REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

AMERICA'S CHRISTIAN CREDIT UNION

March 31, 2018 and 2017

MOSSADAMS

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Report of Independent Auditors

Members of the Supervisory Committee and
Board of Directors
America's Christian Credit Union

Report on Financial Statements

We have audited the accompanying financial statements of America's Christian Credit Union (Credit Union), which comprise the statements of financial condition as of March 31, 2018 and 2017, and the related statements of income and comprehensive income, members' equity, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 America's Christian Credit Union as of March 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Spokane, Washington
July 5, 2018

America’s Christian Credit Union
Statements of Financial Condition

ASSETS

	March 31, 2018	March 31, 2017
Cash and cash equivalents	$ 80,143,588	$ 74,508,719
Other investments	1,623,413	799,891
Federal Home Loan Bank (FHLB) stock, at cost	1,017,000	1,004,900
Loans receivable, net of allowance for loan losses of $3,029,647 and $3,723,741 in 2018 and 2017, respectively	263,565,791	230,527,012
Loan servicing assets	343,139	413,574
Accrued interest receivable	1,096,842	1,046,493
Premises and equipment, net	14,046,850	14,724,549
Share insurance deposits	2,498,819	2,449,145
Credit Union-owned life insurance	16,289,967	15,768,708
Other assets	1,483,261	1,541,709
	$ 382,108,670	$ 342,784,700

LIABILITIES AND MEMBERS' EQUITY

	March 31, 2018	March 31, 2017
LIABILITIES		
Members' share and savings accounts	$ 334,372,299	$ 297,866,627
Borrowed funds	4,500,000	6,700,000
Accrued expenses and other liabilities	2,585,627	2,346,652
Deferred compensation payable	1,743,955	1,442,748
	343,201,881	308,356,027
COMMITMENTS AND CONTINGENCIES (Notes 6 and 11)		
MEMBERS' EQUITY		
Regular reserve	7,558,165	7,558,165
Undivided earnings	31,348,624	26,870,508
	38,906,789	34,428,673
	$ 382,108,670	$ 342,784,700

See accompanying notes.

	Years Ended March 31, 2018	2017
Interest income		
Interest on loans to members	$ 12,747,809	$ 11,675,012
Interest on investment securities and cash equivalents	1,027,616	670,445
Total interest income	13,775,425	12,345,457
Interest expense		
Dividends on members' share and savings accounts	2,074,121	1,675,078
Interest on borrowed funds	105,369	28,823
Total interest expense	2,179,490	1,703,901
Net interest income	11,595,935	10,641,556
Provision for loan losses	401,855	546,999
Net interest income after provision for loan losses	11,194,080	10,094,557
Noninterest income		
Fees and charges	5,988,063	5,335,913
Gains on loan participations sold	48,256	52,399
Other noninterest income	2,856,312	2,823,139
Total noninterest income	8,892,631	8,211,451
Total income	20,086,711	18,306,008
Noninterest expense		
Compensation and benefits	8,426,015	7,868,480
Operations	2,187,661	2,298,050
Professional and outside services	2,754,412	2,214,004
Occupancy	1,196,555	1,135,049
Educational and promotional	714,141	667,333
Other expense	329,811	289,283
Total noninterest expense	15,608,595	14,472,199
Net income	4,478,116	3,833,809
Comprehensive income	$ 4,478,116	$ 3,833,809

See accompanying notes.

America’s Christian Credit Union
Statements of Members’ Equity

	Total	Regular Reserve	Undivided Earnings
Balance, March 31, 2016	$ 30,594,864	$ 7,558,165	$ 23,036,699
Net income	3,833,809	-	3,833,809
Balance, March 31, 2017	34,428,673	7,558,165	26,870,508
Net income	4,478,116	-	4,478,116
Balance, March 31, 2018	$ 38,906,789	$ 7,558,165	$ 31,348,624

See accompanying notes.

	Years Ended March 31, 2018	Years Ended March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,478,116	$ 3,833,809
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	850,273	871,436
Provision for loan losses	401,855	546,999
Amortization of loan origination fees and costs, net	67,885	29,721
Amortization of loan servicing asset	66,655	119,528
Capitalization of loan servicing asset	(48,256)	(52,399)
Reduction of loan servicing asset due to loan payoffs	52,036	131,056
Loss on sale of premises and equipment	27,013	12,784
Gain on sale of other real estate owned	-	(52,962)
Changes in assets and liabilities		
Accrued interest receivable	(50,349)	(22,246)
Other assets	58,448	(99,637)
Accrued expenses and other liabilities	238,975	636,326
Deferred compensation payable	301,207	(2,706,926)
Net cash from operating activities	6,443,858	3,247,489
CASH FLOWS PROM INVESTING ACTIVITIES		
Decrease in other investments	7,627	11,391
Increase in loans to members, net of principal collections	(40,679,530)	(30,006,610)
Increase in NCUSIF deposit	(49,674)	(162,566)
Increase in cash surrender value of Credit Union-owned life insurance	(521,259)	(469,442)
Purchase of FHLB stock	(12,100)	-
Increase in investment of Credit Union Service Organizations (CUSO)	(31,149)	(26,891)
Proceeds from sale of loan participations	7,171,011	11,723,304
Proceeds from the sale of premises and equipment	-	9,000
Proceeds from sale of other real estate owned	-	228,000
Purchase of stock in Ministry Partners Investment Company	(800,000)	-
Purchases of premises and equipment	(199,587)	(206,245)
Net cash from investing activities	(35,114,661)	(18,900,059)

See accompanying notes.

