

2021 Annual Report

**Mission**  
with Momentum

# PRESIDENT'S REPORT



**Bruce Fox**  
President/CEO

## ONE PURPOSE. YOUR SUCCESS.

The past year was another strong one for Catalyst Corporate, despite continued pandemic and economic concerns. The year ahead promises to continue to offer new challenges and opportunities, but Catalyst Corporate's mission remains the same - to be a premier innovative corporate credit union providing exceptional member value in an efficient, safe and sound manner.

As of December 31, 2021, your corporate delivered on all 33 of its strategic initiatives, including strong financial results. Catalyst Corporate's net income was \$63.3 million, and leverage and retained earnings ratios were 8.7 percent and 4.6 percent, respectively. In addition, Catalyst Corporate had a solid operating efficiency ratio of 84.4 percent.

With credit union liquidity on the rise in 2021, Catalyst Corporate's total assets under management grew significantly to \$54 billion. The \$4.3 billion balance sheet was bolstered by another \$10 billion in the Fed's Excess Balance Account, \$28 billion in security safekeeping and \$11 billion in advisory, brokerage and SimpliCD.

In 2021, Catalyst Corporate had 10 new credit unions capitalize the organization. That brought total membership to 1,323 at year end. An additional 13 credit unions joined in first quarter 2022.

Transitioning to 2022, several initiatives are taking place in both the financial services and payments arenas. Credit unions facing liquidity challenges are finding answers at Catalyst Corporate through interest rate derivatives, loan participations and subordinated debt. Catalyst Corporate will also be exploring mortgage loan liquidity solutions and a capital planning and stress testing service. In March, Catalyst gave credit unions the opportunity to increase their earnings through a limited share certificate

offering well above Treasury rates. The program sold around 150 certificates for a total of nearly \$70 million.

Shifting gears, Catalyst Corporate is dedicating tremendous resources to ensuring we remain your partner for all payment services, from traditional item processing, ACH, cards and wires to rapidly evolving faster payments, including P2P, RTP® and FedNow<sup>SM</sup>. Through the TranzCapture CUSO, Catalyst Corporate has had an alliance with two other large corporates that continues to drive economy of scale for credit union processing. This year, Vizo Financial Corporate has joined the TranzCapture CUSO, which will ultimately onboard 500 more credit unions to this alliance.

Catalyst Corporate's transition of card services to PSCU in 2022 will provide expanded services, including credit cards. International wires will also undergo enhancements.

Most importantly, Catalyst Corporate is on the forefront of the nation's faster payments initiative. Our team is working behind the scenes to create the infrastructure to fully participate in The Clearing House RTP® Network and the Federal Reserve's FedNow<sup>SM</sup> program, which is set to launch in 2023. Our goal is to be able to process your members' payments no matter how they are presented.

As announced in the fall of 2021, Catalyst Corporate is waiving all recurring monthly service fees for our credit unions, leagues, and CUSOs for the April 2022 billing invoices.

I want to confirm that our mission is driven by our members. Our team is collaborating for your success. In closing, I'd like to invite you to attend our annual Economic & Payments Forum, September 19-21. This year's event will be held in-person and at a new venue - The Renaissance Plano Legacy West Hotel. We hope to see you there.

# CHAIRMAN'S REPORT

As our nation continues to unfold a new business environment that never ceases to surprise, credit unions are finding new and creative ways to serve their members better.

The same holds true for Catalyst Corporate. When challenges arise, your Corporate's dedicated team of volunteers, management and staff collaborate to determine the best path forward. The result is innovative products and services, designed with your input and backed by exceptional service. This is a winning formula that has, again, added up to a very successful year.

Each year members are surveyed to measure their level of satisfaction. In 2021, members awarded Catalyst Corporate its highest ever Net Promoter Score of 87.9 percent. This vote of confidence strengthened momentum as Catalyst Corporate continued its commitment to innovation with the release of new products, including PayMōli P2P, AFS deposit fraud detection and the CECLution online platform.



**Lin Hodges**  
**Chairman of the Board**

Energized by the successes of 2021, Catalyst Corporate's financial mission is already building momentum. At the end of the first quarter, net income was \$23.94 million, the retained earnings ratio was 5.19 percent, and the leverage ratio was 9.48 percent.

Strategic goals for 2022 include: achieving financial goals; implementing on and off-balance sheet financial programs; pursuing payments product development and enhancements; increasing market share; identifying efficiency and savings opportunities; vigilantly monitoring operating and security systems; exploring value-added business partnerships; maintaining employee engagement and an inclusive workplace; and executing digital strategy.

Thank you for your continued support and participation. Please continue to let us know how we can better contribute to the forward momentum at your credit union.

# SUPERVISORY COMMITTEE'S REPORT

The Supervisory Committee is responsible for reporting on the integrity of the credit union's financial records and for ensuring that internal controls are in place to protect the assets of the credit union and its members.

Regulatory exams and the audits performed by Catalyst Corporate's internal and external independent auditors are designed to assist Catalyst Corporate in maintaining the highest standards of accuracy in its accounting records and reports, and in complying with policies, procedures and regulations.

The Supervisory Committee has met with the external auditors to discuss the results of the 2021 external audit. Catalyst Corporate received an unqualified opinion on the audited 2021 financial statements.



**Jody Caraccioli**  
**Committee Chair**

The Supervisory Committee also has reviewed the results of work performed by Catalyst Corporate's internal auditors and the results of examinations performed by the National Credit Union Administration.

Based on findings of the internal auditors, external auditors and the NCUA, the Supervisory Committee members conclude that the financial statements for the year ending December 31, 2021, are fairly presented and that Catalyst Corporate has maintained effective internal control over financial reporting and has complied with all applicable regulations and laws throughout 2021.

## Independent Auditor's Report

April 16, 2022

To the Supervisory Committee, Board of Directors  
and Management of Catalyst Corporate Federal Credit Union

### ***Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting***

We have audited the financial statements of Catalyst Corporate Federal Credit Union and its subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2021 and 2020, and the related consolidated statements of income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Catalyst Corporate Federal Credit Union and its subsidiaries as of December 31, 2021 and 2020 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited Catalyst Corporate Federal Credit Union and its subsidiaries internal control over financial reporting as of December 31, 2021, including controls over the preparation of regulatory consolidated financial statements in accordance with the instructions for the National Credit Union Administration's (NCUA) 5310 Call Report, as of December 31, 2021, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). In our opinion, Catalyst Corporate Federal Credit Union and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control Over Financial Reporting section of our report. We are required to be independent of Catalyst Corporate Federal Credit Union and its subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Supervisory Committee, Board of Directors  
and Management of Catalyst Corporate Federal Credit Union  
Page 2

***Responsibilities of Management for the Consolidated Financial Statements and Internal Control Over Financial Reporting***

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 of America, and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying 2021 Management Report.

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 Catalyst Corporate Federal Credit Union and its subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

***Auditor's Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control Over Financial Reporting***

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 about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness 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 are considered to be 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 of financial statements and an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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.

To the Supervisory Committee, Board of Directors  
and Management of Catalyst Corporate Federal Credit Union  
Page 3

- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- 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 Catalyst Corporate Federal Credit Union and its subsidiaries' ability to continue as a going concern for a reasonable period of time.

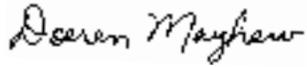
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

#### ***Definition and Inherent Limitations of Internal Control Over Financial Reporting***

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 704.15 of the NCUA Regulations, our audit of Catalyst Corporate Federal Credit Union's internal control over financial reporting included controls over the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and with the NCUA 5310 Call Report instructions. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the consolidated financial statements.

