REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

REDSTONE FEDERAL CREDIT UNION AND SUBSIDIARIES

June 30, 2018 and 2017

MOSSADAMS

Federally Insured by NCUA

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Report of Independent Auditors

To the Board of Directors and Supervisory Committee
Redstone Federal Credit Union and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Redstone Federal Credit Union and Subsidiaries, which comprise the consolidated statements of financial condition as of June 30, 2018 and 2017, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Financial Data Template for Recertification of Supervised Mortgagees Other Than Loan Correspondents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Redstone Federal Credit Union and Subsidiaries as of June 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Spokane, Washington
September 25, 2018

Redstone Federal Credit Union and Subsidiaries
Consolidated Statements of Financial Condition

ASSETS

	June 30, 2018	June 30, 2017
Cash and cash equivalents	$ 156,218,775	$ 481,354,643
Investments		
Available for sale	2,476,502,631	2,453,721,715
Other	4,549,048	20,154,948
Loans held for sale, at fair value	27,873,144	29,316,565
Loans, net	1,953,763,335	1,669,839,117
Accrued interest receivable	12,241,151	10,163,232
Property and equipment, net	92,368,567	90,123,218
National Credit Union Share Insurance Fund deposit (NCUSIF)	37,584,952	35,196,737
Other real estate owned	12,600	511,380
Other assets	15,376,147	19,134,296
Total assets	$ 4,776,490,350	$ 4,809,515,851

LIABILITIES AND MEMBERS' EQUITY

	2018	2017
Liabilities		
Members' shares	$ 4,225,076,734	$ 3,882,559,351
Borrowed funds	-	375,186,389
Accrued expenses and other liabilities	75,390,912	75,464,895
Total liabilities	4,300,467,646	4,333,210,635
CONTINGENT LIABILITIES (Note 11)		
Members' equity		
Retained earnings	550,948,469	506,973,304
Accumulated other comprehensive loss	(74,925,765)	(30,668,088)
Total members' equity	476,022,704	476,305,216
Total liabilities and members' equity	$ 4,776,490,350	$ 4,809,515,851

See accompanying notes.

	Years Ended June 30, 2018	Years Ended June 30, 2017
Interest income		
Interest on loans	$ 94,123,068	$ 75,295,284
Interest on investments and cash equivalents	57,391,013	48,277,422
	151,514,081	123,572,706
Interest expense		
Dividends on members' shares	23,956,488	13,096,384
Interest on borrowed funds	4,285,564	2,702,921
	28,242,052	15,799,305
Net interest income	123,272,029	107,773,401
Provision for loan losses	17,637,021	9,174,066
Net interest income after provision for loan losses	105,635,008	98,599,335
Noninterest income		
Loan origination	2,324,479	2,131,264
Loan late and over limit fees	2,896,417	2,503,197
Loan servicing	1,866,626	1,833,685
Mortgage banking revenue	2,632,459	2,423,296
Nonsufficient fund and overdraft fees	16,332,940	15,481,931
Debit card interchange	26,342,695	23,764,204
Credit card interchange	12,071,431	11,104,719
Insurance and investment commissions	7,501,109	6,681,399
Net gain on sale of investments	10,651,129	8,342,957
Net gain on sale of other investments	3,958,435	113,405
Other noninterest income	10,385,865	7,658,377
	96,963,585	82,038,434
Noninterest expenses		
Salaries and benefits	79,338,511	68,774,822
Occupancy	13,198,037	12,282,559
Data processing	12,782,780	11,630,300
Debit card processing	6,278,312	5,764,974
Credit card processing	4,918,989	4,218,550
Cash back rebate on credit and debit cards	13,077,705	10,818,300
Loan processing and servicing	5,839,955	5,066,670
Member education and promotion	4,948,186	6,115,065
Professional and outside services	5,516,905	5,008,424
Federal supervision and insurance	559,064	438,654
Uncollectible accounts	3,013,007	2,716,748
Other operating expense	9,151,977	8,202,989
	158,623,428	141,038,055
Net income	$ 43,975,165	$ 39,599,714

See accompanying notes.

