SHAREPOINT CREDIT UNION

FINANCIAL STATEMENTS

FIFTEEN MONTH PERIOD ENDED MARCH 31, 2016

SHAREPOINT CREDIT UNION
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FIFTEEN MONTH PERIOD ENDED MARCH 31, 2016

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Supervisory Committee and Board of Directors
SharePoint Credit Union
Bloomington, Minnesota

Report on Financial Statements

We have audited the accompanying financial statements of SharePoint Credit Union, which comprise the statement of financial condition as of March 31, 2016, and the related statements of income, comprehensive income, changes in members' equity, and cash flows for the fifteen month period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SharePoint Credit Union as of March 31, 2016, and the results of its operations and its cash flows for the fifteen month period then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
July 21, 2016

SHAREPOINT CREDIT UNION
STATEMENT OF FINANCIAL CONDITION
MARCH 31, 2016

ASSETS

Cash and Cash Equivalents	$ 11,698,491
Deposits in Other Financial Institutions	744,000
Securities - Available for Sale	41,303,753
Loans Held for Sale	326,776
Loans, Net	126,412,991
Accrued Interest Receivable	422,273
Premises and Equipment, Net	1,618,672
NCUSIF Deposit	1,541,348
Other Assets	8,231,892
Total Assets	$ 192,300,196

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES	
Members' Share and Savings Accounts	$ 167,218,815
Accrued Expenses and Other Liabilities	1,597,236
Total Liabilities	168,816,051
MEMBERS' EQUITY	
Regular Reserves	4,464,762
Undivided Earnings	18,544,236
Accumulated Other Comprehensive Income	475,147
Total Members' Equity	23,484,145
Total Liabilities and Members' Equity	$ 192,300,196

See accompanying Notes to Financial Statements.

SHAREPOINT CREDIT UNION
STATEMENT OF INCOME
FIFTEEN MONTH PERIOD ENDED MARCH 31, 2016

INTEREST INCOME	
Loans	$ 6,995,504
Securities and Interest Bearing Deposits	827,258
Total Interest Income	7,822,762
INTEREST EXPENSE	949,327
Net Interest Income	6,873,435
PROVISION FOR LOAN LOSSES	251,800
Net Interest Income After Provision for Loan Losses	6,621,635
NON-INTEREST INCOME	
Service Charges and Fees	810,955
Other Non-Interest Income	2,153,662
Net Gain on Sale of Investments	25,287
Total Non-Interest Income	2,989,904
NON-INTEREST EXPENSE	
General and Administrative:	
Employee Compensation and Benefits	3,942,187
Office Occupancy and Operations	1,085,601
Other Operating Expenses	3,221,921
Net Loss on Sale of Assets	34,375
Total Non-Interest Expense	8,284,084
NET INCOME	$ 1,327,455

See accompanying Notes to Financial Statements.

SHAREPOINT CREDIT UNION
STATEMENT OF COMPREHENSIVE INCOME
FIFTEEN MONTH PERIOD ENDED MARCH 31, 2016

NET INCOME	$ 1,327,455
OTHER COMPREHENSIVE INCOME:	
SECURITIES - Available-for-Sale	
Unrealized Holding Gain Arising During the Period	230,589
Reclassification for Gains Included in Net Income During the Period	(25,287)
Total Other Comprehensive Income	205,302
TOTAL COMPREHENSIVE INCOME	$ 1,532,757

See accompanying Notes to Financial Statements.

SHAREPOINT CREDIT UNION
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FIFTEEN MONTH PERIOD ENDED MARCH 31, 2016

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Income	Total
BALANCE - DECEMBER 31, 2014	$ 4,464,762	$ 17,216,781	$ 269,845	$ 21,951,388
Net Income	-	1,327,455	-	1,327,455
Other Comprehensive Income	-	-	205,302	205,302
BALANCE - MARCH 31, 2016	$ 4,464,762	$ 18,544,236	$ 475,147	$ 23,484,145

See accompanying Notes to Financial Statements.