To the Supervisory Committee, Board of Directors  
and Management of Catalyst Corporate Federal Credit Union  
Page 4

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Doeren Mayhew  
Miami, FL

## Catalyst Corporate Federal Credit Union Consolidated Statements of Financial Condition

As of December 31, (in thousands)	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$2,338,599	\$1,959,032
Securities purchased under agreements to resell	-	300,000
Investments:		
Available-for-sale	1,590,057	1,556,053
Central Liquidity Facility (CLF) capital stock	97,698	96,120
Other investments	14,849	14,716
Loans, net of allowance of \$47 and \$62 as of December 31, 2021 and 2020, respectively	227,597	185,988
Accounts receivables and other assets	32,423	33,006
Property and equipment, net	14,679	14,522
Goodwill and other intangible assets	7,688	8,098
National Credit Union Share Insurance Fund (NCUSIF) Deposit	2,463	2,479
<b>Total assets</b>	<b>\$4,326,053</b>	<b>\$4,170,014</b>
<b>Liabilities</b>		
Members' shares	\$3,847,445	\$3,681,182
Members' share certificates	79,605	141,901
Accrued expenses and other liabilities	18,342	20,572
<b>Total liabilities</b>	<b>3,945,392</b>	<b>3,843,655</b>
Commitments and contingent liabilities		
<b>Members' Equity</b>		
Perpetual contributed capital (PCC)	179,026	178,199
Retained earnings	192,567	130,398
Non-controlling interest	6,540	4,998
Accumulated other comprehensive income	2,528	12,764
<b>Total members' equity</b>	<b>380,661</b>	<b>326,359</b>
<b>Total liabilities and members' equity</b>	<b>\$4,326,053</b>	<b>\$4,170,014</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

## Catalyst Corporate Federal Credit Union Consolidated Statements of Income

For the years ended December 31, (in thousands)	2021	2020
<b>Interest income</b>		
Available-for-sale investments	\$12,988	\$25,878
Federal Reserve Bank	2,916	3,814
Loans	2,134	2,817
Other	513	1,915
<b>Total interest income</b>	<b>18,551</b>	<b>34,424</b>
<b>Interest expense</b>		
Members' shares	831	2,687
Members' share certificates	128	624
<b>Total interest expense</b>	<b>959</b>	<b>3,311</b>
<b>Net interest income</b>	<b>17,592</b>	<b>31,113</b>
<b>(Recapture of)/provision for loan losses</b>	<b>(14)</b>	<b>35</b>
<b>Net interest income after (recapture of)/provision for loan losses</b>	<b>17,606</b>	<b>31,078</b>
<b>Non-interest income</b>		
Share draft and depository processing fees	19,770	19,193
Off-balance-sheet income	13,463	12,758
Other fee income	16,773	13,989
Other income on U.S. Central Estate settlement	52,648	-
Other net gains	283	53
<b>Total non-interest income</b>	<b>102,937</b>	<b>45,993</b>
<b>Non-interest expenses</b>		
Compensation and benefits	35,794	33,770
Outside processing and service costs	8,470	7,287
Information technology	8,186	7,735
Professional fees	1,542	1,508
Office occupancy	1,190	1,156
Other operating expenses	2,512	2,292
<b>Total non-interest expenses</b>	<b>57,694</b>	<b>53,748</b>
<b>Net income</b>	<b>62,849</b>	<b>23,323</b>
<b>Net loss attributable to non-controlling interest</b>	<b>413</b>	<b>54</b>
<b>Net income attributable to controlling interest</b>	<b>\$63,262</b>	<b>\$23,377</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

## Catalyst Corporate Federal Credit Union Consolidated Statements of Comprehensive Income

For the years ended December 31, (in thousands)	2021	2020
<b>Net income attributable to controlling interest</b>	<b>\$63,262</b>	<b>\$23,377</b>
<b>Other comprehensive (loss)/income</b>		
Net unrealized holding (losses)/gains on investments classified as available-for-sale	(9,983)	9,712
Reclassification adjustment for net gains included in net income	(253)	(39)
<b>Other comprehensive (loss)/income</b>	<b>(10,236)</b>	<b>9,673</b>
<b>Comprehensive income</b>	<b>\$53,026</b>	<b>\$33,050</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

## Catalyst Corporate Federal Credit Union Consolidated Statements of Members' Equity

(In thousands)	Perpetual Contributed Capital	Retained Earnings	Non- controlling Interest	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at December 31, 2019	\$177,836	\$109,562	\$746	\$3,091	\$291,235
Net income/(loss)	-	23,377	(54)	-	23,323
Partial sale of minority interest in credit union service organization (CUSO)	-	-	4,306	-	4,306
PCC issued	363	-	-	-	363
Dividends paid on PCC	-	(2,541)	-	-	(2,541)
Other comprehensive income	-	-	-	9,673	9,673
Balance at December 31, 2020	178,199	130,398	4,998	12,764	326,359
Net income/(loss)	-	63,262	(413)	-	62,849
Capital contribution	-	-	1,955	-	1,955
PCC issued	827	-	-	-	827
Dividends paid on PCC	-	(1,093)	-	-	(1,093)
Other comprehensive loss	-	-	-	(10,236)	(10,236)
Balance at December 31, 2021	<b>\$179,026</b>	<b>\$192,567</b>	<b>\$6,540</b>	<b>\$2,528</b>	<b>\$380,661</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

## Catalyst Corporate Federal Credit Union Consolidated Statements of Cash Flows

For the years ended December 31, (in thousands)	2021	2020
<b>Cash flows from operating activities:</b>		
Net income attributable to controlling interest	<b>\$63,262</b>	\$23,377
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment, net	<b>2,351</b>	2,303
Net loss on disposition of assets	<b>2</b>	2
Net gain on sale/redemption of investments available-for-sale	<b>(253)</b>	(39)
Net amortization of premiums and discounts on available-for-sale investments	<b>4,348</b>	596
Amortization of other intangible assets	<b>410</b>	239
Amortization of premium on loan participations	<b>13</b>	30
(Recapture of)/provision for loan losses	<b>(14)</b>	35
Change in credit union-owned life insurance (COLI) policy	<b>(305)</b>	(275)
Net loss attributable to non-controlling interest	<b>(413)</b>	(54)
Changes in operating assets and liabilities:		
Decrease/(increase) in accounts receivables and other assets	<b>888</b>	(143)
(Decrease)/increase in accrued expenses and other liabilities	<b>(2,230)</b>	3,719
<b>Net cash provided by operating activities</b>	<b>68,059</b>	29,790

*The accompanying notes are an integral part of the consolidated financial statements.*

## Catalyst Corporate Federal Credit Union Consolidated Statements of Cash Flows

Cash flows (continued):

For the years ended December 31, (in thousands)	2021	2020
<b>Cash flows from investing activities:</b>		
Purchases of securities under agreements to resell	300,000	(1,099,999)
Proceeds from maturities of securities purchased under agreements to resell	600,000	1,049,999
Proceeds from sale/redemption of available-for-sale investments	85,611	25,566
Proceeds from maturities and repayments of available-for-sale investments	876,459	1,151,170
Purchases of available-for-sale investments	(1,010,405)	(1,573,042)
Goodwill and other intangible assets from purchase of CUSO	-	(5,569)
Net change in loans	(41,608)	(5,964)
Purchase of CLF capital stock	(1,578)	(96,120)
Expenditures for property and equipment, net	(2,510)	(3,276)
Change in NCUSIF deposit	16	1
Net change in other investments	(133)	(204)
<b>Net cash provided by/(used in) investing activities</b>	<b>205,852</b>	<b>(557,438)</b>
<b>Cash flows from financing activities:</b>		
Net change in members' shares	166,263	1,491,017
Net change in members' share certificates	(62,296)	121,620
Proceeds from sale of non-controlling interest in CUSO	-	4,306
Capital contributions of non-controlling interest in CUSO	1,955	-
PCC issued	827	363
Dividends paid on PCC	(1,093)	(2,541)
<b>Net cash provided by financing activities</b>	<b>105,656</b>	<b>1,614,765</b>
<b>Net increase in cash and cash equivalents</b>	<b>379,567</b>	<b>1,087,117</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,959,032</b>	<b>871,915</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$2,338,599</b>	<b>\$1,959,032</b>

Supplemental disclosure of cash flow information:

Cash paid for:

Interest on members' shares	\$831	\$2,691
Interest on members' share certificates	\$165	\$634

*The accompanying notes are an integral part of the consolidated financial statements.*

# Catalyst Corporate Federal Credit Union

## Notes to the Consolidated Financial Statements

### 1. ORGANIZATION

Catalyst Corporate Federal Credit Union (Catalyst Corporate) is a federally chartered corporate credit union whose principal activity is to provide investment, credit, payment and correspondent services to its member credit unions. Catalyst Corporate's members can include federal and state-chartered credit unions, and other credit union organizations throughout the United States.

Catalyst Corporate derives its authority to operate from the United States federal government under the Federal Credit Union Act (the Act). The National Credit Union Administration (NCUA) serves as the regulatory agency responsible for enforcement of the Act. Pursuant to Section 122 of the Act, Catalyst Corporate is exempt from the payment of federal and state income taxes.

Catalyst Corporate wholly owns CUSOURCE, LLC (CUSOURCE), which is a CUSO that provides investment advisory and asset-liability management services to credit unions on a nationwide basis. CUSOURCE conducts business under the name "Catalyst Strategic Solutions." In addition, as of December 31, 2021, Catalyst Corporate owns 74% of TranzCapture, LLC (TranzCapture), a CUSO that was formed in 2015 for software development.