Redstone Federal Credit Union and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years Ended June 30,	
	2018	2017
Net income	$ 43,975,165	$ 39,599,714
Other comprehensive income (loss)		
Net change in defined benefit plan obligations	6,567,943	7,606,117
Net change in supplemental executive retirement plan (SERP)	(3,303,711)	950,969
Net change in postretirement benefit plan obligations	1,550,723	5,063,795
Net change in unrealized holding gains on investments classified as available for sale	(34,463,068)	(29,252,655)
Reclassification adjustment for net gains realized in income from sale of investments	(14,609,564)	(8,456,362)
Other comprehensive income (loss)	(44,257,677)	(24,088,136)
Comprehensive income (loss)	$ (282,512)	$ 15,511,578

See accompanying notes.

	Retained Earnings			Accumulated Other Comprehensive Income (Loss)
	Regular Reserve	Unappropriated	Total	
Balance, June 30, 2016	$ 24,832,711	$ 442,540,879	$ 467,373,590	$ (6,579,952)
Net income	-	39,599,714	39,599,714	-
Other comprehensive loss	-	-	-	(24,088,136)
Balance, June 30, 2017	24,832,711	482,140,593	506,973,304	(30,668,088)
Net income	-	43,975,165	43,975,165	-
Other comprehensive loss	-	-	-	(44,257,677)
Balance, June 30, 2018	$ 24,832,711	$ 526,115,758	$ 550,948,469	$ (74,925,765)

Redstone Federal Credit Union and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 43,975,165	$ 39,599,714
Adjustments to reconcile net income to net cash from operating activities		
Capitalization of mortgage servicing rights	(720,318)	(583,375)
Amortization of mortgage servicing rights	763,925	924,639
Amortization of premiums and discounts on investment securities, net	10,668,615	13,012,907
Provision for loan losses	17,637,021	9,174,066
Depreciation and amortization	7,631,144	6,851,545
Net loss on sale of other real estate owned	12,744	14,000
Write downs of other real estate owned	77,000	81,242
Mortgage banking revenue	(2,632,459)	(2,423,296)
Proceeds from sales of loans held for sale	113,584,731	91,611,078
Origination of loans held for sale	(110,605,252)	(111,211,296)
Net loss on derivatives	466,133	269,219
Net gain on sale of investment securities	(10,651,129)	(8,342,957)
Net loss (gain) on disposition of property and equipment	5,034	(80,458)
Net gain on sale of 457(f) plan investments	(3,956,934)	-
Net change in		
Accrued interest receivable	(2,077,919)	(152,742)
Other assets	(4,340,676)	152,897
Accrued expenses and other liabilities	8,096,314	6,544,024
Net cash from operating activities	67,933,139	45,441,207
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available for sale investments	(778,972,166)	(649,946,119)
Proceeds from sale of 457(f) investments	9,283,017	-
Proceeds from maturities of available for sale investments	483,400,494	492,048,984
Proceeds from sales of available for sale investments	223,700,637	135,850,933
Purchase of other investments	(8,954,000)	(19,187,800)
Proceeds from sales of other investments	24,559,900	15,937,500
Net change in loans to members	(301,927,280)	(273,382,696)
Proceeds from sales of other real estate owned	775,078	223,860
Increase in the NCUSIF deposit	(2,388,215)	(1,914,414)
Proceeds from disposition of property and equipment	-	380,256
Purchases of property and equipment	(9,881,527)	(16,862,132)
Net cash from investing activities	(360,404,062)	(316,851,628)

See accompanying notes.