SHAREPOINT CREDIT UNION
STATEMENT OF CASH FLOWS
FIFTEEN MONTH PERIOD ENDED MARCH 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$ 1,327,455
Adjustments to Reconcile Net Income to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	186,569
Net Securities Discount/Premium Amortization	695,194
Provision for Loan Losses	251,800
Amortization of Net Loan Origination Costs	175,358
Loss on Disposal of Assets	34,375
Gain on Sale of Investments	(25,287)
Changes in:	
Accrued Interest Receivable	(39,951)
Loans Held for Sale	177,724
Other Assets	(3,086,793)
Accrued Expenses and Other Liabilities	(164,962)
Net Cash Used by Operating Activities	(468,518)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Decrease in Deposits in Other Financial Institutions	644,000
Purchase of Securities Available for Sale	(15,643,632)
Proceeds from Maturities of Securities Available for Sale	14,365,014
Loan Originations Net of Principal Collected on Loans to Members	(2,570,114)
(Increase) Decrease in NCUSIF Deposit	10,243
Expenditures for Property and Equipment	(1,426,705)
Net Cash Used by Investing Activities	(4,621,194)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net Increase in Members' Share and Savings Accounts	8,102,844
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,013,132
Cash and Cash Equivalents at Beginning of the Period	8,685,359
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 11,698,491
SUPPLEMENTARY DISCLOSURE OF NON CASH AND CASH FLOW INFORMATION	
Borrowed Funds Interest Paid	$ 55
Members' Share and Savings Accounts Interest Paid	$ 946,962

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

SharePoint Credit Union (the Credit Union) is a state-chartered cooperative association headquartered in Hopkins, Minnesota, organized in accordance with the provisions of the state of Minnesota for the purpose of promoting thrift among and creating a source of credit for its members.

Membership

SharePoint Credit Union is open to anyone who lives, works, worships, volunteers, attends school, or conducts business in the seven county Twin Cities area in Minnesota and their families.

Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term include the valuation of securities, determination of the adequacy of the allowance for loan losses and the fair value of financial instruments.

Financial Instruments with Concentrations of Risk

The Credit Union is exposed to credit risk from a regional economic standpoint because significant concentrations of its borrowers work or reside within a geographical field of membership.

Cash and Cash Equivalents

For purposes of the statement of financial condition and statement of cash flows, Cash and Cash Equivalents includes cash on hand, amounts due from financial institutions and highly liquid debt instruments classified as cash which were purchased with maturities of three months or less.

The Credit Union maintains cash in deposit accounts at financial institutions approved by the board of directors. Accumulated deposits at these institutions, at times, may exceed federally insured limits.

Deposits in Other Financial Institutions

Deposits in other financial institutions include certificates of deposit. These are stated at cost. The certificates of deposit all mature within three years.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities

Securities are classified as available for sale and recorded at fair value, with the unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Realized gains and losses on securities available for sale are included in other Non-Interest Income or Non-Interest Expense and, when applicable, are reported as a reclassification adjustment in other comprehensive income (loss). Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The Credit Union monitors the investment security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have a credit impairment that is other than temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near term prospects of the issuer, expected cash flows, and the Credit Union's intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. The ability to hold is determined by whether it is more likely than not that the Credit Union will be required to sell the security before its anticipated recovery. A decline in value due to a credit event that is considered other than temporary is recorded as a loss in Non-Interest Income.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. All sales are made without recourse.

Loans, Net

The Credit Union grants consumer, mortgage, construction, and commercial/member business loans to members. A substantial portion of the loan portfolio is represented by mortgage loans to members. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions comprising the Credit Union's field of membership.

Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan origination fees and cost. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on a loan is discontinued at the time the loan is 90 days delinquent. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using methods approximating the interest method over the estimated life of the loans. The Credit Union does not charge commitment fees.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss and the levels of nonperforming loans. Specific allowances for loan losses are established for impaired loans on an individual basis. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral. The general allowance component is based on historical losses adjusted for qualitative factors. The historical loss experience is based on the actual loss history experienced by the Credit Union over the most recent two years. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience (two years) and expected losses given default derived from the Credit Union's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Credit Union for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. The Credit Union considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

The Credit Union maintains a separate general valuation allowance for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Consumer: The consumer loan portfolio is usually comprised of a large number of small loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Residential Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Business: Business real estate loans generally possess a higher inherent risk of loss than other real estate portfolio segments. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations. Other business loans are generally underwritten to existing cash flows or inventories of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Transfers of Financial Assets and Participating Interests

Transfers of an entire financial asset or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Credit Union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Off Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Foreclosed and Repossessed Assets

Assets acquired through, or in lieu of, loan repossession or foreclosure are held for sale and are initially recorded at fair value (normally no greater than the loan amount) at the date of repossession or foreclosure, establishing a new cost basis. Costs relating to development and improvement of the property are capitalized, whereas costs relating to holding the asset are expensed. Subsequent to repossession or foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment, Net

Land is carried at cost. Building, leasehold improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. Office furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases or estimated useful life, whichever is less.

Impairment of Long-Lived Assets

The Credit Union tests long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

Advertising Costs

Advertising costs totaling approximately $174,000 at March 31, 2016 are expensed as incurred.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (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.

Members' Share and Savings Accounts

Members' accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends and interest on members' share and savings accounts, except for interest on certificates of deposit which are set in advance, are based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Dividend rates on members' share accounts are set by the board of directors, based on an evaluation of current and future market conditions.

Members' Equity

The Credit Union is required by regulation to maintain a statutory regular reserve. This reserve, which represents a regulatory restriction of retained earnings, is established for the purpose of absorbing losses that exceed undivided earnings and other appropriations of undivided earnings. The statutory reserve is not available for the payment of interest.

The Credit Union is subject to various regulatory net worth requirements administered by the NCUA.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' Equity (Continued)

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Accumulated other comprehensive income, also recognized as a separate component of members' equity, includes valuation adjustments for available-for-sale securities.

Income Taxes

The Credit Union is exempt, under IRC 501 (c) (14), from federal and state income taxes.

Certain products and services provided by select state chartered credit unions have been deemed by the Internal Revenue Service (IRS), in technical advice memorandums (TAMs) released in 2007, to be unrelated to the specific entity's exempt purpose. As presented in the technical advice memorandums, the net taxable income from these products and services would be subject to income taxes. Credit unions have litigated against the IRS positions noted in the TAMs and have been successful in having courts declare in 2009 and 2010 that revenue from insurance products sold to members, helping them protect their financial wellbeing, qualifies as exempt purpose income, contrary to the IRS position in the TAMs.

The Credit Union has filed tax returns for calendar year 2014 for activities it has deemed taxable and has a net operating loss carryforward as of the 2014 calendar year.

The taxing authorities have the ability to assess taxes, penalties and interest for any years for which no tax return was filed. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities potentially deemed to be unrelated to the Credit Union's exempt purpose is not expected to have a material effect on the Credit Union's financial position or results of operations.

The Credit Union evaluated its tax positions and determined no uncertain tax positions exist as of March 31, 2016.

The Credit Union's 2012 through 2014 tax years are open for examination by federal and state taxing authorities.

Retirement Plans

401(k) Plan – The Credit Union offers a 401(k) plan for the benefit of its employees. Participation in the plan is limited to employees who meet specified length of service and age limitations. The Credit Union's contribution to the plan for the fifteen-month period ended March 31, 2016 was approximately $48,000.