On May 28, 2020, Catalyst Corporate purchased Aptys Solutions, LLC (Aptys Solutions), a leading provider of real-time processing and electronic payment solutions. On May 29, 2020, Catalyst Corporate sold a minority ownership interest in Aptys Solutions to Alloya Corporate Federal Credit Union (25%) and Vizo Financial Corporate Credit Union (24%), thus Catalyst Corporate owns 51% of Aptys Solutions. In October 2021, the owners made additional capital contributions totaling \$3,995,000.

All three CUSOs are formed as Texas limited liability companies, and that the federal income tax liability flows through to its owners, the CUSOs are not subject to federal and state income taxes.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Consolidated financial statements/Use of estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (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 consolidated financial statements, and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the fair value of financial instruments. The significant accounting principles and policies used in the preparation of these consolidated financial statements, together with certain related information, are summarized below. Management elected to round the consolidated financial statements to the nearest thousand dollars.

#### *Principles of consolidation*

The consolidated financial statements include the accounts of Catalyst Corporate, CUSOURCE TranzCapture, and Aptys Solutions. All significant intercompany balances and transactions have been eliminated in the Catalyst Corporate consolidated financial statements.

# Catalyst Corporate Federal Credit Union

## Notes to the Consolidated Financial Statements

Note: 2 (continued)

### ***Cash and cash equivalents***

Cash and cash equivalents include amounts due from the Federal Reserve Bank (FRB) and other banks, as well as cash maintained in various courier vaults. Amounts due from banks, at times, may exceed federally insured limits.

### ***Securities purchased under agreements to resell***

Catalyst Corporate entered into reverse repurchase agreements accounted for as secured borrowings at amortized cost. As the buyer-lender, Catalyst Corporate bought the securities with an agreement to resell them to the seller-borrower at a stated price plus interest at a specified date. The balance of outstanding reverse repurchase agreements as of December 31, 2021 and 2020, was \$0 and \$300,000,000, respectively.

### ***Interest rate derivatives***

Catalyst Corporate utilizes interest rate swap agreements to manage the effects of interest rate volatility on net interest income. These swap transactions are designated as fair value hedges as they are used to hedge against the changes in the fair value of Catalyst Corporate's member term loans attributable to changes in interest rates. The fair values of these interest rate derivatives are recognized in the consolidated statements of financial condition as an asset or a liability at fair value. Gains and losses on the derivatives are reported in income along with the related gains and losses of the hedged financial instruments.

Interest rate swap gains and losses, and related accrued interest receivable and payable, are netted per counterparty. An interest rate derivative asset (or liability) is recognized when the net result for an individual counterparty is an asset (or a liability). Cash collateral receivables or payables are also offset against net derivative positions. Interest income and expense on swaps designated as hedges are recorded in income in conjunction with the income or expense of the hedged financial instrument.

### ***FRB – Excess Balance Account (EBA) Program***

Catalyst Corporate, as agent, entered into an EBA agreement with participating member credit unions and the FRB, whereby the FRB opened EBA accounts for the benefit of the participants at the request of the agent. As such, the balances in the EBA accounts are not reflected in the Catalyst Corporate consolidated statements of financial condition. These balances totaled approximately \$10,269,575,000 and \$10,257,416,000 as of December 31, 2021 and 2020, respectively. Neither the participating member credit unions nor the agent may use the EBA for general payments or other activities. The aggregate balance in the EBA represents a deposit liability of the FRB solely to the participants. Catalyst Corporate, as agent, is solely responsible for calculating and distributing the interest payable to each participant on the participant's excess balance and for damages owed to participants for any inaccuracy in calculating the participant's excess balance and interest.

# Catalyst Corporate Federal Credit Union

## Notes to the Consolidated Financial Statements

Note: 2 (continued)

### ***Investments***

Certain investments are classified as available-for-sale when Catalyst Corporate anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

Unrealized gains and losses on available-for-sale securities are recognized as direct increases or decreases in other comprehensive income/(loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the estimated fair value of available-for-sale securities below their cost that are other-than-temporary are reflected as realized losses in the consolidated statements of income. Factors affecting the determination of whether an other-than-temporary impairment (OTTI) has occurred include, among other things: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) that Catalyst Corporate does not intend to sell these securities, and (4) it is more likely than not that Catalyst Corporate will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date, and the cost of securities sold are determined using the specific identification method.

CLF capital stock and other investments, which include interest-bearing deposits, Federal Home Loan Bank (FHLB) capital stock, and various investments in CUSOs are generally carried at original cost less impairment, if any, if there is no readily determinable market value, with the exception of certain investments in CUSOs, which are accounted for using the equity method of accounting. Gains/(losses) on equity method investments are included within other fee income reported in the consolidated statements of income.

### ***Loans***

Loans include loans to members and loan participations, net of allowance. Loans to members are stated at the amount of unpaid principal. Interest on loans is accrued daily and is calculated using the simple-interest method on principal amounts outstanding. The accrual of interest is discontinued when management believes the collection of interest is doubtful. Catalyst Corporate reviews the loan portfolio for impairment on a regular basis.

Open-end credit lines are provided at a variable interest rate and must be repaid within 12 months of the date of each advance or upon demand. All of these lines are backed by either a general or specific pledge of the borrowing credit union's assets.

Term loans are provided in a variety of structures including fixed rate, variable rate, bullet and amortizing structures. These loans are backed by either a specific or general pledge of the borrowing credit union's assets. Catalyst Corporate offers term loans with maturities up to 10 years.

Loan participations, which are secured by vehicle loans, are considered as held for investment and are initially recorded at market value as of the settlement date. The allowance is increased by provision for loan losses charged to expense and decreased by charge offs (net of recoveries).

# Catalyst Corporate Federal Credit Union

## Notes to the Consolidated Financial Statements

Note: 2 (continued)

The allowance is maintained at an amount that represents management's estimate of losses that may be sustained in the liquidation of currently outstanding loans. Any difference between the market price and par value is recorded as a premium or discount. The accretable premium or discount is amortized to interest income using the interest method over the expected weighted average life of the loan pool. Accrued interest on the loans is recorded to interest income. Principal and interest payments on the loans are applied monthly to reduce loan participation asset and accrued interest balances, respectively.

### **Allowance for loan losses**

Catalyst Corporate's loans to members consists only of loans to credit unions, credit union leagues and CUSOs. Catalyst Corporate has segmented the portfolio into two types of loans (open-end credit lines and term loans) based on risk characteristics of each loan type. Each type of loan requires significant judgment to determine the amount of lines of credit and term loans to extend to any one member. The following methodology is used by management to determine the balance of the allowance for loan losses.

### **Credit quality indicators**

Member loans are evaluated on a loan-by-loan basis.

Approximately one half of the dollar volume of open-end credit lines and term loans are secured by a blanket lien on all assets. The remainder is secured by specific collateral. This collateral is pledged by the member prior to Catalyst Corporate extending loan advances.

If management determines that a loan is impaired, then impairment is recognized by recording an allowance for loan losses. There were no impaired loans as of December 31, 2021 or 2020. Additionally, none of the loans were past due or had been modified as of December 31, 2021 or 2020. Catalyst Corporate places loans on non-accrual status when the loan reaches 90 days past due or when the collection of interest or principal becomes uncertain.

### **Loan participations**

Loan participations, secured by vehicle loans, were purchased without recourse and the participating financial institution performs all loan servicing functions on these loans.

Catalyst Corporate records an allowance for loan loss provision equal to the estimated inherent losses attributed to the current portfolio. The following methodology is used by management to evaluate loan participations.

# Catalyst Corporate Federal Credit Union

## Notes to the Consolidated Financial Statements

Note: 2 (continued)

### **Loan Participation Credit Quality Indicators**

Loan participations are segmented by loan pool and the allowance is calculated by segment utilizing the following factors:

- Originating credit union historical loss rate for the loan type
- Level and trends in delinquencies and impaired loans
- Level and trends in charge-offs and recoveries
- Qualitative and environmental factors which may include lending policy and procedure changes, economic condition changes, and the depth of the originating credit union's management experience

### ***Property and equipment, net***

Land is carried at cost. Property and equipment are carried at cost less accumulated depreciation. Buildings, capital improvements, software, hardware, furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Catalyst Corporate reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

### ***Goodwill and other intangible assets***

Goodwill and other intangible assets acquired in a purchase business combination determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that an impairment test should be performed. Catalyst Corporate has selected December 31 as the date to perform the annual impairment test, and any impairment is recognized in the period identified. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life in Catalyst Corporate's consolidated statements of financial condition. Other intangible assets consist of customer relationships. The customer relationship intangible is being amortized straight line over its estimated useful life of 10 years.