	Years Ended June 30, 2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' shares	$ 342,517,383	$ 335,544,523
Proceeds from borrowed funds	4,115,079,805	5,064,025,063
Repayment of borrowed funds	(4,490,262,133)	(4,995,887,142)
Net cash from financing activities	(32,664,945)	403,682,444
NET CHANGE IN CASH AND CASH EQUIVALENTS	(325,135,868)	132,272,023
CASH AND CASH EQUIVALENTS, beginning of year	481,354,643	349,082,620
CASH AND CASH EQUIVALENTS, end of year	$ 156,218,775	$ 481,354,643
SUPPLEMENTAL CASH FLOWS INFORMATION		
Dividends paid on members' shares and interest paid on borrowed funds	$ 28,424,202	$ 15,662,136
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of loans into other real estate owned	$ 366,042	$ 567,122

Note 1 – Nature of Operations and Significant Accounting Policies

Principles of consolidation – The accompanying consolidated financial statements include the accounts of Redstone Federal Credit Union (Credit Union) and its wholly owned subsidiaries, Redstone Services Group, LLC (RSG), Redstone Consulting Group, LLC (RCG), and Redstone Title Services, LLC (RTS). All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of operations – The Credit Union is a cooperative association holding a corporate charter under the provisions of the Federal Credit Union Act. Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws.

RSG is engaged primarily in selling insurance products to nonmember customers and originating and selling student loans. RCG specializes in the development and support of software technology products, process improvements, and best practices for other credit unions and community banks. RTS provides title insurance and settlement services to members and nonmember customers.

Significant accounting policies – The Credit Union follows the accounting standards set by the Financial Accounting Standards Board (FASB). The FASB establishes accounting principles generally accepted in the United States of America (GAAP) that are followed to ensure consistent reporting of the financial condition, results of operations, and cash flows of the Credit Union. References to GAAP issued by the FASB in these footnotes are to The FASB Accounting Standards Codification™ commonly referred to as the Codification.

Use of estimates – The preparation of consolidated financial statements in accordance with 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 consolidated financial statements and the reported amounts of income 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 relate to the determination of the allowance for loan losses, fair value of investment securities, and the defined benefit pension plan obligation.

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

Management of the Credit Union has evaluated subsequent events through September 25, 2018, which is the date the consolidated financial statements were available to be issued.

Note 1 – Nature of Operations and Significant Accounting Policies (continued)

Concentrations of credit risk – Most of the Credit Union's business activity is with its members who reside in the North Alabama area. The Credit Union may be exposed to credit risk from a regional economic standpoint, since a significant concentration of its borrowers work or reside in Alabama and middle Tennessee.

Cash and cash equivalents – For the purpose of the consolidated statements of financial condition and the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, amounts due from financial institutions, and highly liquid debt instruments classified as cash that were purchased with original maturities of three months or less. Amounts due from financial institutions may, at times, exceed federally insured limits.

Investments – Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Gains and losses on the sale of investment securities are recognized on the trade date and determined using the specific identification method.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held to maturity and available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other than temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than the amortized cost basis, (2) adverse conditions specifically related to the security, an industry, or a geographic area (for example, changes in the financial condition of the issuer of the security, or in the case of an asset-backed debt security, in the financial condition of the underlying loan obligors, including changes in technology or the discontinuance of a segment of the business that may affect the future earnings potential of the issuer or underlying loan obligors of the security or changes in the quality of the credit enhancement), (3) the intent of the Credit Union to sell a security, and (4) whether it is more likely than not the Credit Union will have to sell the security before recovery of its cost basis.

If the Credit Union does not have the intent to sell a security prior to recovery and it is more likely than not that it will not have to sell the security prior to recovery, the security would not be considered other than temporarily impaired unless there is a credit loss. If in this case there is a credit loss, the Credit Union will recognize the credit component of an other than temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income.

Other investments are classified separately and are stated at cost. If such investments are deemed to be impaired, the recorded cost is reduced by the amount of impairment.