America's Christian Credit Union
Statements of Cash Flows

	Years Ended March 31, 2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' share and savings accounts	$ 36,505,672	$ 8,160,913
Advances of borrowed funds	-	6,700,000
Repayment of borrowed funds	(2,200,000)	-
Net cash from financing activities	34,305,672	14,860,913
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,634,869	(791,657)
CASH AND CASH EQUIVALENTS, beginning of year	74,508,719	75,300,376
CASH AND CASH EQUIVALENTS, end of year	$ 80,143,588	$ 74,508,719
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest		
Dividends on members' share and savings accounts	$ 2,074,121	$ 1,675,078
Interest on borrowed funds	105,369	28,823
	$ 2,179,490	$ 1,703,901
NONCASH TRANSACTIONS		
Loans transferred to other real estate owned	$ -	$ 17,583
Credit Union financed sales of other real estate owned	$ -	$ 802,525

See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

Nature of operations – America's Christian Credit Union (Credit Union), formerly Nazarene Credit Union, is a state chartered credit union organized under the State of California Credit Union Act and administratively responsible to the State of California Department of Business Oversight. In April 2003, the Credit Union expanded its field of membership to include churches and church members, schools, organizations, and affiliates of all Wesleyan based Christian denominations. The Credit Union's primary source of revenue is interest income from providing loans to its members.

A substantial portion of the Credit Union's loan portfolio is represented by real estate loans secured by real property collateral utilized by Christian organizations. It is management's belief that credit risk within the portfolio is mitigated by low loan-to-value ratios, adequate debt coverage ratios, experienced business lending management and staff, and conservative lending policies.

Use of estimates in preparing financial statements – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. The material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and loan servicing assets.

Cash and cash equivalents – Cash consists of funds due from banks, corporate credit unions, and cash in vaults and on hand. For purposes of the statements of cash flows, the Credit Union considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Other investments – Other investments are comprised of uninsured capital investments in other institutions and credit union service organizations (CUSO). Ministry Partners is a Credit Union Service Organization that is authorized to issue investor debt securities, notes, and debt obligations to finance capital funding to churches and ministry organizations. PSCU is a Credit Union Service Organization providing payment options, fraud prevention, digital solutions, loyalty rewards, data analytics programs, and call center support to its member credit unions.

Federal Home Loan Bank (FHLB) stock – The Credit Union's investment in FHLB stock is carried at par value ($100 per share), which reasonably approximates its fair value. As a member of the FHLB system, the Credit Union is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1% of its outstanding member business real estate loans or 2.70% of outstanding advances from the FHLB. The Credit Union may request redemption at par value of any stock in excess of the amount the Credit Union is required to hold. Stock redemptions are at the discretion of the FHLB. The Credit Union had $1,017,000 and $1,004,900 in class B stock at March 31, 2018 and 2017, respectively.

Note 1 – Summary of Significant Accounting Policies (continued)

Loans to members – The Credit Union grants mortgage, member business, and consumer loans to members, including faith-based organizations. A substantial portion of the loan portfolio is represented by real estate loans and unsecured loans to members. A members' ability to honor their loan agreements is dependent primarily upon the economic stability of the various groups comprising the Credit Union's field of membership.

Loans 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 costs. Interest on loans is recognized over the term of the loan and is generally calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time a loan is 90 days delinquent. Consumer loans are typically charged off no later than 180 days past due. Loans may be charged off at an earlier date if collection of principal or interest is considered doubtful. Past due loan status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if management believes, after considering economic conditions, business conditions, and collection efforts, that collection of principal or interest is considered doubtful.

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 method, until qualifying for return to accrual. Loans are returned to accrual status when all the 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 the straight-line method, which approximates the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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 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.

Specific allowances for loan losses are established for large or restructured impaired loans on an individual basis as required by the accounting by creditors for impairment of a loan. The specific allowances established for these loans are based on an 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.

Troubled debt restructurings (TDRs) – Loans may occasionally be restructured due to economic or legal reasons relating to the borrower’s financial condition by granting a concession in an attempt to protect the investment. Examples of such concessions include extending the maturity date(s), providing a lower-than-market interest rate that would normally not be available for a transaction of similar risk, or allowing for interest only payments for a specified period of time. This generally occurs when the financial condition of the borrower needs to be given temporary or permanent relief from the original contractual terms of the loan. A loan restructured in a TDR is an impaired loan and is accounted for as such.

Transfers of financial assets – Transfers of an entire financial asset, a group of entire financial assets, 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 or the ability to unilaterally cause the holder to return financial assets.

Off-balance sheet 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.

Loan servicing assets – Servicing assets are recognized as separate assets when servicing rights are acquired through purchase or through sale of functional assets. Servicing rights resulting from the sale or securitization of loans originated by the Credit Union are initially measured at fair value at the date of transfer. The Credit Union subsequently measures each class of servicing asset using the amortization method. Under the amortization method, loan servicing rights are amortized into noninterest income in proportion to, and over the period of estimated net servicing income. The amortized assets are assessed for impairment based on the fair value annually.