### ***NCUSIF deposit***

The deposit in the NCUSIF is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1% of its insured shares. The deposit would be refunded to the credit union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. The NCUSIF deposit is required to be periodically reviewed for impairment.

### ***Members' shares and members' share certificates***

Members' shares and members' share certificates are subordinated to all other liabilities of Catalyst Corporate other than PCC upon liquidation. Interest rates on members' shares and members' share certificates are set by management under the direction of the Board of Directors.

# Catalyst Corporate Federal Credit Union

## Notes to the Consolidated Financial Statements

Note: 2 (continued)

### ***PCC***

PCC is member credit union contributed capital that is perpetual, uninsured, and available to cover losses that exceed retained earnings. It is not negotiable or assignable but may be transferable to another eligible member credit union under certain provisions. PCC may not be pledged or used as security for borrowing. PCC dividends are non-cumulative and determined based on net earnings and the overall capital needs of Catalyst Corporate. Additionally, PCC dividends are not guaranteed and may be suspended if earnings are negative and/or capital levels fall below regulatory and/or policy minimum levels.

### ***Comprehensive income/(loss)***

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive income/(loss). Other comprehensive income/(loss) is limited to the changes in unrealized gains/(losses) on available-for-sale investments. When available-for-sale investments are sold, the gain/(loss) realized on the sale is reclassified from accumulated other comprehensive income/(loss) to the net gain/(loss) on sale of available-for-sale investments reported in the consolidated statements of income.

### ***Federal and state tax exemption***

Catalyst Corporate is exempt from most federal, state and local taxes under the provisions of the Internal Revenue Code (IRC) and state tax laws. The Income Tax Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) clarifies accounting for uncertainty in income taxes reported in the consolidated financial statements. The interpretation provides criteria for assessment of individual tax positions and a process for recognition and measurement of uncertain tax positions. Tax positions are evaluated on whether they met the “more likely than not” standard for sustainability on examination by tax authorities. Federal credit unions are tax-exempt under IRC sections 501(c) (14) (a) and 501(c) (1) (a) (I). As such, Catalyst Corporate has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

### ***Reclassification***

Certain amounts reported in the 2020 consolidated financial statements have been reclassified to conform with 2021 presentation. Reclassification adjustments did not affect total members’ equity or net income.

### ***Revenue recognition***

Share draft and depository processing fees and other fee income: Catalyst Corporate earns fee income from its members for transaction-based services. Transaction-based services, which include services such as share-draft and deposit processing fees, coin and currency, and wiring fees, are recognized at the time the transaction is executed, as that is the point in time that Catalyst Corporate fulfills the member’s request, concurrently with the correspondent banking expenses provided to the member.

Off-balance-sheet income: Catalyst Corporate also receives certain commissions and service fees. Commission income for investment trades is recognized in the month of trade activity.

# Catalyst Corporate Federal Credit Union

## Notes to the Consolidated Financial Statements

Note: 2 (continued)

Commission income for certificate of deposit sales is recognized over the life of the corresponding certificates or in the month of trade activity depending on the certificate type. Service fee income is generated from asset liability management (ALM) modeling and investment advisory services. ALM modeling revenue is recognized over a 12-month period. Investment advisory services revenue is recognized in the month the service has been performed. Off-balance-sheet income also includes agent income from the EBA Program. Catalyst Corporate, as an agent, earns income based on a spread differential as a function of the balances maintained at the FRB for the participant. Agent income is recognized in the month of activity.

### ***Recent accounting pronouncements***

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments-Credit Losses. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses. The FASB's CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized.

The ASU will be effective for credit unions on January 1, 2023. Early application is permitted for annual periods beginning January 1, 2019. Catalyst Corporate expects the impact of adoption of this ASU to be immaterial to the consolidated financial statements.

### ***Subsequent events***

Management has evaluated subsequent events through April 16, 2022, which is the date the consolidated financial statements were available to be issued. On March 7, 2022 Catalyst Corporate received a distribution from the U.S. Central Asset Management Estate (USC AME) of approximately \$20,522,000 (see Note 20).

After December 31, 2021, Catalyst Corporate sold a 5% interest in TranzCapture to a corporate credit union and recognized a gain of approximately \$1,641,000. Aptys Solutions issued 225 Class B Units to a bankers' bank and a corporate credit union for \$3,825,000.

## **3. CASH AND CASH EQUIVALENTS**

Cash on deposit and cash items in the process of collection from correspondent banks and the FRB are included in cash and cash equivalents in the consolidated statements of financial condition.

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

### 4. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

As of December 31, 2020, Catalyst Corporate had three reverse repurchase agreements with Amherst Pierpont Securities, LLC (Amherst). The reverse repurchase agreements were collateralized by agency mortgage-backed securities held by J.P. Morgan Securities, LLC.

As of December 31, 2020, the reverse repurchase agreements were for \$50,000,000, \$150,000,000, and \$100,000,000 and matured on January 20, 2021, February 12, 2021, and March 9, 2021, respectively. The fair value of the collateralized securities was approximately \$301,345,000 as of December 31, 2020. Amherst had cash collateral requirements with Catalyst Corporate for approximately \$4,040,000 as of December 31, 2020.

There were no reverse repurchase agreements as of December 31, 2021.

### 5. INTEREST RATE DERIVATIVES

Interest rate derivatives as of December 31, 2021 and 2020, are comprised of ten and eight interest rate swap agreements, respectively. Interest rate derivative assets are included in accounts receivables and other assets in the consolidated statements of financial condition. Interest rate derivative liabilities are included in accrued expenses and other liabilities in the consolidated statements of financial condition.

Fair value hedges are comprised of interest rate swap agreements in which Catalyst Corporate pays a fixed rate and receives a floating rate in return. Catalyst Corporate utilizes swap agreements to manage interest rate risk by hedging the fair value of its member term loans attributable to changes in interest rate. Catalyst Corporate assumes no ineffectiveness on these interest rate swaps which results in net zero gains/(losses) recognized in net income.

The following table summarizes the fair value of interest rate swaps, which are designated as fair value hedges, on a gross basis as of December 31 (in thousands):

<b>2021</b>	Assets	
	Fair Value	Notional
Derivatives designated as fair value accounting hedges:		
Interest rate swaps related to loans to members	(\$878)	\$97,500
Counterparty netting: accrued interest payable	(14)	-
Fair value of interest rate swaps	(892)	-
Less: cash collateral paid	1,679	-
<b>Total</b>	<b>\$787</b>	<b>\$97,500</b>

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

Note: 5 (continued)

2020	Assets	
	Fair Value	Notional
Derivatives designated as fair value accounting hedges:		
Interest rate swaps related to loans to members	(\$3,956)	\$75,000
Counterparty netting: accrued interest payable	(9)	-
Fair value of interest rate swaps	(3,965)	-
Less: cash collateral paid	4,615	-
<b>Total</b>	<b>\$650</b>	<b>\$75,000</b>
	Liabilities	
	Fair Value	Notional
Derivatives designated as fair value accounting hedges:		
Interest rate swaps related to loans to members	(\$297)	\$7,500
Counterparty netting: accrued interest payable	(2)	-
Fair value of interest rate swaps	(299)	-
Less: cash collateral paid	280	-
<b>Total</b>	<b>(\$19)</b>	<b>\$7,500</b>

Cash collateral is posted based on the position of the swap agreement. As of December 31, 2021, Catalyst Corporate had posted collateral of approximately \$1,399,000 and \$280,000 with Wells Fargo, N.A. and J.P. Morgan Chase, respectively. Additionally, Catalyst Corporate posted cash collateral with Wells Fargo, N.A. and J.P. Morgan Chase, respectively of approximately \$4,615,000 and \$280,000 as of December 31, 2020.

In the event of counterparty default, credit risk on interest rate swap transactions is limited to the balance of interest rate derivative assets and collateral. Catalyst Corporate manages credit risk arising from interest rate swap transactions through credit approval procedures that include specific limits for individual counterparties and ongoing monitoring procedures to measure outstanding swap exposure against the established limits.

Catalyst Corporate's policies require swap transactions to be executed with counterparties that possess a minimum credit rating of single-A.