Note 1 – Nature of Operations and Significant Accounting Policies (continued)

Charitable donation account – The Credit Union has invested $20,000,000 into a segregated custodial charitable donation account. A charitable donation account is a hybrid charitable and investment vehicle that is funded as a means to provide charitable contributions to qualified charities. The value of the charitable donation account cannot exceed 5% of the Credit Union's net worth and the Credit Union is required to distribute a minimum of 51% of the total return on assets no less frequently than every five years or upon termination of the charitable donation account. The charitable donation account has no stated maturity date, is owned by the Credit Union, and may be terminated at the sole discretion of the Credit Union. Charitable donation account assets are measured at fair value on a recurring basis, through accumulated other comprehensive income (loss). In the accompanying consolidated statements of income for the year ended June 30, 2018 and 2017, income of $1,652,506 and $2,452,444, respectively, is included as a component of noninterest income and $630,786 and $571,937, respectively, is included as a component of interest on investments. Distributions to qualified charities recognized as charitable contribution expense for the years ended June 30, 2018 and 2017, were $425,000 and $2,815,295, respectively

Employee benefit funding account – The Credit Union has invested in a segregated benefit investment account for the Credit Union's medical employee benefit obligations. The Credit Union funds the investment account with amounts sufficient to result in actual investment returns not to exceed the respective underlying medical benefit obligations. The account has no stated maturity date and may be terminated at the sole discretion of the Credit Union. Benefits funding assets are measured at fair value on a recurring basis, through accumulated other comprehensive income (loss). In the accompanying consolidated statements of income for the year ended June 30, 2018 and 2017, income of $9,495,859 and $5,814,620, respectively, is included as a component of noninterest income and income of $3,108,136 and $2,209,684, respectively, is included as a component of interest on investments. The assets are owned by the Credit Union, and are revocable at any time at the discretion of the Credit Union.

Supplemental Executive Retirement Plan (SERP) account – The Credit Union initiated a segregated investment account for the Credit Union's supplemental executive retirement plan obligations in the amount of $14,000,000 for the year ended June 30, 2017, with additional funding of $9,300,000 for the year ended June 30, 2018. The Credit Union funds the investment account with amounts sufficient to result in actual investment returns sufficient to fund the plan obligations. The account has no stated maturity date and may be terminated at the sole discretion of the Credit Union. Assets are measured at fair value on a recurring basis, through accumulated other comprehensive income. In the accompanying consolidated statements of income for the years ended June 30, 2018 and 2017, income of $207,915 and $1,629, respectively, is included as a component of noninterest income and $606,415 and $194,068, respectively, is included as a component of interest on investments. The assets are owned by the Credit Union, and are revocable at any time at the discretion of the Credit Union.

Federal Home Loan Bank (FHLB) stock – The Credit Union is a member of the FHLB system. Members are required to own a certain amount of stock based on the Credit Union's total assets plus a percentage of outstanding advances, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income.

Note 1 – Nature of Operations and Significant Accounting Policies (continued)

Loans held for sale – Mortgage loans originated and intended for sale in the secondary market are classified as held for sale. The Credit Union has elected the fair value option for all mortgage loans held for sale. Fair value is determined by outstanding commitments from investors or current investor yield requirements calculated on the aggregate loan basis. Origination fees and costs are recognized in earnings at the time of origination. Most mortgage loans held-for-sale are sold with the mortgage service rights retained by the Credit Union. Gains or losses on sales of residential mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold. All sales are made without recourse.

Accounting for derivative instruments – Interest rate lock commitments on loans to be sold into the secondary market, forward commitments for the future delivery of these mortgage loans and forward commitments for the future sale of mortgage-backed securities in the TBA (to-be-announced) market, are accounted for as free-standing derivatives. The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitments to fund the loans. The Credit Union enters into forward commitments for the future delivery of mortgage loans and forward commitments for the future sales of mortgage-backed securities when interest rate locks are entered into. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest on the loan is locked or the date the forward commitment is entered into. Changes in the fair values of these derivatives are included in “mortgage banking revenue”.

Loans, net – The Credit Union grants residential mortgage, business, and consumer loans to members. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions of the area.