Note 1 – Summary of Significant Accounting Policies (continued)

Fair value is based on market prices for comparable loan servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds, and default rates and losses. These variables change periodically as market conditions and projected interest rates change, and may have an adverse impact on the value of the loan servicing asset and may result in a reduction in noninterest income.

Other real estate owned – Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in operating expenses.

Premises and equipment – Land is carried at cost. Buildings and improvements and furniture and equipment are carried at cost, less accumulated depreciation. Buildings and improvements and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

Valuation of long-lived assets – The Credit Union, using its best estimates based on reasonable and supportable assumptions and projections, reviews assets for impairment whenever events or changes in circumstances have indicated the carrying amount of its assets might not be recoverable. In accordance with current accounting standards, impaired assets are reported at the lower of cost or fair value. At March 31, 2018 and 2017, no assets had been written down for impairment.

National Credit Union Share Insurance Fund (NCUSIF) deposit – The deposit in the NCUSIF is in accordance with National Credit Union Association (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. The balance of the deposit was $2,278,819 and $2,229,145 at March 31, 2018 and 2017, respectively.

American Share Insurance Fund (ASI) deposit – The deposit maintained in ASI is to provide members' shares additional insurance per account, $100,000 for member business accounts and $200,000 for individual accounts. 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 ASI Board. The balance of the deposit was $220,000 at March 31, 2018 and 2017.

NCUSIF insurance premiums – A credit union is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA Board. The NCUSIF assessments were $-0- for the years ended March 31, 2018 and 2017.

Note 1 – Summary of Significant Accounting Policies (continued)

Credit Union-owned life insurance – The carrying amount of Credit Union-owned life insurance approximates its fair value. Fair value of Credit Union owned life insurance is estimated using the cash surrender value, net of surrender charges.

Members' share and savings accounts – Members' share and savings accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share and savings accounts are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Interest rates on members' share and savings 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 not available for the payment of interest.

Income taxes – The Credit Union is exempt by statute from federal income taxes under the provisions of Section 501 of the Internal Revenue Code (IRC) of 1954; however, the Credit Union's unrelated business income and subsidiaries are subject to federal income taxes. There were no significant income taxes for the years ended March 31, 2018 and 2017.

Accounting principles prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Credit Union had no unrecognized tax positions at March 31, 2018 and 2017. It is the Credit Union's policy to record any penalties or interest arising from federal or state taxes as a component of noninterest expense.

Advertising costs – Advertising costs are charged to operations when incurred. Advertising expense totaled $544,257 and $548,105 for the years ended March 31, 2018 and 2017, respectively.

Comprehensive income (loss) – Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in postretirement benefit plan obligations are reported as a separate component of the equity section of the statements of financial condition.

Note 2 – Restrictions on Cash

The Credit Union is required to maintain balances with corporate credit unions as membership shares that are uninsured and require a notice before withdrawal. The membership share balance was $502,703 at March 31, 2018 and 2017.

Note 3 – Investments

In order to meet the liquidity needs for providing financial services to its members, the Credit Union maintains funds on deposit in various demand and investment accounts in excess of the insured deposit limits. As of March 31, 2018 and 2017, the amount of uninsured deposits and investments totaled approximately $54,182,897 and $30,067,524, respectively.

Other investment securities at March 31 are summarized as follows:

	2018	2017
Membership capital in Alloya Corporate Credit Union	$ 465,000	$ 465,000
Financial Services promissory notes	-	7,627
Membership capital in Catalyst Corporate Credit Union	37,703	37,703
Investment in Ministry Partners CUSO	820,462	-
Investment in PSCU CUSO	300,248	289,561
	$ 1,623,413	$ 799,891

Note 4 – Loans to Members

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

	2018	2017
Automobile	$ 39,756,837	$ 20,907,545
Consumer real estate	26,514,828	18,426,521
Consumer unsecured	14,031,097	12,061,835
Student loans	4,746,453	3,923,283
Member business - real estate	174,103,983	174,233,388
Member business - unsecured	1,823,697	178,385
Credit card	4,796,141	4,005,960
Share secured	407,778	445,755
Other secured	846,519	432,656
	267,027,333	234,615,328
Deferred fees	(431,895)	(364,575)
Allowance for loan losses	(3,029,647)	(3,723,741)
	$ 263,565,791	$ 230,527,012

Note 4 – Loans to Members (continued)

The Credit Union has purchased loan participations originated by various other credit unions that are secured by commercial real estate to members of other credit unions. All of these loan participations were purchased without recourse and are secured by real property. Loan servicing functions on these loans were retained by the other credit unions.