Deferred Compensation Plan Section 457(b) – The Credit Union provides a non-qualified 457(b) deferred compensation plan to certain employees who elect to participate. The Credit Union does not contribute to this plan. The deferred compensation accounts are shown as offsetting assets and liabilities on the Credit Union financial statements and are available to creditors in the event of the Credit Union's liquidation. The balance of the deferred compensation arrangement was $77,000 as of March 31, 2016.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Life Insurance Policies

Life insurance policies held as part of the Credit Union's overall employee benefits plan are carried at net cash surrender value. The balance of life insurance policies as of March 31, 2016 was $4,179,000, and is included in Other Assets on the statement of financial condition. Income for increases in cash surrender value is recorded in Other Non-Interest Income on the statement of income.

Fair Value Measurements

The Credit Union categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Credit Union may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Credit Union has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

Subsequent Events

In preparing these financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through July 21, 2016July 21, 2016, the date the financial statements were available to be issued.

NOTE 2 RESTRICTIONS ON REGULATORY EQUITY DEPOSITS AT CORPORATE CREDIT UNIONS

The Credit Union maintains nonperpetual contributed capital accounts (NCA) and perpetual contributed capital accounts (PCC) with Alloya Corporate Federal Credit Union that are uninsured and usually require a multi-year advance notice before withdrawal. Contributed capital accounts with Alloya Corporate Federal Credit Union totaled $333,000 at March 31, 2016, and are classified in Other Assets on the statement of financial condition.

These uninsured deposits are part of the corporate credit union's regulatory capital and are subject to impairment or loss in the event the corporate credit union is required to merge, is placed into conservatorship, incurs significant losses, or is liquidated.

NOTE 3 SECURITIES

Available for Sale

The amortized cost and estimated fair value of securities available for sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Carrying Value)
March 31, 2016				
Federal Agency Securities	$ 20,178,218	$ 387,037	$ (169)	$ 20,565,086
US Treasury Notes and Bonds	974,888	26,518	-	1,001,406
SBA Securities	4,025,805	764	(26,328)	4,000,241
Mortgage-Backed Securities	15,649,695	148,931	(61,606)	15,737,020
Total	$ 40,828,606	$ 563,250	$ (88,103)	$ 41,303,753

NOTE 3 SECURITIES (CONTINUED)

Available for Sale (Continued)

Sales of available-for-sale securities were as follows:

Proceeds from Sale	$ 14,365,014
Gross Realized Gains	25,287
Gross Realized Losses	-

The amortized cost and estimated fair value of securities, at March 31, 2016, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	Estimated Fair Value (Carrying Value)
Asset-Backed Securities:		
Due in One Year of Less	$ 5,017,374	$ 5,018,518
Due After One Year Through Five Years	13,643,679	13,911,463
Due in 5 - 10 Years	2,492,053	2,636,511
Five to Ten Years	-	-
After Ten Years	-	-
Total	21,153,106	21,566,492
Asset-Backed and Mortgage-Backed Securities	19,675,500	19,737,261
Total Securities	$ 40,828,606	$ 41,303,753

Temporarily Impaired Securities

Information pertaining to securities with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position is as follows:

	Less Than Twelve Months		Greater Than Twelve Months	
March 31, 2016	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
Federal Agency Securities	$ (169)	$ 1,000,343	$ (26,328)	$ 3,172,900
Mortgage-Backed Securities	(34,530)	4,261,441	(27,076)	1,542,605
Total Available for Sale	$ (34,699)	$ 5,261,784	$ (53,404)	$ 4,715,505

NOTE 3 SECURITIES (CONTINUED)

Temporarily Impaired Securities (Continued)

At March 31, 2016, the 13 securities with unrealized losses have depreciated -0.88% from the Credit Union's amortized cost basis. All of these securities are either guaranteed by federal insurance, the U.S. government, or secured by mortgage loans. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold securities until maturity or for the foreseeable future for those classified as available for sale, no declines are deemed to be other than temporary.

In general, investments are exposed to various risks such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material.