Loans the Credit Union has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, less an allowance for loan losses and net deferred dealer fees. Interest income 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 income on loans is discontinued at the time the loan is 91 days past due, unless the credit is well secured and in the process of collection. Other personal loans are typically charged off no later than 180 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if the collection of principal and 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 or cost recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Certain direct loan origination costs and related fees are deferred and are recognized as an adjustment to interest income using the interest method over the contractual life of the loans.

Note 1 – Nature of Operations and Significant Accounting Policies (continued)

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 likely. 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 the 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. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Credit Union's allowance for loan losses and may require the Credit Union to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

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, and the levels of nonperforming loans. A loan is considered impaired when, based on current information and events, it is probable 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 or when the loan is subject to a troubled debt restructuring. Specific allowances for loan losses are established for large impaired loans on an individual basis as required by the Codification. 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 as described in the Codification. 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 by 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.

Transfers of financial assets – Transfers of an entire financial asset, a group of financial assets, or a participating interest in an entire financial asset, are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Credit Union, the transferee obtains the right to pledge or exchange the transferred assets, and the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Note 1 – Nature of Operations and Significant Accounting Policies (continued)

Loan servicing – Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Fair value is based on market prices for comparable mortgage 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 that 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. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights into tranches based on predominant risk characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the capitalized amount for the tranche. If the Credit Union later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Property and equipment – Land is carried at cost. Land improvements, buildings, building improvements, leasehold improvements, and furniture and equipment are carried at cost less accumulated depreciation and amortization. Land improvements, buildings and building improvements, and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 2 to 40 years. The cost of leasehold improvements is amortized using the straight-line method over the lesser of the useful life of the assets or the expected terms of the related leases. Expected terms include lease option periods to the extent the exercise of such options is reasonably assured. Management reviews premises and equipment for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

National Credit Union Share Insurance Fund (NCUSIF) deposit and insurance premium – The deposit in the NCUSIF is in accordance with National Credit Union Administration (NCUA) regulations, which requires the maintenance of a deposit by each federally insured Credit Union in an amount equal to 1% of its insured members' shares. The deposit would be refunded to the Credit Union if its insurance coverage was terminated, if it converted its insurance coverage to another source, or if management of the fund was transferred from the NCUA Board. The Credit Union is also required to pay an annual insurance premium as assessed by the NCUA Board.

Note 1 – Nature of Operations and Significant Accounting Policies (continued)

Other real estate owned – Real estate and other property acquired in full or partial settlement of loan obligations is referred to as other real estate owned. Other real estate owned is originally recorded in the Credit Union's consolidated financial statements at fair value less any estimated costs to sell. When property is acquired through foreclosure or surrendered in lieu of foreclosure, the Credit Union measures the fair value of the property acquired against its recorded investment in the loan. If the fair value of the property at the time of acquisition is less than the recorded investment in the loan, the difference is charged to the allowance for loan losses. Any subsequent fluctuations in the fair value of other real estate owned are charged to noninterest expense. All related operating or maintenance costs are charged to noninterest expense as incurred. Any subsequent gains or losses on the sale of other real estate owned are recorded in other income or expense as incurred.

Members' shares – Members' shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates are set by the Credit Union's Board of Directors.

Advertising costs – Advertising costs are expensed as incurred. Total advertising costs for the years ended June 30, 2018 and 2017, were $3,719,639 and $2,506,851, respectively.

Income taxes – The Credit Union is exempt, by statute, from federal and state income taxes. The Credit Union Service Organizations, RSG, RCG, and RTS, are limited liability corporations and are not subject to federal and state income taxes.

Defined benefit plans – The Credit Union has a qualified, noncontributory defined benefit pension plan and a postretirement benefit plan covering certain employees as more fully disclosed in Note 12. The Credit Union's policy is to fund an amount in excess of the minimum amount required under Employee Retirement Income Security Act (ERISA).

Comprehensive income – Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the members' equity section of the consolidated statements of financial condition.

Financial instruments – In the ordinary course of business, the Credit Union has entered into off-balance sheet financial instruments consisting of commitments to extend credit and commitments under credit card arrangements. Such financial instruments are recorded in the consolidated financial statements when they are funded or when related fees are incurred or received.

