SHAREPOINT CREDIT UNION

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

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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, 2017, and the related statements of income, comprehensive income, changes in members' equity, and cash flows for the year 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, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 20, 2017

SHAREPOINT CREDIT UNION
STATEMENT OF FINANCIAL CONDITION
MARCH 31, 2017

ASSETS

Cash and Cash Equivalents	$ 11,820,631
Deposits in Other Financial Institutions	1,736,000
Securities - Available for Sale	32,455,669
Loans Held for Sale	643,759
Loans, Net	139,658,344
Accrued Interest Receivable	428,998
Premises and Equipment, Net	3,165,147
NCUSIF Deposit	1,612,117
Other Assets	8,466,676
Total Assets	$ 199,987,341

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES	
Members' Share and Savings Accounts	$ 174,402,578
Accrued Expenses and Other Liabilities	1,789,704
Total Liabilities	176,192,282
MEMBERS' EQUITY	
Regular Reserves	4,464,762
Undivided Earnings	19,352,125
Accumulated Other Comprehensive Loss	(21,828)
Total Members' Equity	23,795,059
Total Liabilities and Members' Equity	$ 199,987,341

See accompanying Notes to Financial Statements.

SHAREPOINT CREDIT UNION
STATEMENT OF INCOME
YEAR ENDED MARCH 31, 2017

INTEREST INCOME	
Loans	$ 5,690,226
Securities and Interest Bearing Deposits	665,838
Total Interest Income	6,356,064
INTEREST EXPENSE	
Members' Share and Savings Accounts	682,870
Interest on Borrowed Funds	5
Total Interest Expense	682,875
Net Interest Income	5,673,189
PROVISION FOR LOAN LOSSES	171,072
Net Interest Income After Provision for Loan Losses	5,502,117
NONINTEREST INCOME	
Service Charges and Fees	678,135
Other Noninterest Income	2,033,172
Net Gain on Sale of Investments	9,855
Total Noninterest Income	2,721,162
NONINTEREST EXPENSE	
General and Administrative:	
Employee Compensation and Benefits	3,620,170
Office Occupancy and Operations	1,008,362
Other Operating Expenses	2,770,158
Total Noninterest Expense	7,415,390
NET INCOME	$ 807,889

See accompanying Notes to Financial Statements.

SHAREPOINT CREDIT UNION
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2017

NET INCOME	$	807,889
OTHER COMPREHENSIVE INCOME:		
SECURITIES - Available-for-Sale		
Unrealized Holding Loss Arising During the Period		(487,120)
Reclassification for Gains Included in Net Income During the Period		(9,855)
Total Other Comprehensive Loss		(496,975)
TOTAL COMPREHENSIVE INCOME	$	310,914

See accompanying Notes to Financial Statements.

SHAREPOINT CREDIT UNION
STATEMENT OF CHANGES IN MEMBERS' EQUITY
YEAR ENDED MARCH 31, 2017

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Income	Total
BALANCE - MARCH 31, 2016	$ 4,464,762	$ 18,544,236	$ 475,147	$ 23,484,145
Net Income	-	807,889	-	807,889
Other Comprehensive Loss	-	-	(496,975)	(496,975)
BALANCE - MARCH 31, 2017	$ 4,464,762	$ 19,352,125	$ (21,828)	$ 23,795,059

See accompanying Notes to Financial Statements.

SHAREPOINT CREDIT UNION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$ 807,889
Adjustments to Reconcile Net Income to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	262,022
Net Securities Discount/Premium Amortization	317,949
Provision for Loan Losses	171,072
Amortization of Net Loan Origination Costs	159,682
Gain on Sale of Investments	(9,855)
Changes in:	
Accrued Interest Receivable	(6,725)
Loans Held for Sale	(316,983)
Other Assets	(234,784)
Accrued Expenses and Other Liabilities	192,468
Net Cash Provided by Operating Activities	1,342,735
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Decrease (Increase) in Deposits in Other	
Financial Institutions	(992,000)
Purchase of Securities Available for Sale	(2,064,916)
Proceeds from Maturities of Securities	
Available for Sale	4,068,689
Proceeds from Sales of Securities - Available for Sale	6,039,242
Loan Originations Net of Principal Collected	
on Loans	(13,576,107)
Decrease in NCUSIF Deposit	(70,769)
Expenditures for Property and Equipment	(1,808,497)
Net Cash Used by Investing Activities	(8,404,358)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net Increase in Members' Share and Savings Accounts	7,183,763
NET INCREASE IN CASH AND CASH EQUIVALENTS	122,140
Cash and Cash Equivalents at Beginning of the Period	11,698,491
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 11,820,631
SUPPLEMENTARY DISCLOSUREs OF NONCASH AND CASH FLOW INFORMATION	
Borrowed Funds Interest Paid	$ 5
Members' Share and Savings Accounts Interest Paid	$ 683,246

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 Bloomington, 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 and determination of the adequacy of the allowance for loan losses.