Credit risk is further mitigated by contractual arrangements with each of Catalyst Corporate's counterparties that provide for the netting of replacement cost gains and losses, and accrued interest receivable and payable, on multiple swap transactions with the same counterparty.

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

### 6. AVAILABLE-FOR-SALE INVESTMENTS

The amortized cost and estimated fair value of available-for-sale investments as of December 31 are as follows (in thousands):

<b>2021</b>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Asset-backed securities	<b>\$1,157,865</b>	<b>\$1,735</b>	<b>(\$1,218)</b>	<b>\$1,158,382</b>
Agency commercial mortgage-backed securities	<b>318,540</b>	<b>3,166</b>	<b>(1,547)</b>	<b>320,159</b>
Agency mortgage-backed securities	<b>37,574</b>	<b>421</b>	<b>(47)</b>	<b>37,948</b>
Commercial paper	<b>44,955</b>	<b>25</b>	<b>-</b>	<b>44,980</b>
Corporate debt obligations	<b>20,332</b>	<b>-</b>	<b>(17)</b>	<b>20,315</b>
U.S. Treasury and federal agency securities	<b>8,263</b>	<b>19</b>	<b>(9)</b>	<b>8,273</b>
<b>Total</b>	<b>\$1,587,529</b>	<b>\$5,366</b>	<b>(\$2,838)</b>	<b>\$1,590,057</b>

<b>2020</b>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Asset-backed securities	\$1,112,161	\$5,138	(\$1,163)	\$1,116,136
Agency commercial mortgage-backed securities	343,204	7,656	(56)	350,804
Agency mortgage-backed securities	47,358	1,186	(2)	48,542
Commercial paper	36,967	5	-	36,972
U.S. Treasury and federal agency securities	3,599	2	(2)	3,599
<b>Total</b>	<b>\$1,543,289</b>	<b>\$13,987</b>	<b>(\$1,223)</b>	<b>\$1,556,053</b>

Catalyst Corporate's asset-backed securities are collateralized by the following asset types as of December 31 (in thousands):

Asset Type	<b>2021</b> Fair Value	2020 Fair Value
Automobile	<b>\$512,353</b>	\$348,373
Credit card	<b>232,497</b>	470,831
Equipment	<b>207,545</b>	99,149
FFELP student loan	<b>205,987</b>	197,783
<b>Total</b>	<b>\$1,158,382</b>	\$1,116,136

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

Note: 6 (continued)

The following tables represent regulatory concentration limits based on parameters established in NCUA regulation 704.5 as of December 31, 2021 (in thousands):

By Security Type:	Fair Value	Capital Based Limit	Asset Based Limit
Automobile asset-backed securities	<b>\$512,353</b>	<b>\$1,824,273</b>	<b>\$1,081,513</b>
Agency commercial mortgage-backed securities	<b>320,159</b>	<b>\$1,094,564</b>	<b>\$648,908</b>
Credit card asset-backed securities	<b>232,497</b>	<b>\$1,824,273</b>	<b>\$1,081,513</b>
Equipment asset-backed securities	<b>207,545</b>	<b>\$1,824,273</b>	<b>\$1,081,513</b>
FFELP student loan asset-backed securities	<b>205,987</b>	<b>\$3,648,546</b>	<b>\$2,163,027</b>
Commercial paper	<b>44,980</b>	<b>\$3,648,546</b>	<b>\$2,163,027</b>
Agency mortgage-backed securities	<b>37,948</b>	<b>\$3,648,546</b>	<b>\$2,163,027</b>
Corporate debt obligations	<b>20,315</b>	<b>\$3,648,546</b>	<b>\$2,163,027</b>
U.S. Treasury and federal agency securities	<b>8,273</b>	<b>\$3,648,546</b>	<b>\$2,163,027</b>
<b>Total</b>	<b>\$1,590,057</b>		

By Issuer (top ten issuers of asset-backed securities):	Fair Value	Regulatory Limit
AMXCA 2019-3 A	<b>\$40,443</b>	<b>\$182,427</b>
CNH 2021-B A2	<b>\$38,422</b>	<b>\$91,214</b>
FORDO 2020-B A3	<b>\$34,569</b>	<b>\$91,214</b>
MBALT 2021-B A2	<b>\$31,968</b>	<b>\$91,214</b>
JDOT 2021-B A2	<b>\$30,948</b>	<b>\$91,214</b>
MMAF 2021-A A2	<b>\$30,256</b>	<b>\$91,214</b>
HART 2021-B A2	<b>\$29,960</b>	<b>\$91,214</b>
VALET 2021-1 A2	<b>\$28,983</b>	<b>\$91,214</b>
COMET 2018-A2 A2	<b>\$25,092</b>	<b>\$182,427</b>
CHAIT 2012-A7 A7	<b>\$25,056</b>	<b>\$182,427</b>

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

Note: 6 (continued)

The amortized cost and estimated fair value of available-for-sale investments as of December 31, 2021, by contractual maturity are shown below (in thousands). Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay certain obligations without call or prepayment penalties.

	Amortized Cost	Fair Value
Within 1 year	\$47,056	\$47,081
1 to 5 years	25,277	25,252
Over 5 years	-	-
Asset-backed securities	1,157,865	1,158,382
Agency commercial mortgage-backed securities	318,540	320,159
Agency mortgage-backed securities	37,574	37,948
Federal agency securities	1,217	1,235
<b>Total</b>	<b>\$1,587,529</b>	<b>\$1,590,057</b>

Proceeds of \$85,611,000 and gross gains of \$253,000 from the sale of two investments classified as available-for-sale were realized for the year ended December 31, 2021. Proceeds of \$13,140,000 and gross gains of \$79,000 from the sale of one investment classified as available-for-sale were realized for the year ended December 31, 2020.

During 2020, Catalyst Corporate received proceeds of approximately \$12,426,000 and recognized gross losses of approximately \$40,000 from one asset-backed security that was called and redeemed at a discount.

The following tables show the gross unrealized losses and fair value of available-for-sale investments as of December 31 (in thousands), aggregated by length of time individual securities have been in a continuous unrealized loss position.

2021	Continuous unrealized loss position less than 12 months		Continuous unrealized loss position 12 months or greater		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Asset-backed securities	\$649,355	\$1,059	\$38,660	\$159	\$688,015	\$1,218
Agency commercial mortgage-backed securities	77,558	508	29,510	1,039	107,068	1,547
Corporate debt obligations	20,315	17	-	-	20,315	17
Agency mortgage-backed securities	9,421	47	53	-	9,474	47
U.S. Treasury and federal agency securities	4,937	8	161	1	5,098	9
<b>Total</b>	<b>\$761,586</b>	<b>\$1,639</b>	<b>\$68,384</b>	<b>\$1,199</b>	<b>\$829,970</b>	<b>\$2,838</b>

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

Note: 6 (continued)

2020	Continuous unrealized loss position less than 12 months		Continuous unrealized loss position 12 months or greater		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Asset-backed securities	\$126,015	\$242	\$98,204	\$921	\$224,219	\$1,163
Agency commercial mortgage-backed securities	19,158	39	11,296	17	30,454	56
Agency mortgage-backed securities	1,001	1	79	1	1,080	2
U.S. Treasury and federal agency securities	-	-	334	2	334	2
<b>Total</b>	<b>\$146,174</b>	<b>\$282</b>	<b>\$109,913</b>	<b>\$941</b>	<b>\$256,087</b>	<b>\$1,223</b>

Catalyst Corporate evaluates each asset-backed security, corporate debt obligation, and commercial paper for OTTI by considering Catalyst Corporate's ability to hold each security for a sufficient time to allow for recovery of unrealized losses. Catalyst Corporate also considers the credit rating of each security as well as the tranche and underlying collateral in evaluating each security for OTTI.

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because of the implicit guarantee of the principal balances of these securities by the U.S. Government and its Agencies. The decline in fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline.

Management has the intent and ability to hold all securities through to recovery of fair value, which may be maturity. There was no OTTI recognized for the years ended December 2021 or 2020.

### 7. CLF CAPITAL STOCK

In 2020, the U.S. Government enacted the Cares Act which included legislative changes to the CLF to provide greater access to liquidity for credit unions. The CLF is the channel for credit unions to access funds from the U.S. Treasury. This legislation was temporary and expired on December 31, 2021. Catalyst Corporate, as a corporate credit union, can act as an agent on behalf of its member credit unions with assets under \$250,000,000. These member credit unions may access the CLF through December 31, 2022, at which point the legislation requires that Catalyst Corporate provide capital for all its members or discontinue being an agent. Due to the expired legislation, Catalyst Corporate is no longer able to borrow as a direct member of the CLF. CLF capital stock as of December 31, 2021 and 2020 includes \$89,921,000 invested into the CLF by Catalyst Corporate on behalf of its member credit unions with assets under \$250,000,000, as well as approximately \$7,777,000 and \$6,199,000 as of December 31, 2021 and 2020, respectively, invested by Catalyst Corporate as a regular member of the NCUA CLF.