Reclassifications – Certain account reclassifications have been made to the 2017 consolidated financial statements in order to be in accordance with classifications used in the current year with no impact on prior year reported net income or members' equity.

Note 2 – Investments

Investments classified as available for sale consist of the following at June 30:

	2018			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Operating investments				
Federal agency debt securities	$ 325,696,524	$ -	$ (3,468,259)	$ 322,228,265
Collateralized debt obligations	99,573,443	18,216	(2,823,292)	96,768,367
Residential mortgage-backed securities	855,921,784	1,388,205	(26,551,302)	830,758,687
Commercial mortgage-backed securities	1,083,984,498	874,072	(22,329,034)	1,062,529,536
Charitable donation account				
Money market	690,227	-	-	690,227
Fixed income bonds	12,853,187	3,626	(417,356)	12,439,457
Equity securities	10,502,929	382,891	(423,134)	10,462,686
Employee benefit funding account				
Money market	2,841,816	-	-	2,841,816
Fixed income bonds	64,714,294	21,045	(2,018,287)	62,717,052
Equity securities	51,769,148	1,978,367	(2,527,638)	51,219,877
Supplemental executive retirement plan account				
Money market	650,056	-	-	650,056
Fixed income bonds	17,785,892	5,212	(470,044)	17,321,060
Equity securities	5,616,326	483,304	(224,085)	5,875,545
	$ 2,532,600,124	$ 5,154,938	$ (61,252,431)	$ 2,476,502,631

	2017			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Operating investments				
Federal agency debt securities	$ 455,789,006	$ 1,222,653	$ (847,869)	$ 456,163,790
Collateralized debt obligations	58,055,867	272,235	(416,068)	57,912,034
Residential mortgage-backed securities	819,933,619	1,498,938	(10,087,464)	811,345,093
Commercial mortgage-backed securities	983,263,389	2,480,436	(5,299,708)	980,444,117
Charitable donation account				
Money market	149,383	-	-	149,383
Fixed income bonds	2,997,633	5,575	(27,645)	2,975,563
Equity securities	18,807,819	936,686	(472,864)	19,271,641
Employee benefit funding account				
Money market	679,211	-	-	679,211
Fixed income bonds	16,059,424	54,051	(135,953)	15,977,522
Equity securities	90,929,917	5,399,176	(1,896,775)	94,432,318
Supplemental executive retirement plan account				
Money market	491,087	-	-	491,087
Fixed income bonds	10,070,003	100,964	(24,942)	10,146,025
Equity securities	3,520,219	285,476	(71,764)	3,733,931
	$ 2,460,746,577	$ 12,256,190	$ (19,281,052)	$ 2,453,721,715

Note 2 – Investments (continued)

The proceeds on the sales were $223,700,637 for the year ended June 30, 2018. Gross realized gains on sales of investment securities totaled $13,815,049 for the year ended June 30, 2018. Gross realized losses on sales of investment securities totaled $3,163,920 for the year ended June 30, 2018. The proceeds on the sales were $135,850,933 for the year ended June 30, 2017. Gross realized gains on sales of investment securities totaled $8,674,610 for the year ended June 30, 2017. Gross realized losses on sales of investment securities totaled $331,653 for the year ended June 30, 2017.

Securities with fair value of $124,734,086 and $149,631,820 have been pledged as collateral to secure advances from the Federal Reserve Bank discount window as of June 30, 2018 and 2017, respectively, as more fully disclosed in Note 8. Securities with fair value of $150,133,634 have been pledged as collateral to secure advances from the Federal Home Loan Bank as of June 30, 2018.