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 original 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 five 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 Noninterest Income or Noninterest 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 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 Noninterest Income.

The Credit Union did not record any other than temporary impairment during the year ended March 31, 2017.

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.

The Credit Union assigns a risk rating to member business loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by the Credit Union's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Pass: Loans classified as Pass are loans with no existing or known potential weaknesses deserving of management's close attention.

Special Mention: Loans classified as Special Mention have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 $281,000 at March 31, 2017 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUIED)

NCUSIF Deposit (Continued)

Legislation was passed by Congress to permit NCUA to create a temporary Corporate Credit Union Stabilization Fund (CCUSF) to absorb costs and borrowings incurred by the Fund related to the corporate credit union collapse. It was anticipated that the NCUA Board will assess annual premiums to repay these stabilization costs through the year 2021 at its discretion. No CCUSF premium was assessed for the year ended March 31, 2017 and due to subsequent loss recovery settlements and gains recognized by the Fund in recent years.

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.

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 Internal Revenue Code (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 in the past for activities it has deemed taxable and has no net operating loss carryforward as of the calendar year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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, 2017.

The Credit Union's 2013 through 2016 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 year ended March 31, 2017 was approximately $48,000.

Deferred Compensation Plan Section 457(b) – The Credit Union provides a nonqualified 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 $51,000 as of March 31, 2017.

Deferred Compensation Plan [Section 457(f)] – The Credit Union has non-qualified deferred compensation plans for members of management. Under the terms of the plans, the participants are entitled to the earnings and appreciation on the deferred compensation plan benchmarking investments. The deferred compensation benchmarking investments are shown as assets on the Credit Union's financial statements and are available to creditors in the event of the Credit Union's liquidation. At March 31, 2017, deferred compensation investments totaled approximately $157,000 and are invested in annuities. Deferred compensation expenses was approximately $105,000 for the year ended March 31, 2017.

Split Dollar Life Insurance

The Credit Union has made loans for life insurance premium payments to a select group of senior management personnel. The loans are collateralized by the assignment of the cash surrender value of the respective life insurance policies. The policies are owned by the executives and they have sole control over the listed beneficiaries. At the time of retirement, the loan becomes due and payable and can be paid with the cash value of the life insurance policies, or with other personal funds at the executive's discretion. The total value of the loans was approximately $2,825,000 at March 31, 2017.

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, 2017 was $4,316,000, and is included in Other Assets on the statement of financial condition. Income for increases in cash surrender value is recorded in Other Noninterest 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

During the year ended March 31, 2017, the Credit Union adopted FASB Accounting Standards Update (ASU) 2014-04, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40), Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. The amendments clarify when an in-substance repossession or foreclosure occurs, and require disclosure of both the amount of foreclosed residential real estate property held by a creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The impact of the adoption of ASU 2014-04 did not have a material impact on the Credit Union's financial statements.

Also during the year ended March 31, 2017, the Credit Union early adopted a provision of ASU 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This provision eliminates the requirement for entities, other than public business entities, to disclose the fair values of financial instruments carried at amortized cost, as previously required by Accounting Standards Codification (ASC) 825-10-50. As such, the Credit Union has omitted this disclosure for the year ended March 31, 2017 and 2016. The early adoption of this provision from ASU 2016-01 did not have an impact on the Credit Union’s financial position or results of operations.

In May 2014, the FASB approved ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expended disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgements and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The standard will be effective for the Credit Union for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. Management is evaluating the impact of the amended revenue recognition guidance on the Credit Union’s financial statements.

In February 2016, the FASB approved ASU 2016-02, *Leases (Topic 842)*. The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statement of Financial Condition and disclosing key information about leasing arrangements. The ASU is effective for the Credit Union for the fiscal year beginning after December 15, 2019, and interim periods within the fiscal year beginning after December 15, 2020. Early adoption is permitted. The Credit Union is currently evaluating the impact of ASU 2016-02 on the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

In June 2016, the FASB approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The main objective of the ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Credit Union for the fiscal year beginning after December 15, 2020, and interim periods within the fiscal year beginning after December 15, 2021. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. The Credit Union is currently evaluating the impact of ASU 2016-13 on the financial statements.

