,569
Income taxes (receivable) payable	-	(6,535)	42,495	-	-	35,960
Deferred revenue	558,802	-	67,658	7,800	-	634,260
Accrued postretirement health care benefits	156,587	-	-	-	-	156,587
Retirement liability	1,014,473	-	295,268	-	-	1,309,741
Deferred income tax (asset) liability	-	(32,343)	251,737	-	-	219,394
Total liabilities	1,790,242	134,891	750,674	22,990	(286)	2,698,511
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	10,636,703	5,407,845	3,423,389	(626,845)	(8,710,382)	10,130,710
Total liabilities and net assets	\$ 12,426,945	\$ 5,543,736	\$ 4,287,630	\$ 2,531,145	\$ (11,960,235)	\$ 12,829,221

See Independent Auditor's Report.

VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

Consolidating Statement of Activities Year Ended December 31, 2021

	VBA General Fund	VBA Benefits Corporation	VBA Management Services, Inc.	VBA Properties, LLC	Eliminations	Total
Without donor restrictions:						
Revenue:						
Health and welfare administrative fees	\$ -	\$ 2,019,902	\$ -	\$ -	\$ -	\$ 2,019,902
Education and conference revenue	-	-	1,560,771	-	-	1,560,771
Membership dues	1,125,018	-	-	-	-	1,125,018
Management fees	-	-	898,830	-	-	898,830
Defined benefit and contribution administrative fees	-	834,419	-	-	-	834,419
Investment income, net	15,035	146,549	460,010	108	-	621,702
Product and endorsement income	-	-	467,025	-	-	467,025
Rental income	-	-	-	367,398	(111,538)	255,860
Nonqualified plan fees	-	140,924	-	-	-	140,924
Revenue sharing income	-	72,889	-	-	-	72,889
Insurance commissions	-	-	41,129	-	-	41,129
Other revenue	22,562	2,392	642	208	-	25,804
Income (loss) from subsidiaries	1,077,489	(9,485)	(9,485)	-	(1,058,519)	-
Total revenue	2,240,104	3,207,590	3,418,922	367,714	(1,170,057)	8,064,273
Operating expenses:						
Salaries and benefits	906,169	1,301,127	1,357,143	20,427	-	3,584,866
Education and conferences	-	-	784,656	-	-	784,656
Consulting	16,171	703,382	24,092	8,400	-	752,045
Professional fees	123,493	288,017	16,875	4,675	-	433,060
Benefits administration	-	323,518	-	-	-	323,518
Depreciation	28,428	17,053	18,961	170,860	-	235,302
Office expenses	63,372	55,336	86,677	4,071	-	209,456
Occupancy	20,260	34,950	56,328	170,985	(111,538)	170,985
Travel and education	18,996	21,021	18,530	-	-	58,547
Insurance	11,467	19,615	13,667	3,265	-	48,014
Other operating expenses	5,747	6,447	14,205	13,487	-	39,886
Publications and products	-	-	8,947	-	-	8,947
Meetings	3,946	270	815	-	-	5,031
Marketing	-	4,000	31	-	-	4,031
Income tax expense	-	117,345	246,529	-	-	363,874
Total operating expenses	1,198,049	2,892,081	2,647,456	396,170	(111,538)	7,022,218
Change in net assets before pension-related changes	1,042,055	315,509	771,466	(28,456)	(1,058,519)	1,042,055
Pension-related changes other than net periodic pension cost and postretirement benefits	76,464	102,897	94,289	1,914	-	275,564
Postretirement changes	2,699	-	-	-	-	2,699
Change in net assets	1,121,218	418,406	865,755	(26,542)	(1,058,519)	1,320,318
Net assets, beginning of year	9,515,485	4,990,439	2,671,201	2,534,697	(10,901,430)	8,810,392
Net assets, end of year	\$ 10,636,703	\$ 5,408,845	\$ 3,536,956	\$ 2,508,155	\$ (11,959,949)	\$ 10,130,710

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VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA General Fund - Statements of Activities Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Membership dues:		
Active dues	\$ 921,268	\$ 843,757
Associate dues	<u>203,750</u>	<u>178,600</u>
Total membership dues	1,125,018	1,022,357
Investment income, net	15,035	16,596
Other revenue	22,562	-
Income from subsidiaries	<u>1,077,489</u>	<u>459,085</u>
Total revenue	<u>2,240,104</u>	<u>1,498,038</u>
Operating expenses:		
Salaries and benefits	906,169	847,556
Occupancy	20,260	20,000
Office expenses:		
Membership and public relations	23,225	23,445
Postage	300	528
Property taxes and business license	2,891	2,757
Supplies and maintenance	30,377	26,698
Telephone	<u>6,579</u>	<u>5,481</u>
Total office expenses	63,372	58,909
Consulting	16,171	14,522
Professional fees:		
Audit and tax	14,500	14,360
Legal and professional	<u>108,993</u>	<u>129,747</u>
Total professional fees	123,493	144,107
Meetings:		
Board expenses	2,365	117
Committee meetings	16	673
Lobbying expenses	<u>1,565</u>	<u>3,233</u>
Total meetings	3,946	4,023
Insurance	11,467	11,010