Investments in debt securities by contractual maturity as of June 30, 2018, are summarized as follows:

	Available for Sale	
	Amortized Cost	Fair Value
Operating investments		
Less than 1 year maturity	$ 109,881,875	$ 109,270,626
1-5 years maturity	215,814,649	212,957,639
Collateralized debt obligations	99,573,443	96,768,367
Residential Mortgage-backed securities	855,921,784	830,758,687
Commercial Mortgage-backed securities	1,083,984,498	1,062,529,536
Charitable donation account		
Less than 1 year maturity	939,394	933,828
1-5 years maturity	4,556,829	4,451,525
5-10 years maturity	7,356,964	7,054,104
Employee benefit funding account		
Less than 1 year maturity	4,141,547	4,114,903
1-5 years maturity	23,005,028	22,499,354
5-10 years maturity	37,567,719	36,102,795
Supplemental executive retirement account		
Less than 1 year maturity	1,052,843	1,046,712
1-5 years maturity	5,991,312	5,869,232
5-10 years maturity	10,741,737	10,405,116
	$ 2,460,529,622	$ 2,404,762,424

Expected maturities of mortgage-backed securities may differ from contractual maturities because borrowers may have the right to call or prepay the obligations and are, therefore, classified separately with no specific maturity date.

Note 2 – Investments (continued)

Gross unrealized losses and fair value by length of time the individual securities have been in a continuous unrealized loss position at June 30 are as follows:

	2018				
	Fair Value Associated with Unrealized Losses Existing for		Continuous Unrealized Losses Existing For		Total Unrealized Losses
	Less Than 12 Months	More Than 12 Months	Less Than 12 Months	More Than 12 Months	
Available for Sale					
Operating investments					
Federal agency debt securities	$ 223,350,114	$ 98,878,150	$ 2,218,642	$ 1,249,617	$ 3,468,259
Collateralized debt obligations	66,615,829	20,198,038	1,657,773	1,165,519	2,823,292
Residential mortgage-backed securities	317,750,180	422,883,879	7,984,511	18,566,791	26,551,302
Commercial mortgage-backed securities	570,314,622	277,954,973	12,964,188	9,364,846	22,329,034
Charitable donation account					
Fixed income bonds	10,469,241	1,275,281	360,927	56,429	417,356
Equity securities	4,090,499	938,163	326,255	96,879	423,134
Employee benefit funding account					
Fixed income bonds	52,614,732	6,192,892	1,771,345	246,942	2,018,287
Equity securities	24,897,880	1,795,357	2,303,445	224,193	2,527,638
Supplemental executive retirement plan account					
Fixed income bonds	15,946,572	166,813	459,227	10,817	470,044
Equity securities	2,599,680	75,409	204,011	20,074	224,085
	$ 1,288,649,349	$ 830,358,955	$ 30,250,324	$ 31,002,107	$ 61,252,431

	2017				
	Fair Value Associated with Unrealized Losses Existing for		Continuous Unrealized Losses Existing For		Total Unrealized Losses
	Less Than 12 Months	More Than 12 Months	Less Than 12 Months	More Than 12 Months	
Available for Sale					
Operating investments					
Federal agency debt securities	$ 198,626,486	$ 9,898,300	$ 746,169	$ 101,700	$ 847,869
Collateralized debt obligations	22,950,167	-	416,068	-	416,068
Residential mortgage-backed securities	616,097,856	61,289,446	9,323,484	763,980	10,087,464
Commercial mortgage-backed securities	344,966,061	148,933,148	4,255,130	1,044,578	5,299,708
Charitable donation account					
Fixed income bonds	2,240,061	179,629	27,035	610	27,645
Equity securities	4,532,953	-	472,864	-	472,864
Employee benefit funding account					
Fixed income bonds	15,361,753	615,769	127,468	8,485	135,953
Equity securities	28,468,245	-	1,896,775	-	1,896,775
Supplemental executive retirement plan account					
Fixed income bonds	1,663,143	-	24,942	-	24,942
Equity securities	708,767	-	71,764	-	71,764
	$ 1,235,615,492	$ 220,916,292	$ 17,361,699	$ 1,919,353	$ 19,281,052

At June 30, 2018 and 2017, the investment portfolio included 640 and 291 securities, respectively, with unrealized losses.