Subsequent Events

In preparing these financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through June 20, 2017, 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, 2017 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)
Federal Agency Securities	$ 15,117,794	$ 145,030	$ (75,043)	$ 15,187,781
SBA Securities	3,436,473	6,894	(16,671)	3,426,696
Mortgage-Backed Securities	13,923,230	55,589	(137,627)	13,841,192
Total	$ 32,477,497	$ 207,513	$ (229,341)	$ 32,455,669

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

Proceeds from Sale	$ 6,039,242
Gross Realized Gains	9,855
Gross Realized Losses	-

The amortized cost and estimated fair value of securities, at March 31, 2017, 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)
Due in One Year of Less	$ 1,000,260	$ 1,000,243
Due After One Year Through Five Years	14,117,534	14,187,538
Total	15,117,794	15,187,781
SBA and Mortgage-Backed Securities	17,359,703	17,267,888
Total Securities	$ 32,477,497	$ 32,455,669

NOTE 3 SECURITIES (CONTINUED)

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, 2017	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
Federal Agency Securities	$ (75,043)	$ 7,066,289	$ -	$ -
SBA Securities	-	-	(16,671)	2,682,683
Mortgage-Backed Securities	(92,435)	6,360,188	(45,192)	3,051,135
Total Available for Sale	$ (167,478)	$ 13,426,477	$ (61,863)	$ 5,733,818

At March 31, 2017, the 26 securities with unrealized losses have depreciated 1.18% 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, 2017 is as follows:

Consumer:	
Auto and RV	$ 35,171,275
Consumer Unsecured	2,068,805
Visa	10,790,283
Indirect RV	7,771,488
Share Secured	464,146
Subtotal	56,265,997
Residential Real Estate:	
Home Equity	19,466,156
First Mortgage	52,415,879
Subtotal	71,882,035
Business:	
Participations	189,505
Other Business	11,713,608
Subtotal	11,903,113
Total Loans	140,051,145
Net Deferred Loan Origination Costs	305,370
Allowance for Loan Losses	(698,171)
Loans, Net	$ 139,658,344

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

	Consumer	Residential Real Estate	Business	Total
Allowance for Loan Losses:				
Balance Beginning of Year	$ 340,344	$ 118,428	$ 280,953	$ 739,725
Provision (Credit) for Loan Losses	226,208	(68,240)	13,104	171,072
Loans Charged-Off	(309,326)	-	-	(309,326)
Recoveries of Loans Previously Charged-Off	66,500	30,200	-	96,700
Balance at End of Year	$ 323,726	$ 80,388	$ 294,057	$ 698,171
Ending Balance: Individually Evaluated for Impairment	$ 6,000	$ -	$ -	$ 6,000
Ending Balance: Collectively Evaluated for Impairment	$ 317,726	$ 80,388	$ 294,057	$ 692,171
Total Allowance for Loan Losses	$ 323,726	$ 80,388	$ 294,057	$ 698,171
Loans:				
Ending Balance: Individually Evaluated for Impairment	$ 66,962	$ -	$ -	$ 66,962
Ending Balance: Collectively Evaluated for Impairment	$ 56,199,035	$ 71,882,035	$ 11,903,113	$ 139,984,183
Total Loans	$ 56,265,997	$ 71,882,035	$ 11,903,113	$ 140,051,145

NOTE 4 LOANS, NET (CONTINUED)

The following table shows the commercial loan portfolio segments allocated by management's internal risk ratings:

Risk Rating:	Commercial Credit Risk Profile by Risk Rating
Pass	$ 11,489,832
Special Mention	413,281
Total	$ 11,903,113

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.