The interest rates on loans fall into the following fixed and variable components at March 31:

	2018	2017
Fixed	$ 78,173,535	$ 50,853,740
Variable	188,853,798	183,761,588
	$ 267,027,333	$ 234,615,328

Note 4 – Loans to Members (continued)

The following tables summarize activity related to the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method for the years ended March 31:

2018	Automobile	Consumer Real Estate	Consumer Unsecured and Student Loans	Member Business - Real Estate	Member Business - Unsecured	Credit Card	Share and Other Secured	Total
Allowance for loan losses								
Beginning balance	$ 121,178	$ 47,327	$ 230,857	$ 3,230,305	$ 19,084	$ 73,960	$ 1,030	$ 3,723,741
Charge-offs	(11,333)	-	(187,990)	(1,912,731)	-	(34,980)	(674)	(2,147,708)
Recoveries	-	3,300	25,235	1,017,988	-	4,562	674	1,051,759
Provision (recapture)	17,755	11,110	204,720	48,688	67,267	53,345	(1,030)	401,855
Ending balance	$ 127,600	$ 61,737	$ 272,822	$ 2,384,250	$ 86,351	$ 96,887	$ -	$ 3,029,647
Ending balance individually evaluated for impairment	$ 13,496	$ 17,942	$ 26,015	$ 1,620,012	$ 12,547	$ 36,916	$ -	$ 1,726,928
Ending balance collectively evaluated for impairment	$ 114,104	$ 43,795	$ 246,807	$ 764,238	$ 73,804	$ 59,971	$ -	$ 1,302,719
Loan receivables								
Ending balance	$ 39,756,837	$ 26,514,828	$ 18,777,550	$ 174,103,983	$ 1,823,697	$ 4,796,141	$ 1,254,297	$ 267,027,333
Ending balance individually evaluated for impairment	$ 36,595	$ 262,503	$ 26,015	$ 7,323,512	$ 50,187	$ 36,916	$ -	$ 7,735,728
Ending balance collectively evaluated for impairment	$ 39,720,242	$ 26,252,325	$ 18,751,535	$ 166,780,471	$ 1,773,510	$ 4,759,225	$ 1,254,297	$ 259,291,605

2017	Automobile	Consumer Real Estate	Consumer Unsecured and Student Loans	Member Business - Real Estate	Member Business - Unsecured	Credit Card	Share and Other Secured	Total
Allowance for loan losses								
Beginning balance	$ 59,433	$ 118,152	$ 197,164	$ 3,260,222	$ 17,933	$ 59,219	$ 15,169	$ 3,727,292
Charge-offs	(106,272)	-	(161,347)	(229,156)	-	(69,163)	(2,573)	(568,511)
Recoveries	-	4,868	12,060	-	-	1,033	-	17,961
Provision (recapture)	168,017	(75,693)	182,980	199,239	1,151	82,871	(11,566)	546,999
Ending balance	$ 121,178	$ 47,327	$ 230,857	$ 3,230,305	$ 19,084	$ 73,960	$ 1,030	$ 3,723,741
Ending balance individually evaluated for impairment	$ 1,331	$ 23,093	$ 35,107	$ 2,233,505	$ 14,044	$ 17,376	$ -	$ 2,324,456
Ending balance collectively evaluated for impairment	$ 119,847	$ 24,234	$ 195,750	$ 996,800	$ 5,040	$ 56,584	$ 1,030	$ 1,399,285
Loan receivables								
Ending balance	$ 20,907,545	$ 18,426,521	$ 15,985,118	$ 174,233,388	$ 178,385	$ 4,005,960	$ 878,411	$ 234,615,328
Ending balance individually evaluated for impairment	$ 10,403	$ 300,788	$ 37,070	$ 8,221,588	$ 56,177	$ 17,376	$ -	$ 8,643,402
Ending balance collectively evaluated for impairment	$ 20,897,142	$ 18,125,733	$ 15,948,048	$ 166,011,800	$ 122,208	$ 3,988,584	$ 878,411	$ 225,971,926

Note 4 – Loans to Members (continued)

The following tables summarize impaired loans by loan class as of March 31:

	2018				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Automobile	$ -	$ -	$ -	$ -	$ -
Consumer real estate	-	-	-	-	-
Consumer unsecured and student loans	-	-	-	-	-
Member business - real estate	-	-	-	-	-
Member business - unsecured	-	-	-	-	-
Credit card	-	-	-	-	-
	-	-	-	-	-
With an allowance recorded					
Automobile	36,595	36,595	13,496	23,499	827
Consumer real estate	262,503	262,503	17,942	281,646	13,266
Consumer unsecured and student loans	26,015	26,015	26,015	31,543	2,735
Member business - real estate	7,323,512	7,323,512	1,620,012	7,772,550	394,068
Member business - unsecured	50,187	50,187	12,547	53,182	4,425
Credit card	36,916	36,916	36,916	27,146	2,112
	7,735,728	7,735,728	1,726,928	8,189,566	417,433
Total					
Automobile	36,595	36,595	13,496	23,499	827
Consumer real estate	262,503	262,503	17,942	281,646	13,266
Consumer unsecured and student loans	26,015	26,015	26,015	31,543	2,735
Member business - real estate	7,323,512	7,323,512	1,620,012	7,772,550	394,068
Member business - unsecured	50,187	50,187	12,547	53,182	4,425
Credit card	36,916	36,916	36,916	27,146	2,112
	$ 7,735,728	$ 7,735,728	$ 1,726,928	$ 8,189,566	$ 417,433

Note 4 – Loans to Members (continued)