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

### 8. OTHER INVESTMENTS

Other investments are comprised of the following as of December 31 (in thousands):

	2021	2020
Investments in CUSOs	\$6,786	\$6,580
Interest-bearing deposits	5,394	7,124
FHLB capital stock	1,669	1,012
Other	1,000	-
<b>Total</b>	<b>\$14,849</b>	<b>\$14,716</b>

Investments in CUSO's includes equity method investments in Primary Financial, LLC and CU Business Group, LLC and investments carried at cost, less impairments, if any, which include investments in CO-OP, Constellation Digital Partners, LLC, CURQL Fund I, LLP, CU Investment Solutions, LLC, and Members Development Company, LLC.

Catalyst Corporate is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. Capital stock may be redeemed after a five-year written notice to the FHLB. Capital stock in FHLB is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Cash and stock dividends are reported as income. Stock dividends are reinvested in FHLB capital stock.

### 9. LOANS

The composition of loans is as follows as of December 31 (in thousands):

	2021	2020
Open-end credit lines	\$12,341	\$20,519
Term loans	214,357	163,523
<b>Total loans to members</b>	<b>226,698</b>	<b>184,042</b>
Loan participations (secured by vehicle loans)	946	2,008
Less: allowance for loan losses	(47)	(62)
<b>Total loan participations, net of allowance</b>	<b>899</b>	<b>1,946</b>
<b>Total</b>	<b>\$227,597</b>	<b>\$185,988</b>

Term loan balances include term loans totaling \$97,500,000 and \$82,500,000 that are accounted for at fair value based on the interest rate swap as of December 31, 2021 and 2020, respectively. Fair value premiums totaling approximately \$1,017,000 and \$4,443,000 were recognized as of December 31, 2021 and 2020, respectively.

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

Note: 9 (continued)

### ALLOWANCE FOR LOAN LOSSES (ALLOWANCE)

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the years ended December 31 (in thousands):

#### 2021

Allowance:	Term Loans	Loan Participations	Total
Beginning allowance	\$-	\$62	\$62
Charge-offs	-	(1)	(1)
Recoveries	-	-	-
Recapture of loan losses	-	(14)	(14)
<b>Total</b>	<b>\$-</b>	<b>\$47</b>	<b>\$47</b>

#### 2020

Allowance:	Term Loans	Loan Participations	Total
Beginning allowance	\$-	\$30	\$30
Charge-offs	-	(3)	(3)
Recoveries	-	-	-
Provision for loan losses	-	35	35
<b>Total</b>	<b>\$-</b>	<b>\$62</b>	<b>\$62</b>

There were no impaired loans as of December 31, 2021 or 2020.

### AGE ANALYSIS OF PAST DUE LOANS

The following table presents the aging of the recorded investment in past due loans as of December 31 (in thousands):

#### 2021

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Term loans	\$-	\$-	\$-	\$-	\$214,357	\$214,357
Open-end credit lines	-	-	-	-	12,341	12,341
Loan participations	9	2	1	12	934	946
<b>Total</b>	<b>\$9</b>	<b>\$2</b>	<b>\$1</b>	<b>\$12</b>	<b>\$227,632</b>	<b>\$227,644</b>

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

Note: 9 (continued)

2020

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Term loans	\$-	\$-	\$-	\$-	\$163,523	\$163,523
Open-end credit lines	-	-	-	-	20,519	20,519
Loan participations	6	1	2	9	1,999	2,008
<b>Total</b>	<b>\$6</b>	<b>\$1</b>	<b>\$2</b>	<b>\$9</b>	<b>\$186,041</b>	<b>\$186,050</b>

No loans have been modified as of December 31, 2021 or 2020.

Catalyst Corporate reviews all lines of credit on a semi-annual basis by reviewing the member credit unions' financial condition and key ratios. A watch list is created of member credit unions that represent a credit risk to Catalyst Corporate.

The criteria used to determine whether a loan will be placed on the watch list include, but not limited to the following:

Credit Quality Indicators:

- Current period net return on assets (ROA) based on a sliding scale with highest net ROA of 0.75% or higher given the best rating and lowest or negative net ROA given the worst rating and/or,
- Current period net capital based on a sliding scale with highest net capital of 10% or greater given the best rating and lowest or negative net capital given the worst rating. (Net capital is calculated by subtracting the dollar amounts of the following from total capital: 10% of all foreclosed and repossessed assets, 10% of loans 2 to 6 months delinquent, 50% of loans 6 to 12 months delinquent, 90% of loans more than 12 months delinquent, 0.5% of all non-delinquent loans, 100% of loans subject to bankruptcy, 50% of all fixed assets, 25% of other assets, and 5% of investments with maturities greater than 3 years).

Member credit unions placed on the watch list due to credit quality have lines of credit of approximately \$195,387,000 and \$189,787,000 and outstanding loan balances of approximately \$303,000 and \$0 as of December 31, 2021 and 2020, respectively.

Catalyst Corporate has not experienced any losses on loans to credit union members.

Catalyst Corporate recognized net gains of approximately \$30,000 and \$14,000 related to the early prepayment of \$5,000,000 and \$750,000 in term loans during each of the years ended December 31, 2021 and 2020, respectively. These gains are included in other net gains in the consolidated statements of income.

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

### 10. PROPERTY AND EQUIPMENT, NET

A summary of Catalyst Corporate's property and equipment is as follows as of December 31 (in thousands):

	2021	2020
Land	\$1,028	\$1,028
Building	7,792	7,792
Software	13,716	12,030
Hardware	7,907	7,558
Furniture and equipment	1,072	1,076
Capital improvements	1,586	1,446
	<b>33,101</b>	30,930
Less: accumulated depreciation	<b>(18,422)</b>	(16,408)
Total	<b>\$14,679</b>	\$14,522

### 11. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table sets forth the carrying value of goodwill and other intangible assets, net of accumulated amortizations, as of December 31 (in thousands):

#### 2021

	Gross Carrying Amount	Accumulated Amortizations	Net Book Values
Balance not subject to amortization:			
Goodwill	\$4,237	\$-	\$4,237
Balance subject to amortization:			
Customer relationships	4,100	(649)	3,451
Total	<b>\$8,337</b>	<b>(\$649)</b>	<b>\$7,688</b>

#### 2020

	Gross Carrying Amount	Accumulated Amortizations	Net Book Values
Balance not subject to amortization:			
Goodwill	\$4,237	\$-	\$4,237
Balance subject to amortization:			
Customer relationships	4,100	(239)	3,861
Total	<b>\$8,337</b>	<b>(\$239)</b>	<b>\$8,098</b>

Other intangible assets of \$4,100,000 consisting of customer relationships were recognized related to the Aptys Solutions acquisition in May 2020. Amortization of the customer relationships intangible totaled approximately \$410,000 and \$239,000 for 2021 and 2020, respectively.

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

### 12. BORROWED FUNDS/LINES OF CREDIT

Catalyst Corporate had access to an advised line of credit with FHLB of Dallas that approximated \$336,709,000 and \$385,470,000 as of December 31, 2021 and 2020, respectively. There were no borrowings outstanding as of December 31, 2021 or 2020.

Catalyst Corporate also had access to a repurchase agreement line of credit with J.P. Morgan Securities, LLC, that approximated \$1,042,544,000 and \$1,004,523,000 as of December 31, 2021 and 2020, respectively, and a \$30,000,000 unsecured Fed Funds line of credit with J.P. Morgan Chase Bank as of December 31, 2021 and 2020. There were no outstanding borrowings from either of these lines of credit as of December 31, 2021 or 2020.

The advised line of credit with FHLB of Dallas and the repurchase agreement line of credit with J.P. Morgan Securities LLC are fully secured by specific qualified investment securities.