	Credit Risk Profile by Payment Activity			
Payment Activity	Auto and RV	Consumer Unsecured	Visa Platinum	Indirect RV
Performing	$ 35,046,859	$ 2,036,375	$ 10,789,956	$ 7,677,498
Nonperforming	124,416	32,430	327	93,990
Total	$ 35,171,275	$ 2,068,805	$ 10,790,283	$ 7,771,488

	Credit Risk Profile by Payment Activity			
Payment Activity	Share Secured	Home Equity	First Mortgage	Total
Performing	$ 464,146	$ 19,385,786	$ 52,415,879	$ 127,816,499
Nonperforming	-	80,370	-	331,533
Total	$ 464,146	$ 19,466,156	$ 52,415,879	$ 128,148,032

The following table shows an aging analysis of the loan portfolio by time past due:

	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	$ 34,914,351	$ 132,508	$ -	$ 124,416	$ 35,171,275
Consumer Unsecured	1,998,268	38,107	-	32,430	2,068,805
Visa	10,763,436	26,520	-	327	10,790,283
Indirect RV	7,621,301	56,197	-	93,990	7,771,488
Share Secured	464,146	-	-	-	464,146
Home Equity	19,385,786	-	-	80,370	19,466,156
First Mortgage	52,238,066	177,813	-	-	52,415,879
Participations	189,505	-	-	-	189,505
Other Business	11,349,699	363,266	-	643	11,713,608
Total	$ 138,924,558	$ 794,411	$ -	$ 332,176	$ 140,051,145

Interest income foregone on nonaccrual loans was immaterial as a whole for the year ended March 31, 2017.

NOTE 4 LOANS, NET (CONTINUED)

The following table presents information related to impaired loans:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With An Allowance Recorded:					
Auto and RV	$ 66,962	$ 66,962	$ 6,000	$ -	$ -

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, 2017.

NOTE 5 PROPERTY AND EQUIPMENT, NET

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

Land	$ 834,446
Building	2,101,316
Office Furniture and Equipment	2,284,976
Leasehold Improvements	35,914
Subtotal	5,256,652
Less: Accumulated Depreciation/Amortization	(2,091,505)
Total	$ 3,165,147

Depreciation expense for the year ended March 31, 2017 was $262,022.

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 $196,000 for the year ended March 31, 2017.

NOTE 5 PROPERTY AND EQUIPMENT, NET (CONTINUED)

Lease Commitments (Continued)

The required minimum rental payments under the terms of these noncancelable leases at March 31, 2017 are as follows:

Year Ended March 31,	Amount
2018	$ 205,310
2019	197,084
2020	200,471
2021	192,332
2022	35,000
Thereafter	-
Total	$ 830,197

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts are as follows:

Share Savings	$ 51,066,481
Share Drafts	25,173,466
Money Market	45,508,520
IRA Deposits	5,011,970
Other Deposits	85,236
Share and IRA Certificates	47,556,905
Total	$ 174,402,578

The aggregate amounts of certificates of deposit in denominations of $250,000 or more was approximately $1,406,000 at March 31, 2017.

Overdrawn share accounts reclassified to unsecured loans to members was immaterial at March 31, 2017.

As of March 31, 2017, scheduled maturities of share and IRA certificates are as follows:

Year Ending March 31,	Amount
2018	$ 25,275,120
2019	8,862,446
2020	5,660,954
2021	4,074,731
2022	3,675,960
Thereafter	7,694
Total	$ 47,556,905

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS (CONTINUED)

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, 2017 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, 2017.

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, 2017, the most recent quarterly regulatory filing date, was 5.95%. The minimum ratio to be considered complex under the regulatory framework is 6.00%. Management believes, as of March 31, 2017, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of March 31, 2017, 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.

NOTE 8 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

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, 2017						
Net Worth	$ 23,816,887	11.91%	$ 11,999,240	6.00%	$ 13,999,114	7.00%
Risk-Based Net Worth Requirement	$ 11,899,247	5.95%	N/A	N/A	N/A	N/A

Because RBNWR at March 31, 2017, 5.95%, is less than the regulatory net worth ratio of 11.91%, 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, 2017 are loans to the Credit Union's board of directors, committee members, and senior executive staff of approximately $680,000. 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, 2017 are approximately $2,687,000.

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.

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Off Statement of Financial Condition Activities (Continued)

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

Commitments to Grant Collateralized Loans	
Home Equity Lines of Credit	$ 11,542,848
Commercial Real Estate	1,396,365
Unfunded Unsecured Commitments Under Lines of Credit	
Overdraft Protection	897,033
Lines of Credit	2,218,144
Credit Card Commitments	33,592,579
Total	$ 49,646,969

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.

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:

	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-Sale Securities:				
Federal Agency Securities	$ -	$ 15,187,781	$ -	$ 15,187,781
SBA Securities	-	3,426,696	-	3,426,696
Mortgage-Backed Securities	-	13,841,192	-	13,841,192
457(b) Non-Qualified Plan Assets	-	50,778	-	50,778
Total Assets	$ -	$ 32,506,447	$ -	$ 32,506,447

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) nonqualified 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.