	2017				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Automobile	$ -	$ -	$ -	$ -	$ -
Consumer real estate	-	-	-	-	-
Consumer unsecured and student loans	-	-	-	-	-
Member business - real estate	-	-	-	-	-
Member business - unsecured	-	-	-	-	-
Credit card	-	-	-	-	-
	-	-	-	-	-
With an allowance recorded					
Automobile	10,403	10,403	1,331	10,937	315
Consumer real estate	300,788	300,788	23,093	371,557	17,166
Consumer unsecured and student loans	37,070	37,070	35,107	42,658	3,848
Member business - real estate	8,221,588	8,221,588	2,233,505	8,134,947	418,950
Member business - unsecured	56,177	56,177	14,044	59,020	4,545
Credit card	17,376	17,376	17,376	14,499	1,166
	8,643,402	8,643,402	2,324,456	8,633,618	445,990
Total					
Automobile	10,403	10,403	1,331	10,937	315
Consumer real estate	300,788	300,788	23,093	371,557	17,166
Consumer unsecured and student loans	37,070	37,070	35,107	42,658	3,848
Member business - real estate	8,221,588	8,221,588	2,233,505	8,134,947	418,950
Member business - unsecured	56,177	56,177	14,044	59,020	4,545
Credit card	17,376	17,376	17,376	14,499	1,166
	$ 8,643,402	$ 8,643,402	$ 2,324,456	$ 8,633,618	$ 445,990

The following table summarizes loans on nonaccrual status by loan class as of March 31:

	2018	2017
Consumer real estate	$ 53,688	$ 163,085
Consumer unsecured and student loans	41,363	36,810
Member business - real estate	1,135,323	3,150,525
Automobile	48,507	121,911
	$ 1,278,881	$ 3,472,331

Note 4 – Loans to Members (continued)

Troubled debt restructurings (TDRs) – Loans may occasionally be restructured due to economic or legal reasons relating to the borrower's financial condition by granting a concession in attempt to protect the investment. TDRs are treated as impaired loans and as such are evaluated for specific loss reserves. As of March 31, 2018, the Credit Union is not committed to lend additional funds to debtors whose loans have been modified. For the year ended March 31, 2018, there were no TDR's that incurred a payment default within the first 12 months of restructure. For the year ended March 31, 2017, TDR's that incurred a payment default within the first 12 months of restructure totaled $131,534.

The Credit Union may offer a variety of modifications to borrowers. The modification categories offered can generally be described in the following categories:

Rate modification – A modification in which the interest rate is changed.

Term modification – A modification in which the maturity date, timing of payments, or frequency of payments is changed.

Interest-only modification – A modification in which the loan is converted to interest-only payments for a period of time.

Combination modification – Any other type of modification, including the use of multiple categories above.

The following provides additional information by loan class about TDRs for the years ended March 31:

2018	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Automobile	2	$ 14,106	$ 14,106
Consumer unsecured and student loans	2	18,117	18,117
Member business - real estate	4	957,764	957,764
Total	8	$ 989,987	$ 989,987

Note 4 – Loans to Members (continued)

2017	Number of Contracts		Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment
Consumer real estate	3	$	223,640	$	223,640
Consumer unsecured and student loans	4		57,476		57,476
Member business - real estate	4		1,556,793		1,556,793
Total	11	$	1,837,909	$	1,837,909

Credit quality indicators – The Credit Union utilizes internal risk ratings for its credit quality indicators. The Credit Union categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The internal risk ratings (1) provide a basis for evaluating, monitoring, and reporting the overall quality of the loan portfolio, (2) promptly identify deterioration of loan quality and the need for remedial action, and (3) emphasize areas requiring upgrading of policies, procedures, or documentation.

The internal risk ratings are as follows:

Pass (1-5) – Loans in this category are nonclassified loans in which no impairment is noted. Within this category, Pass 1 loans are the Credit Union's best loans, which exhibit the least risk of default, and Pass 5 are acceptable loans but exhibit higher risk factors than the other pass categories. Pass grade loans generally have adequate cash flows, collateral support, and liquidity.

Special Mention (6) – A Special Mention asset has potential weaknesses that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Credit Union's credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard 1 (7) – A Substandard 1 asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility the Credit Union will sustain some loss if the deficiencies are not corrected; however, because of circumstances (e.g., guarantor support) are not considered impaired because collection of principal and interest per the then in place contractual terms remains a possibility.

Note 4 – Loans to Members (continued)

Substandard 2 (8) – A Substandard 2 asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility the Credit Union will sustain some loss if the deficiencies are not corrected. Loans in this category are identified as impaired and specific valuation allowance established or charge-off taken if based on the fair value of the underlying collateral or the present value of the expected future cash flows discounted at the contractual note rate are less than the principal amount of the loan.

Doubtful (9) – An asset classified Doubtful has all the weaknesses inherent in one classified substandard with the added characteristic the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Loans in this category are identified as impaired and specific valuation allowance established or charge-off taken if based on the fair value of the underlying collateral or the present value of the expected future cash flows discounted at the contractual note rate are less than the principal amount of the loan.

Loss (10) – Assets classified Loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. Assets in this category are of so little value that to continue to carry the assets on the books at the book value distorts the net worth of the Credit Union.