NOTE 4 LOANS, NET

The composition of loans to members as of March 31, 2016 is as follows:

Consumer:	
Auto and RV	$ 32,986,224
Consumer Unsecured	5,711,646
Visa	7,561,542
Indirect Auto	22,222
Indirect RV	8,176,483
Share Secured	536,644
Residential Real Estate:	
Home Equity	20,050,243
First Mortgage	40,231,098
Business:	
Participations	197,419
Other Business	11,379,045
Total Loans	126,852,566
Net Deferred Loan Origination Costs	300,150
Allowance for Loan Losses	(739,725)
Loans, Net	$ 126,412,991

NOTE 4 LOANS, NET (CONTINUED)

The allowance for loan losses and recorded investment in loans is as follows:

March 31, 2016	Consumer	Residential Real Estate	Business	Total
Allowance for Loan Losses:				
Balance December 31, 2014	$ 355,695	$ 219,189	$ 276,066	$ 850,950
Provision (Credit) for Loan Losses	325,738	(78,825)	4,887	251,800
Loans Charged-Off	(444,151)	(49,975)	-	(494,126)
Recoveries of Loans Previously Charged-Off	103,062	28,039	-	131,101
Balance at End of Year	$ 340,344	$ 118,428	$ 280,953	$ 739,725
Ending Balance: Individually Evaluated for Impairment	$ 18,784	$ -	$ -	$ 18,784
Ending Balance: Collectively Evaluated for Impairment	$ 321,560	$ 118,428	$ 280,953	$ 720,941
Loans:				
Ending Balance: Individually Evaluated for Impairment	$ 68,316	$ -	$ -	$ 68,316
Ending Balance: Collectively Evaluated for Impairment	$ 54,926,445	$ 60,281,341	$ 11,576,464	$ 126,784,250

The following tables show the homogeneous loan portfolio segments allocated by payment activity. Loans are deemed performing if they are less than 90 days delinquent and still accruing interest.

March 31, 2016

	Credit Risk Profile by Payment Activity			
Payment Activity	Auto and RV	Consumer Unsecured	Visa Platinum	Indirect Auto
Performing	$ 32,854,139	$ 5,664,741	$ 7,537,387	$ 9,749
Non-Performing	132,085	46,905	24,155	12,473
Total	$ 32,986,224	$ 5,711,646	$ 7,561,542	$ 22,222

	Credit Risk Profile by Payment Activity			
Payment Activity	Indirect RV	Share Secured	Home Equity	First Mortgage
Performing	$ 8,164,726	$ 536,644	$ 20,012,264	$ 40,168,653
Non-Performing	11,757	-	37,979	62,445
Total	$ 8,176,483	$ 536,644	$ 20,050,243	$ 40,231,098

	Credit Risk Profile by Payment Activity		
Payment Activity	Participations	Other Business	Total
Performing	$ 197,419	$ 11,265,110	$ 126,410,832
Non-Performing	-	113,935	441,734
Total	$ 197,419	$ 11,379,045	$ 126,852,566

NOTE 4 LOANS, NET (CONTINUED)

The following tables show an aging analysis of the loan portfolio by time past due:

March 31, 2016	Accruing Interest				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual 90 Days or More Past Due	Total Loans
Auto and RV	$ 32,799,321	$ 54,818	$ -	$ 132,085	$ 32,986,224
Consumer Unsecured	5,611,068	53,673	-	46,905	5,711,646
Visa	7,529,648	7,739	-	24,155	7,561,542
Indirect Auto	9,749	-	-	12,473	22,222
Indirect RV	8,125,685	39,041	-	11,757	8,176,483
Share Secured	536,644	-	-	-	536,644
Home Equity	19,978,739	33,525	-	37,979	20,050,243
First Mortgage	40,168,653	-	-	62,445	40,231,098
Participations	197,419	-	-	-	197,419
Other Business	11,265,110	-	-	113,935	11,379,045
Total	$ 126,222,036	$ 188,796	$ -	$ 441,734	$ 126,852,566

Interest income foregone on nonaccrual loans was immaterial as a whole for the year ended March 31, 2016.

The following table present information related to impaired loans:

March 31, 2016	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With An Allowance Recorded:					
Auto and RV	$ 68,316	$ 68,316	$ 18,784	$ 20,705	$ 414

The Credit Union does not have material commitments to lend additional funds to borrowers with loans whose loans are in nonaccrual.