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VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA General Fund - Statements of Activities, Continued Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating expenses, continued:		
Travel and education:		
Travel	\$ 17,405	\$ 13,058
Training and education	<u>1,591</u>	<u>955</u>
Total travel and education	18,996	14,013
Depreciation	28,428	33,820
Other operating expenses	<u>5,747</u>	<u>6,164</u>
Total operating expenses	<u>1,198,049</u>	<u>1,154,124</u>
Change in net assets before pension-related changes	<u>\$ 1,042,055</u>	<u>\$ 343,914</u>

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VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA Benefits Corporation - Statements of Income Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Health and welfare administrative fees	\$ 2,019,902	\$ 2,006,036
Revenue sharing income	72,889	579,924
Defined benefit and contribution administrative fees	834,419	454,863
Nonqualified plan fees	140,924	149,058
Investment income, net	146,549	45,512
Other revenue	<u>2,392</u>	<u>1,879</u>
Total revenue	<u>3,217,075</u>	<u>3,237,272</u>
Operating expenses:		
Salaries and benefits	1,301,127	1,158,308
Benefits administration:		
ACA Taxes	-	30,000
COBRA administration	32,187	28,389
Recordkeeping	<u>291,331</u>	<u>480,931</u>
Total benefits administration	323,518	539,320
Occupancy	34,950	34,425
Office expenses:		
Membership and public relations	6,038	5,186
Postage	230	1,023
Property taxes and business license	1,510	1,439
Supplies and maintenance	36,524	32,597
Telephone	<u>11,034</u>	<u>11,633</u>
Total office expenses	55,336	51,878
Consulting	703,382	692,370
Professional fees:		
Audit and tax	70,600	60,436
Legal and professional	<u>217,417</u>	<u>220,716</u>
Total professional fees	288,017	281,152
Meetings	270	445

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VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA Benefits Corporation - Statements of Income, Continued Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating expenses, continued:		
Insurance	\$ 19,615	\$ 18,718
Marketing	4,000	23,215
Travel and education:		
Training and education	7,234	3,726
Travel	<u>13,787</u>	<u>5,915</u>
Total travel and education	21,021	9,641
Depreciation	17,053	17,962
Other operating expenses	6,447	4,867
Loss from subsidiary	<u>9,485</u>	<u>11,465</u>
Total operating expenses	<u>2,784,221</u>	<u>2,843,766</u>
Income before income taxes	432,854	393,506
Income tax expense	<u>117,345</u>	<u>105,495</u>
Net income before pension-related changes	<u>\$ 315,509</u>	<u>\$ 288,011</u>

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VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA Management Services, Inc. - Statements of Income Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Management fees:		
Bankers Insurance, LLC	\$ 240,833	\$ 189,379
Title agencies	576,753	550,295
Consulting services income	20,000	20,000
Virginia Mortgage Bankers Association	<u>61,244</u>	<u>53,600</u>
	898,830	813,274
Education and conference revenue	1,560,771	977,217
Product and endorsement income	467,025	428,613
Insurance commissions	41,129	30,368
Investment gain (loss), net	460,010	77,600
Other revenue	<u>642</u>	<u>-</u>
Total revenue	<u>3,428,407</u>	<u>2,327,072</u>
Operating expenses:		
Salaries and benefits	1,357,143	1,371,253
Education and conferences	784,656	451,503
Occupancy	56,328	55,605
Office expenses:		
Membership and public relations	10,968	8,875
Postage	276	811
Property taxes and business license	1,934	1,986
Supplies and maintenance	59,219	58,273
Telephone	<u>14,280</u>	<u>15,460</u>
Total office expenses	86,677	85,405
Publications and products	8,947	1,780
Consulting	24,092	24,686
Professional fees	16,875	16,920
Board meetings	815	3,855
Insurance	13,667	13,959
Marketing	31	-

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VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA Management Services, Inc. - Statements of Income, Continued **Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating expenses, continued:		
Travel and education:		
Training and education	\$ 3,458	\$ 2,516
Travel	<u>15,072</u>	<u>6,443</u>
Total travel and education	18,530	8,959
Depreciation	18,961	19,852
Other operating expenses	14,205	13,128
Loss from subsidiary	<u>9,485</u>	<u>11,465</u>
Total operating expenses	<u>2,410,412</u>	<u>2,078,370</u>
Income before income taxes	1,017,995	248,702
Income tax expense	<u>246,529</u>	<u>66,162</u>
Net income before pension-related changes	<u>\$ 771,466</u>	<u>\$ 182,540</u>

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VIRGINIA BANKERS ASSOCIATION AND SUBSIDIARIES

VBA Properties, LLC - Statements of Loss Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Rental income	\$ 367,398	\$ 339,384
Investment income	108	447
Other income	<u>208</u>	<u>-</u>
Total revenue	367,714	339,831
Operating expenses:		
Salaries and benefits	20,427	14,639
Occupancy:		
Janitorial	22,688	15,481
Property taxes and business license	28,097	30,673
Repairs and maintenance	65,319	53,747
Utilities	<u>54,881</u>	<u>53,109</u>
Total occupancy	170,985	153,010
Office expenses:		
Membership and public relations	3,111	3,069
Postage	69	63
Supplies and maintenance	755	1,826
Telephone	<u>136</u>	<u>144</u>
Total office expenses	4,071	5,102
Consulting	8,400	8,400
Professional fees, audit and tax	4,675	4,484
Insurance	3,265	3,723
Depreciation	170,860	158,377
Other operating expenses	<u>13,487</u>	<u>26,492</u>
Total operating expenses	396,170	374,227
Net loss before pension-related changes	<u>\$ (28,456)</u>	<u>\$ (34,396)</u>

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