The following table summarizes our internal risk rating by loan class as of March 31:

	2018					
	Pass (Risk Rated 1-5)	Special Mention	Substandard 1	Substandard 2	Doubtful	Total
Automobile	$ 39,720,242	$ -	$ -	$ 36,595	$ -	$ 39,756,837
Consumer real estate	26,252,325	262,503	-	-	-	26,514,828
Consumer unsecured	14,005,082	-	-	26,015	-	14,031,097
Student loans	4,746,453	-	-	-	-	4,746,453
Member business - real estate	151,458,552	9,446,702	9,656,660	3,542,069	-	174,103,983
Member business - unsecured	1,773,510	50,187	-	-	-	1,823,697
Credit card	4,759,225	-	-	36,916	-	4,796,141
Share secured	407,778	-	-	-	-	407,778
Other secured	846,519	-	-	-	-	846,519
	$ 243,969,686	$ 9,759,392	$ 9,656,660	$ 3,641,595	$ -	$ 267,027,333

Note 4 – Loans to Members (continued)

	2017					
	Pass (Risk Rated 1-5)	Special Mention	Substandard 1	Substandard 2	Doubtful	Total
Automobile	$ 20,897,142	$ -	$ -	$ 10,403	$ -	$ 20,907,545
Consumer real estate	18,125,733	300,788	-	-	-	18,426,521
Consumer unsecured	12,024,765	7,853	-	29,217	-	12,061,835
Student loans	3,923,283	-	-	-	-	3,923,283
Member business - real estate	149,869,594	13,938,486	5,146,610	4,582,456	696,242	174,233,388
Member business - unsecured	178,385	-	-	-	-	178,385
Credit card	3,988,584	-	-	17,376	-	4,005,960
Share secured	445,755	-	-	-	-	445,755
Other secured	432,656	-	-	-	-	432,656
	$ 209,885,897	$ 14,247,127	$ 5,146,610	$ 4,639,452	$ 696,242	$ 234,615,328

Not all consumer loans are individually risk rated. Consumer loans that are not individually evaluated for impairment are reflected above as "Pass Risk Rated 1-5," while TDR consumer loans are classified as Special Mention, and impaired consumer loans with a specific reserve are classified as Substandard 2.

The following table presents the recorded investment in nonperforming loans and an aging of loans by class as of March 31:

	2018						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total Loans Receivable	Recorded Investment> 90 Days and Accruing
Automobile	$ 56,671	$ 36,595	$ -	$ 93,266	$ 39,663,571	$ 39,756,837	$ -
Consumer real estate	419,198	-	-	419,198	26,095,630	26,514,828	-
Consumer unsecured	40,501	5,021	20,993	66,515	13,964,582	14,031,097	-
Student loans	156,156	-	-	156,156	4,590,297	4,746,453	
Member business - real estate	1,300,069	-	475,788	1,775,857	172,328,126	174,103,983	-
Member business - unsecured	-	-	-	-	1,823,697	1,823,697	-
Credit card	9,120	-	36,951	46,071	4,750,070	4,796,141	-
Share secured	839	-	-	839	406,939	407,778	-
Other secured	-	-	-	-	846,519	846,519	-
	$ 1,982,554	$ 41,616	$ 533,732	$ 2,557,902	$ 264,469,431	$ 267,027,333	$ -

	2017						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total Loans Receivable	Recorded Investment> 90 Days and Accruing
Automobile	$ 15,779	$ -	$ 14,553	$ 30,332	$ 20,877,213	$ 20,907,545	$ -
Consumer real estate	-	-	-	-	18,426,521	18,426,521	-
Consumer unsecured	32,812	14,329	14,888	62,029	11,999,806	12,061,835	-
Student loans	-	32,892	-	32,892	3,890,391	3,923,283	
Member business - real estate	1,322,946	-	292,645	1,615,591	172,617,797	174,233,388	-
Member business - unsecured	-	-	-	-	178,385	178,385	-
Credit card	23,292	-	4,488	27,780	3,978,180	4,005,960	-
Share secured	-	-	-	-	445,755	445,755	-
Other secured	-	-	-	-	432,656	432,656	-
	$ 1,394,829	$ 47,221	$ 326,574	$ 1,768,624	$ 232,846,704	$ 234,615,328	$ -

Note 4 – Loans to Members (continued)

As part of the Credit Union's asset and liability management and risk management programs, pools of real estate loans have been sold to other credit unions. The Credit Union sells, without recourse, up to 95% of designated pools of member business real estate loans at an interest rate lower than the weighted pool.

The Credit Union is a national lender with loans in 48 states; the largest concentration of loans is in California. The majority of the Credit Union's loans are collateralized by church properties. Accordingly, the ultimate collectability of loans is susceptible to changes in market conditions in the area.

The Credit Union sells participating interest in loans to other financial institutions. Participation interest serviced for others is not included in the accompanying statements of financial condition. The unpaid principal balances of loans serviced for others were $70,598,207 and $81,563,772 at March 31, 2018 and 2017, respectively. The Credit Union receives a servicing fee for servicing the participating interest in the loan.