The Credit Union has not entered into any troubled debt restructurings during the year ended March 31, 2016.

NOTE 5 PROPERTY AND EQUIPMENT, NET

The Credit Union's property and equipment is summarized as follows:

Land	$ 834,446
Building	872,587
Office Furniture and Equipment	2,544,162
Leasehold Improvements	35,914
Subtotal	4,287,109
Less: Accumulated Depreciation/Amortization	(2,668,437)
Total	$ 1,618,672

Depreciation expense for the year ended March 31, 2016 was $201,716.

Lease Commitments

The Credit Union is obligated under noncancelable operating leases for office space in Minnesota. Net rent expense under operating leases, included in occupancy expenses, was approximately $251,000 for the year ended March 31, 2016.

The required minimum rental payments under the terms of these noncancelable leases at March 31, 2016 are as follows:

Year Ended March 31,	Amount
2016	$ 152,695
2017	160,722
2018	163,039
2019	165,405
2020	159,298
Thereafter	35,000
Total	$ 836,160

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts are as follows:

Share Savings	$ 46,740,787
Share Drafts	21,062,766
Money Market	44,686,218
IRA Deposits	4,756,704
Other Deposits	75,217
Share and IRA Certificates	49,897,123
Total	$ 167,218,815

The aggregate amounts of certificates of deposit in denominations of $250,000 or more was approximately $3,183,000 at March 31, 2016.

Overdrawn share accounts reclassified to unsecured loans to members is immaterial at March 31, 2016.

As of March 31, 2016, scheduled maturities of share and IRA certificates are as follows:

Year Ending March 31,	Amount
2017	$ 18,600,027
2018	13,374,117
2019	7,242,997
2020	10,679,982
2021	-
Total	$ 49,897,123

Member accounts are insured to at least $250,000 by the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF is a federal insurance fund backed by the full faith and credit of the U.S. government.

The Credit Union also offers insurance through Excess Share Insurance, a private company, on accounts that exceed $250,000, up to $350,000, and that meet certain requirements specified in the contract.

NOTE 7 BORROWED FUNDS

At March 31, 2016, the Credit Union had an available line of credit of $16,650,000 with Alloya Corporate Federal Credit Union. The interest rates applied on any borrowing are determined on that date. Substantially all of the assets and earnings of the Credit Union are pledged as collateral on the line of credit. There were no balances outstanding on this line at March 31, 2016.

NOTE 8 REGULATORY NET WORTH REQUIREMENTS

The Credit Union 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 the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-statement of financial condition items as calculated under accounting principles generally accepted in the United States of America. The Credit Union's capital amounts and net worth classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table below) of net worth to total assets (as defined by the regulation). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR ratio using the quarter end assets as of March 31, 2016, the most recent quarterly regulatory filing date, was 5.80%. The minimum ratio to be considered complex under the regulatory framework is 6.00%. Management believes, as of March 31, 2016, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of March 31, 2016, the most recent call reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory frame work for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7% of assets. There are no conditions or events since that notification that management believes have changed the institution's category.

The Credit Union's actual capital amounts and ratios are also presented in the table.

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2016						
Net Worth	$ 23,008,998	11.97%	$ 11,538,012	6.00%	$ 13,461,014	7.00%
Risk-Based Net Worth Requirement	$ 11,153,411	5.80%	N/A	N/A	N/A	N/A

Because RBNWR at March 31, 2016, 5.80%, is less than the regulatory net worth ratio of 11.97%, the Credit Union retains its original category. Further, in performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

NOTE 9 RELATED PARTY TRANSACTIONS

Included in loans receivable at March 31, 2016, are loans to the Credit Union's board of directors, committee members, and senior executive staff of approximately $755,000. The aggregate principal advances and principal repayments are not significant.