### 13. MEMBERS' SHARES

Members' shares are summarized as follows as of December 31 (in thousands):

	2021	2020
Cash management	\$2,688,897	\$2,642,003
Performance tiered	1,085,583	952,739
Other	72,965	86,440
<b>Total</b>	<b>\$3,847,445</b>	<b>\$3,681,182</b>

### 14. MEMBERS' SHARE CERTIFICATES

Members' share certificate balances are \$79,605,000 and \$141,901,000 as of December 31, 2021 and 2020, respectively:

The maturities of the members' share certificate balances as of December 31, 2021 are shown below (in thousands):

2022	\$72,109
2023	4,496
2024	-
2025	3,000
<b>Total</b>	<b>\$79,605</b>

The aggregate amount of members' share certificate balances in denominations of \$250,000 or more was \$71,300,000 and \$127,575,000 as of December 31, 2021 and 2020, respectively.

# Catalyst Corporate Federal Credit Union

## Notes to the Consolidated Financial Statements

### 15. EMPLOYEE BENEFITS

Catalyst Corporate sponsors a defined contribution plan (the Plan) established under Section 401(k) of the IRC. The Plan allows employees to contribute up to the Internal Revenue Service maximum allowable percentage of their compensation. Catalyst Corporate matches 100% of the first 5% and 6% in 2021 and 2020, respectively, of each employee's contribution to the Plan. In addition, Catalyst Corporate may elect to make discretionary annual contributions to the Plan. This election requires approval by the Board of Directors. The Board of Directors approved a 1% discretionary contribution to be funded in 2022 based on 2021 compensation. A 1% discretionary contribution was also made in 2021 based on 2020 compensation. Catalyst Corporate's total contribution to the Plan was approximately \$1,328,000 and \$1,485,000 for the years ended December 31, 2021 and 2020, respectively.

Catalyst Corporate purchased a COLI group policy to provide additional life insurance for members of the management team while employed at Catalyst Corporate. There is no life insurance benefit or liability paid to the individuals once they are no longer employed at Catalyst Corporate. Catalyst Corporate is an additional beneficiary to the policy.

As of December 31, 2021 and 2020, Catalyst Corporate recorded the cash surrender value of approximately \$12,234,000 and \$11,929,000, respectively, as a component of accounts receivables and other assets in the consolidated statements of financial condition.

Earnings from the COLI are used to cover employee benefit-related expenses as a cost offset and long-term cost recovery, and are included within off-balance-sheet income reported in the consolidated statements of income.

### 16. OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

Catalyst Corporate is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its member credit unions. These financial instruments include agreements to extend credit. Catalyst Corporate issues lines of credit to its members that are both uncommitted or "stand-by" and committed or "guaranteed." Virtually all lines of credit issued by Catalyst Corporate are uncommitted in that through provisions in its loan agreements, Catalyst Corporate is in no way obligated or committed to make any loan advances under the "stand-by" lines of credit. Advances under these "stand-by" lines of credit are subject to funds availability. In addition, these "stand-by" lines of credit are all secured by a pledge of the members' total assets or specific assets of the member such as securities or an auto loan portfolio.

Catalyst Corporate also issues letters of credit to its members in various amounts for various purposes. When a letter of credit is issued to a member, the amount of the letter of credit is subtracted from the member's line of credit.

The face amount of the lines of credit represents the exposure to loss, before considering member collateral or ability to repay. Such line of credit amounts are recorded when they are funded.

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

Note: 16 (continued)

Catalyst Corporate has unused “stand-by” lines of credit issued to member credit unions of approximately \$9,807,272,000 and \$9,908,075,000 as of December 31, 2021 and 2020, respectively. Catalyst Corporate evaluates each member credit union’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management’s credit evaluation of the member. Additionally, Catalyst Corporate has committed “stand-by” letters of credit issued to member credit unions of approximately \$2,030,000 as of December 31, 2021 and 2020. The “stand-by” letters of credit, which are secured by either a general or a specific pledge of the member credit union assets, are issued with a term of one to five years and are generally used for various operational reasons.

### 17. REGULATORY CAPITAL

Catalyst Corporate is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on Catalyst Corporate’s consolidated financial statements.

Failure to meet minimum capital requirements would require Catalyst Corporate to submit a plan of action to correct the shortfall. Additionally, the NCUA could require an increase in capital to specific levels, reduction of interest, and ceasing or limiting Catalyst Corporate’s ability to accept deposits.

The NCUA has established requirements for corporate credit unions to meet a certain leverage ratio (retained earnings and PCC adjusted for various items divided by the 12-month average of daily net assets), tier 1 risk-based capital ratio (retained earnings and PCC adjusted for various items divided by the 12-month moving average of net risk-weighted assets), and a total risk-based capital ratio (total capital divided by the 12-month moving monthly average of net risk-weighted assets).

As of December 31, 2021 and 2020, Catalyst Corporate’s retained earnings ratios were 4.61% and 3.92%, respectively. As of December 31, 2021 and 2020, Catalyst Corporate exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations.

Catalyst Corporate’s actual and required capital ratios were as follows as of December 31:

Capital Ratio	2021 Ratio	2020 Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage ratio	8.74%	9.07%	4.00%	5.00%
Tier 1 risk- based capital ratio	31.97%	28.33%	4.00%	6.00%
Total risk- based capital ratio	31.97%	28.33%	8.00%	10.00%

# Catalyst Corporate Federal Credit Union

## Notes to the Consolidated Financial Statements

### 18. RELATED PARTY TRANSACTIONS

Catalyst Corporate's Board of Directors and committees are made up of executive officers from several of its member credit unions. These related parties maintained approximately \$94,395,000 and \$115,176,000 on deposit at Catalyst Corporate in various deposit products as of December 31, 2021 and 2020, respectively. These totals include approximately \$9,608,000 and \$9,697,000 of PCC as of December 31, 2021 and 2020, respectively. Interest rates on these deposits are the same rates paid to other member credit unions. Outstanding loan balances to related parties were approximately \$1,111,000 and \$0 as of December 31, 2021 and 2020, respectively.

Catalyst Corporate holds investments in various CUSOs. Members of management serve on the Board of Directors of Primary Financial, LLC, CU Business Group, CU Investment Solutions, LLC, TranzCapture, LLC and Aptys Solutions and as principal of Catalyst Strategic Solutions.

### 19. FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the FASB ASC provides a framework for measuring fair value that requires an entity to derive fair value from 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 within its principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

To increase consistency and comparability in fair value measurements and related disclosures, a three-level hierarchy prioritizes the inputs to valuation techniques used to measure fair value with the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2), and the lowest priority to unobservable inputs (Level 3).

The methodologies and associated inputs used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, while Catalyst Corporate believes its valuation methods and associated inputs 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.

Certain assets and liabilities may be required to be measured at fair value on a non-recurring basis. These non-recurring fair value measurements usually result from the application of lower of cost or market accounting or the write-down of individual assets due to impairment. There were no items required to be measured on a non-recurring basis as of December 31, 2021 or 2020.

# Catalyst Corporate Federal Credit Union

## Notes to the Consolidated Financial Statements

Note: 19 (continued)

### RECURRING BASIS

#### AVAILABLE- FOR- SALE SECURITIES

Catalyst Corporate receives pricing for available-for-sale securities from a third-party pricing service. These securities are classified as a Level 2 in the fair value hierarchy. Fair value information for the available-for-sale securities (asset-backed, agency commercial mortgage-backed, agency mortgage-backed, commercial paper, corporate debt obligations, and U.S. Treasury and federal agency) was valued based on quoted market prices on similar assets in the marketplace and the vintage of the underlying collateral.

#### HEDGED TERM LOANS

The fair value of fixed-rate hedged loans is determined based on the associated interest rate swap agreements.

#### INTEREST RATE DERIVATIVES

The fair value of Catalyst Corporate's interest rate swap derivatives is determined based on quoted prices from brokers as of the last business day of the year.

The following tables set forth by level, within the fair value hierarchy, Catalyst Corporate's financial instruments at fair value as of December 31 (in thousands):

### 2021

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Asset-backed securities	\$-	\$1,158,382	\$-	\$1,158,382
Agency commercial mortgage-backed securities	-	320,159	-	320,159
Agency mortgage-backed securities	-	37,948	-	37,948
Commercial paper	-	44,980	-	44,980
Corporate debt obligations	-	20,315	-	20,315
U.S. Treasury and federal agency securities	-	8,273	-	8,273
Hedged term loans	-	98,517	-	98,517
Total assets at fair value	\$-	\$1,688,574	\$-	\$1,688,574

	Liabilities at Fair Value			Total
	Level 1	Level 2	Level 3	
Interest rate derivatives	\$-	\$878	\$-	\$878
Total liabilities at fair value	\$-	\$878	\$-	\$878

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

Note: 19 (continued)

2020

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Asset-backed securities	\$-	\$1,116,136	\$-	\$1,116,136
Agency commercial mortgage-backed securities	-	350,804	-	350,804
Agency mortgage-backed securities	-	48,542	-	48,542
Commercial paper	-	36,972	-	36,972
U.S. Treasury and federal agency securities	-	3,599	-	3,599
Hedged term loans	-	86,943	-	86,943
<b>Total assets at fair value</b>	<b>\$-</b>	<b>\$1,642,996</b>	<b>\$-</b>	<b>\$1,642,996</b>

	Liabilities at Fair Value			Total
	Level 1	Level 2	Level 3	
Interest rate derivatives	\$-	\$4,253	\$-	\$4,253
<b>Total liabilities at fair value</b>	<b>\$-</b>	<b>\$4,253</b>	<b>\$-</b>	<b>\$4,253</b>

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of amounts that could be realized in a market exchange.