A summary of changes in the balance of servicing assets for the years ended March 31, is as follows:

	2018	2017
Balance, beginning of year	$ 413,574	$ 611,759
Servicing assets recognized during the year	48,256	52,399
Amortization of servicing assets	(66,655)	(119,528)
Reduction due to loan payoffs	(52,036)	(131,056)
Balance, end of year	$ 343,139	$ 413,574

Note 5 – Premises and Equipment

Premises and equipment at March 31 is summarized as follows:

	2018	2017
Land	$ 3,890,000	$ 3,890,000
Buildings and improvements	14,773,986	14,769,225
Furniture and equipment	3,612,986	3,551,208
	22,276,972	22,210,433
Accumulated depreciation	(8,230,122)	(7,485,884)
	$ 14,046,850	$ 14,724,549

Depreciation expense amounted to $850,273 and $871,436 for the years ended March 31, 2018 and 2017, respectively.

Note 6 – Lease Commitments

The Credit Union leases an office facility under a noncancellable operating lease expiring fiscal year 2021. Future minimum lease payments under this lease are as follows:

Years ending March 31,		
2019	$	48,456
2020		49,881
2021		12,559
	$	110,896

Rent expense was approximately $69,526 and $65,558 for the years ended March 31, 2018 and 2017, respectively.

Note 7 – Members' Share and Savings Accounts

Members' share and savings accounts at March 31 are summarized as follows:

	2018	2017
Regular share accounts	$ 49,662,529	$ 41,148,652
Share draft accounts	129,218,703	100,796,045
Money market accounts	35,667,620	40,601,186
IRA share accounts	728,245	834,510
	215,277,097	183,380,393
Share and IRA certificates		
0.00% to 0.99%	24,813,405	39,763,741
1.00% to 1.99%	55,896,549	42,979,662
2.00% to 2.99%	33,632,334	27,769,499
3.00% to 3.99%	4,231,151	3,433,498
4.00% to 4.99%	521,763	539,834
	119,095,202	114,486,234
	$ 334,372,299	$ 297,866,627

Note 7 – Members' Share and Savings Accounts (continued)

Scheduled maturities of term share and IRA certificates at March 31, 2018, are as follows:

Years ending March 31,	
2019	$ 61,419,461
2020	30,523,641
2021	12,699,270
2022	8,125,772
2023	6,327,058
	$ 119,095,202

The NCUSIF insures members' shares and certain individual retirement and Keogh accounts. Legislation now provides for NCUSIF coverage of $250,000 on member share accounts on a permanent basis. This includes all account types, such as regular share, share draft, money market, and certificates of deposit. IRA and Keogh account coverage remains at up to $250,000 separate from other types of accounts owned.

The aggregate amounts of members' time deposit accounts in denominations of $250,000 or more were approximately $38,367,029 and $46,103,249 at March 31, 2018 and 2017, respectively.

Note 8 – Lines of Credit

The Credit Union maintains a line of credit with Alloya Corporate Federal Credit Union. The amount available under the line of credit was $20,000,000 at March 31, 2018. No amounts were outstanding at March 31, 2018 and 2017. The line is collateralized by the Credit Union's property and rights and interest pledged as collateral.

The Credit Union also maintains a line of credit with the Federal Reserve Bank with an amount available of $8,747,522 as of March 31, 2018. The line is collateralized by unsecured consumer loans. No amounts were outstanding as of March 31, 2018 and 2017.

Note 9 – Borrowed Funds

FHLB advances are secured by specifically identified and designated member business real estate loans with principal balances of $41,325,605 and $48,385,328 as of March 31, 2018 and 2017, respectively. The weighted-average rate on these advances on March 31, 2018, was 1.91%.

Scheduled maturities of borrowed funds at March 31 are as follows:

	2018
2018	1,000,000
2019	1,750,000
2020	-
2021	1,750,000
	$ 4,500,000

Note 10 – Off-Balance Sheet Risk

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, which include lines of credit, credit cards, and home equity lines 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.

At March 31 the following loan commitments were outstanding:

	2018	2017
Commitments to grant loans		
Home equity lines of credit, personal	$ 10,492,274	$ 7,311,411
Commercial real estate lines of credit, business	981,842	682,089
Construction lines of credit, business	3,021,904	-
Participation loans, construction lines of credit	161,171	3,955,037
Overdraft/signature lines of credit, personal	4,235,331	4,015,412
Overdraft/signature lines of credit, business	153,235	476,401
VISA credit cards, personal	9,114,637	6,442,284
VISA credit cards, business	4,262,829	4,124,635
Student loans, personal	3,890,697	3,842,205
Business share secured lines of credit	134,399	-
	$ 36,448,319	$ 30,849,474

Note 10 – Off-Balance Sheet Risk (continued)

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 commercial lines of credit, revolving lines of credit, 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.

Note 11 – Commitments and Contingencies

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

Note 12 – Capital 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-balance sheet items as calculated under GAAP. The Credit Union's capital amounts and net worth classification 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 amounts and ratios (set forth in the following table) of net worth (as defined in the regulations) to assets and alternate risk based net worth (RBNW) ratios (as defined). As of March 31, 2018 and 2017, the Credit Union's alternate RBNW requirement is 6.49% and 6.80%, respectively. The minimum ratio to be considered adequately capitalized under the regulatory framework is 6.00%. Management believes that, as of March 31, 2018, the Credit Union meets all capital adequacy requirements to which it is subject.