Deposits from the Credit Union's board of directors, committee members, and senior executive staff held by the Credit Union at March 31, 2016, is approximately $443,000.

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES

Off Statement of Financial Condition Activities

The Credit Union is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the financial statements.

The Credit Union's exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as it does for those loans recorded in the financial statements.

The following financial instruments were outstanding whose contract amounts represent credit risk:

Commitments to Grant Collateralized Loans	
Home Equity Lines of Credit	$ 10,781,286
Commercial Real Estate	700,171
Unfunded Unsecured Commitments Under Lines of Credit	
Overdraft Protection	894,096
Lines of Credit	2,226,742
Credit Card Commitments	32,690,310
Total	$ 47,292,605

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include consumer assets, residential real estate, and member share balances.

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Off Statement of Financial Condition Activities (Continued)

Unfunded commitments under revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Credit Union is committed.

Legal Contingencies

The Credit Union is a party to various collection related legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the financial condition of the Credit Union.

NOTE 11 FAIR VALUE

Recurring Basis

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Credit Union measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis:

March 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-Sale Securities:				
US Treasury Notes and Bonds	$ -	$ 1,001,406	$ -	$ 1,001,406
Federal Agency Securities	-	20,565,086	-	20,565,086
Taxable Municipal Obligations	-	-	-	-
SBA Securities	-	4,000,241	-	4,000,241
Corporate Bonds	-	-	-	-
Mortgage-Backed Securities	-	15,737,020	-	15,737,020
457(b) Non-Qualified Plan Assets	-	65,311	-	65,311
Total Assets	$ -	$ 41,369,064	$ -	$ 41,369,064

NOTE 11 FAIR VALUE (CONTINUED)

Investment Securities

When available, the Credit Union uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Credit Union's securities where quoted prices are not available for identical securities in an active market, the Credit Union determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained or cannot be corroborated, a security is generally classified as Level 3.

Deferred Compensation

457(b) non-qualified plan assets are invested in a variable annuity contract. The underlying assets are marketable securities. These are classified as Level 2 of the fair value hierarchy.

Financial Instruments

Disclosure of fair value information about financial instruments, for which it is practicable to estimate that value, is required whether or not recognized in the statements of financial condition. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimate of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instruments. Certain financial instruments with a fair value that is not practicable to estimate and all non-financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not necessarily represent the underlying value of the Credit Union.

NOTE 11 FAIR VALUE (CONTINUED)

Financial Instruments (Continued)

The following disclosures represent financial instruments in which the ending balance at March 31, 2016 is not carried at fair value in their entirety on the statements of financial condition.

Cash and Cash Equivalents and Deposits in Other Financial Institutions: The carrying amounts reported in the statement of financial condition for cash and cash equivalents and deposits in other financial institutions approximate those assets' fair values.

Loans, Net**:** Fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loan prepayments are assumed to occur at a similar rate as in previous periods.

Accrued Interest Receivable**:** Accrued interest receivable represents interest on loans and investments. The carrying amount of accrued interest receivable approximates fair value.

Members' Share and Savings Accounts**:** The fair value of demand deposit accounts is the amount payable on demand at the reporting date. The fair value of share certificates is estimated by discounting the future cash flows using the market rates offered as of March 31 for similar deposits with the same remaining maturities.

Loan Commitments**:** The Credit Union has entered into variable rate loan commitment at March 31, 2016. The Credit Union charges no fees for this commitment. Because the rates at which these commitments are entered into do not significantly differ from market rates, they have no quantifiable value.

The following table presents the carrying amounts and estimated fair values of the Credit Union's financial instruments at March 31:

	Carrying Amount	Fair Value
Financial Assets		
Cash and Cash Equivalents	$ 11,698,491	$ 11,698,491
Deposits in Other Financial Institutions	744,000	744,000
Loans, Net	126,412,991	127,315,000
Accrued Interest Receivable	422,273	422,273
Financial Liabilities		
Members' Share and Savings Accounts	$ 167,218,815	$ 167,309,000