

Vice Chairman's Report Gary Edgmon

Thank you for your participation and ownership by having share accounts and using the C.C.U. as your go to for loans, checking, and banking needs. It is you, the membership, that make us succeed and do well.

It is my privilege to serve as one of four board members tasked with reviewing audit reports and presenting them to the board at large. There are multiple audits each year by several different entities; **T.D.F.I.** or Tennessee Department of Financial Institutions, which is the state regulatory board for credit unions and **N.C.U.A.** or National Credit Union Administration, which is the Federal regulatory body for credit unions.

Since 2018, C.C.U. has adopted and implemented an Agreed-Upon Procedures engagement, as recommended by T.D.F.I. and followed by most smaller credit unions. This type of engagement is more cost effective than the previous "Opinion Audits" and sufficiently satisfies the N.C.U.A. Annual Supervisory Committee Audit requirement.

Recent audits have affirmed the competence and dedication at C.C.U. of our team of managers and employees (team members). This team has pulled together, taken up slack and pushed forward getting good marks on all of our audits. Joy and Kim have been amazing leading and developing a competent team.

The Financial Services Group complete quarterly interim Agreed-Upon Procedure engagements and serve as ongoing oversight and review of the operation of C.C.U. They also pay close attention to the monitoring and evaluation of the loan portfolio of C.C.U. These interim reports are critical to the confidence and trust the examiners place on C.C.U. operations.

The External Penetration Test and Cybersecurity Assessment is conducted annually between January and February. Last year (2025) reported a medium-risk IT environment at C.C.U. The test in 2026 showed an improvement placing CCU in the low-strong category. All recommendations are currently being reviewed and implemented by C.C.U. IT.

CCU does semi-annual ALM (Asset Liability Management) Modeling to measure both the EARNINGS and the VALUE that are at risk based on market interest rate movements. Recent modeling outputs continue to demonstrate that CCU remains stable and liquid across various market fluctuation scenarios.

Let me describe this in language that non-CPA's will understand. What is a mismatch between assets and liabilities? Think of a small business selling widgets of multiple sizes, colors, and functions. The profit is made by selling a widget for more than you paid for it. But if your inventory of widgets far exceeds your sales, then your profitability goes down.

To apply this to the credit union, if you are in the business of loaning money by which your profit is generated, those loans become the asset and sitting excess inventory money on deposit becomes a liability.



When dozens of members rush to C.C.U. with their refund checks, recent inheritance, millions being saved for church or school construction, and other resources, those amazingly enough function more as a liability to the lending institution. If not offset by an equal or larger spike in the loan portfolio, then the asset to liability ratio becomes out of balance. This challenge is not unique to C.C.U. It is a widespread challenge among banking institutions and credit unions alike.

If you want to help us control that area, get your friends to join you in borrowing money from C.C.U. and ask one of our representatives about working with ModernFi or Stonecastle which allows our members to enjoy peace of mind with millions of extended NCUA insurance. This helps us keep assets and liabilities balanced.

Other procedural audits, the A.C.H. (Automated Clearing House) Audit, the S.A.F.E. (Secure and Fair Enforcement) Audit for mortgage licensing, and the BSA (Bank Secrecy Act) Audit have again confirmed compliance and operational practices that make C.C.U. a great place to do business!

Copies of our financials or findings from any of the audits are available if you want to satisfy your uncontrollable curiosity or cure your struggle with severe insomnia. Just check with our management team who can put together something to read that is almost guaranteed to put you right to sleep.

I want to commend Joy and Kim as well as the entire team for keeping C.C.U. in the best possible condition in very challenging times and thank each of you for the trust you rightly place in the people of Collegedale Credit Union.