Note 12 – Capital Requirements (continued)

As of March 31, 2018, the most recent call reporting period, the NCUA has categorized the Credit Union as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Credit Union must maintain a minimum net worth ratio of 7%.

The Credit Union's actual capital amounts and ratios as of March 31 are as follows:

	Actual		To Be Adequately Capitalized		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2018						
Net worth	$ 38,906,789	10.17%	$ 22,926,520	≥ 6.00%	$ 26,747,607	≥ 7.00%
March 31, 2017						
Net worth	$ 34,428,673	10.04%	$ 20,567,082	≥ 6.00%	$ 23,994,929	≥ 7.00%

Because the alternate RBNW ratio of 6.49% is greater than 6.00%, the Credit Union was considered complex as of March 31, 2018.

Note 13 – Defined Contribution Plan

The Credit Union has a qualified 401(k) Profit Sharing Plan and Trust (Plan) covering substantially all of its employees. The Credit Union makes matching contributions at 100% up to 4% of the employee's base salary and an employee is fully vested in those contributions after six years of qualifying service. Plan administrative expenses and employer matching contributions for the years ended March 31, 2018 and 2017, were $178,614 and $158,678, respectively.

Note 14 – Deferred Compensation Plans

During the 2004 fiscal year, the Credit Union adopted an Executive Retirement Plan (Plan), pursuant to the IRC sections 457(b) and 457(f), which provides retirement benefits to designated executives. The Board of Directors designates those executives who are eligible to participate in the Plan. Benefits under the Plan become payable upon a specified retirement age for each participant.

The Credit Union has purchased life insurance contracts on the participants to finance the cost of these benefits. Assets invested to fund this Plan totaled $16,289,967 and $15,768,708 as of March 31, 2018 and 2017, respectively, and are stated as Credit Union-owned life insurance on the statements of financial condition.

Note 14 – Deferred Compensation Plans (continued)

The Credit Union also maintains unfunded, nonqualified Supplemental Executive Retirement Plans (SERP) pursuant to IRC 457(f), which provides retirement benefits to designated executives. The benefit obligations of the SERP provide for stated benefit amounts, each with its own retirement eligibility date. Under the unfunded SERPs, the participants have no rights beyond those of a general creditor of the Credit Union, and there are no specific assets set aside by the Credit Union in connection with the SERP. The SERP Plans liability as of March 31, 2018 and 2017, was $941,030 and $765,116, respectively. Deferred compensation expenses were approximately $330,229 and $269,994 for all Plans for the years ended March 31, 2018 and 2017, respectively.

Note 15 – Related Party Transactions

In the normal course of business, the Credit Union extends loans to members of the Board of Directors, Supervisory Committee members, and Senior Management. The aggregate loans to related parties at March 31, 2018 and 2017, were approximately $1,790,915 and $1,886,221, respectively. Loans to related parties are made under the same terms available to other members.

Deposits from related parties at March 31, 2018 and 2017, amounted to approximately $1,001,840 and $904,817, respectively.

Note 16 – Fair Value Measurement

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable.

Level 3 – Instruments whose significant value drivers are unobservable.

The hierarchy gives the highest ranking to Level 1 inputs and the lowest ranking to Level 3 inputs. The level in the fair value hierarchy within the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the overall fair value measurement.

Valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, whereas unobservable inputs reflect the Credit Union’s assumptions about market value.

Note 16 – Fair Value Measurement (continued)

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

Impaired loans – Carrying values of certain impaired loans are periodically evaluated to determine if valuation adjustments should be recorded. When a collateral dependent loan is identified as impaired, the impairment is measured using the current fair value of the collateral, less selling costs. Depending on the characteristics of a loan, the fair value of collateral is generally estimated by obtaining external valuations. If the determined value of the impaired loan is less than the recorded investment in the loan, impairment is recognized by adjusting the carrying value of the loan to fair value through a charge-off to the allowance for loan losses.

Fair values of assets and liabilities at March 31 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2018				
Nonrecurring basis				
Impaired loans	$ 4,298,714	$ -	$ -	$ 4,298,714
March 31, 2017				
Nonrecurring basis				
Impaired loans	$ 2,716,694	$ -	$ -	$ 2,716,694

The following table presents quantitative information about Level 3 fair value instruments measured at fair value on a nonrecurring basis:

	March 31, 2018			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range of Inputs
Impaired loans	$ 4,298,714	Market approach	Adjusted for differences between comparable sales	5-10%

	March 31, 2017			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range of Inputs
Impaired loans	$ 2,716,694	Market approach	Adjusted for differences between comparable sales	5-10%

Note 17 – Subsequent Events

Subsequent events are events or transactions that occur after the date of the statement of financial condition but before the financial statements are issued. The Credit Union recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial condition, including the estimates inherent in the process of preparing the financial statements. The Credit Union's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial condition but arose after the date of the statements of financial condition and before the financial statements are issued.

The Credit Union has evaluated subsequent events through July 5, 2018, which is the date the financial statements are available to be issued.

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