### 20. U.S. CENTRAL ESTATE SETTLEMENT

On March 18, 2021, the NCUA announced an interim distribution representing a partial recovery to capital holders of the USC AME. The December 2021 analysis by NCUA estimates that 100% of the Membership Capital will be repaid and 40.7% of the paid in capital will be repaid for a total recovery to claimholders of \$1.8 billion. Catalyst Corporate holds an interest in the USC AME related to claims from Georgia Corporate Federal Credit Union (Georgia Corporate) and First Corporate Credit Union (First Corporate). The total expected recovery for Catalyst Corporate is approximately \$104,984,000. Catalyst Corporate received two distributions for the year ended December 31, 2021, totaling approximately \$52,648,000. This amount is reflected on the consolidated statements of income as other income on U.S. Central Estate Settlement. Catalyst Corporate received an additional distribution from the USC AME on March 7, 2022, of approximately \$20,522,000.

Catalyst Corporate's Board of Directors intends to distribute a portion of the funds received from the USC AME solely to former member credit unions of Georgia Corporate and First Corporate that are, or would become, fully capitalized PCC members of Catalyst Corporate in an amount equal to the capital that they lost at either Georgia Corporate or First Corporate. The intent is to make the distribution on June 1, 2022, to the Georgia Corporate and First Corporate credit unions that were fully capitalized on September 15, 2021, in an amount that approximates \$35,863,000.

## Catalyst Corporate Federal Credit Union Notes to the Consolidated Financial Statements

Note: 20 (continued)

The Georgia Corporate and First Corporate credit unions that were not fully capitalized on September 15, 2021, were given until January 31, 2022, to become fully capitalized PCC members in order to receive the distribution. The distribution of approximately \$17,152,000 to the credit unions that became fully capitalized members by January 31, 2022, will occur if and after such time as Catalyst Corporate receives a total of \$80 million from the USC AME.

Catalyst Corporate's Board of Directors also approved a fee waiver of all recurring monthly member services fees on the April 2022, billing invoice. This fee waiver is expected to approximate \$3,000,000.

Details on the recovery and the value returned to the membership are shown below (in thousands):

2021 distributions	<b>\$52,648</b>
March 2022 distribution	<b>20,522</b>
Total	<b>73,170</b>
Remaining expected	<b>31,814</b>
Total expected to be received	<b>\$104,984</b>
Expected distribution – June 1, 2022	<b>\$35,863</b>
Expected distribution to occur when Catalyst Corporate receives \$80 million from the USC AME	<b>17,152</b>
Total expected distribution	<b>\$53,015</b>
Estimated fee waiver to members - April 2022	<b>\$3,000</b>

\*\*\*End of Notes\*\*\*



# 2021 Management Report

---

## **Statement of Management’s Responsibilities**

The management of Catalyst Corporate Federal Credit Union (“Catalyst Corporate”) is responsible for preparing Catalyst Corporate’s annual financial statements in accordance with generally accepted accounting principles; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report; and for complying with the Federal laws, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure.

## **Management’s Assessment of Compliance with Safety and Soundness Laws and Regulations**

The management of Catalyst Corporate has assessed Catalyst Corporate’s compliance with the Federal and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2021. Based upon its assessment, management has concluded that Catalyst Corporate complied with the Federal laws and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2021.

## **Management’s Assessment of Internal Control over Financial Reporting**

Catalyst Corporate's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, i.e., NCUA 5310- Corporate Credit Union Call Report. The institution's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporate; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting

principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of Catalyst Corporate are being made only in accordance with authorizations of management and directors of Catalyst Corporate; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of Catalyst Corporate's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

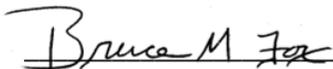
Management assessed the effectiveness of Catalyst Corporate's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2021, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)*.

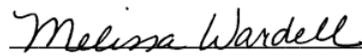
Based upon its assessment, management has concluded that, as of December 31, 2021, Catalyst Corporate's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, is effective based on the criteria established in *Internal Control--Integrated Framework (2013)*.

Catalyst Corporate's internal control over financial reporting as of December 31, 2021 has been audited by Doeren Mayhew, CPAs and Advisors, an independent registered public accounting firm, as stated in their accompanying report which expresses an unmodified opinion on the effectiveness of Catalyst Corporate's internal control over financial reporting as of December 31, 2021.

Catalyst Corporate Federal Credit Union

Date: April 14, 2022

  
\_\_\_\_\_  
Bruce Fox, Chief Executive Officer

  
\_\_\_\_\_  
Melissa Wardell, Chief Financial Officer

# SALUTE TO VOLUNTEERS

## CATALYST CORPORATE BOARD OF DIRECTORS



**Chairman**  
**Lin Hodges**  
President/CEO  
Associated CU  
Norcross, GA



**Vice Chairman**  
**Trevor Tokishi**  
President/CEO  
Valley Isle CFCU  
Kahului, HI



**Secretary**  
**Michael Hooper**  
President/CEO  
La Capitol FCU  
Baton Rouge, LA



**Treasurer**  
**Rick Hein**  
President/CEO  
Oregon State CU  
Corvallis, OR



**Connie Cofer**  
SVP Finance/CFO  
Communication FCU  
Oklahoma City, OK



**Steven Devan**  
President/CEO  
East Co. Schools FCU  
El Cajon, CA



**Syed Dinar**  
EVP/CFO  
Texas Bay CU  
Houston, TX



**Gail Enda**  
President/CEO  
American Airlines FCU  
Fort Worth, TX



**Greg Harden**  
President/CEO  
Arizona Central CU  
Phoenix, AZ



**Jon Hernandez**  
President/CEO  
Calcom FCU  
Long Beach, CA



**Yvonne Kershner**  
President/CEO  
Brazos Valley Schools FCU  
Katy, TX



## SUPERVISORY COMMITTEE

**Jody Caraccioli**  
CFO  
Neighbors FCU  
Baton Rouge, LA

**Dave Preter**  
President/CEO  
Georgia's Own FCU  
Atlanta, GA

**Eric Petracca**  
President/CEO  
iQ CU  
Vancouver, WA

**Susan Ryan**  
President/CEO  
Noble FCU  
Fresno, CA

## TECHNOLOGY STEERING COMMITTEE

**Connie Cofer**  
SVP Finance/CFO  
Communication FCU  
Oklahoma City, OK

**Fernando Ortega**  
VP/Information Technology  
GECU  
El Paso, TX

## ENTERPRISE RISK MANAGEMENT COMMITTEE

### ASSET/LIABILITY COMMITTEE

**Rick Hein**  
President/CEO  
Oregon State CU  
Corvallis, OR

**Syed Dinar**  
EVP/CFO  
Texas Bay CU  
Houston, TX

**Greg Harden**  
President/CEO  
Arizona Central CU  
Phoenix, AZ

**Michael Hooper**  
President/CEO  
La Capitol FCU  
Baton Rouge, LA

**Jody Caraccioli**  
CFO  
Neighbors FCU  
Baton Rouge, LA

**Chris Leggett**  
President/CEO  
LGE Community CU  
Atlanta, GA



JOIN US SEPTEMBER 19-21  
FOR THE 2022 ECONOMIC & PAYMENTS FORUM

# FUTURE VISION

UNFOLDING OUR NEW ENVIRONMENT

[www.catalystcorp.org/forum](http://www.catalystcorp.org/forum)



6801 Parkwood Blvd.  
Plano, TX 75024  
**214.703.7500 | 800.442.5763**

[www.catalystcorp.org](http://www.catalystcorp.org)

 CatalystCorpFCU |  @CatalystCorpFCU

 Catalyst-Corporate-Federal-Credit-Union

 @catalystcorpfcu