Note 2 – Investments (continued)

As of June 30, 2018, unrealized losses on the Credit Union's investment portfolio were primarily attributable to market interest rate volatility, rather than to credit risk. Current characteristics of each security owned, such as delinquency rates, foreclosure levels, credit enhancements, and projected losses, are reviewed periodically by management. Accordingly, it is expected these securities would not be settled at a price less than the amortized cost of the Credit Union's investment.

Because the Credit Union does not have the intent to sell these investments and it is not likely the Credit Union will be required to sell these investments before anticipated recovery of fair value, which may be at maturity, the Credit Union did not consider any of its investments to be other-than-temporarily impaired as of June 30, 2018 or 2017.

Other investments consist of the following as of June 30:

	2018	2017
FHLB of Atlanta stock	$ 4,529,000	$ 20,154,900
Fannie Mae stock	48	48
Co-Op Stock	20,000	-
	$ 4,549,048	$ 20,154,948

The Credit Union views its investment in FHLB of Atlanta stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recoverability of the par value rather than recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability is influenced by factors such as 1) the significance of the decline in net assets of the institution as compared to the investment amount and length of time a decline has persisted, 2) impact of legislative and regulatory changes on the institution, and 3) the liquidity position of the institution.

The Credit Union does not believe that its investment in the FHLB of Atlanta stock is impaired as of June 30, 2018.

Note 3 – Loans, Net

Loans consist of the following at June 30:

	2018		
	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Total
Member business loans	$ 907,327	$ 135,151,352	$ 136,058,679
Residential real estate and home equity	5,516,855	538,870,147	544,387,002
Consumer loans	5,597,717	1,287,858,773	1,293,456,490
Total loans	$ 12,021,899	$ 1,961,880,272	1,973,902,171
Less allowance for loan losses			(20,138,836)
			$ 1,953,763,335

	2017		
	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Total
Member business loans	$ 1,097,248	$ 79,408,400	$ 80,505,648
Residential real estate and home equity	4,581,154	493,196,744	497,777,898
Consumer loans	3,884,606	1,103,853,755	1,107,738,361
Total loans	$ 9,563,008	$ 1,676,458,899	1,686,021,907
Less allowance for loan losses			(16,182,790)
			$ 1,669,839,117

Note 3 – Loans, Net (continued)

A summary of the activity in the allowance for loan losses is as follows for the years ended June 30:

2018	Member Business	Residential Real Estate and Home Equity	Consumer	Total
Balance at beginning of year	$ 353,190	$ 3,544,716	$ 12,284,884	$ 16,182,790
Provision for loan losses	345,547	1,282,625	16,008,849	17,637,021
Loans charged off	(41,425)	(1,099,594)	(16,443,063)	(17,584,082)
Recoveries of loans	1,642	325,525	3,575,940	3,903,107
Balance at end of year	$ 658,954	$ 4,053,272	$ 15,426,610	$ 20,138,836

2017	Member Business	Residential Real Estate and Home Equity	Consumer	Total
Balance at beginning of year	$ 1,016,434	$ 3,746,537	$ 11,881,448	$ 16,644,419
(Recapture) provision for loan losses	(651,211)	630,055	9,195,222	9,174,066
Loans charged off	(18,376)	(994,931)	(12,248,792)	(13,262,099)
Recoveries of loans	6,343	163,055	3,457,006	3,626,404
Balance at end of year	$ 353,190	$ 3,544,716	$ 12,284,884	$ 16,182,790

The Credit Union offers nontraditional mortgage loans to its members. These loans include hybrid/balloon, which consist of loans that are fixed for an initial period of three, five, seven, or ten years. After this period, the mortgages are converted to a variable rate using the fully indexed rate, which can result in significant payment adjustment to the borrower.

Nontraditional mortgage loans may have significantly different credit risk characteristics than traditional fixed and variable rate mortgages. However, the Credit Union believes it has established prudent underwriting standards as well as adequate risk management functions to monitor these additional risks.

The allowance for loan losses is considered by the Credit Union as adequate to cover probable losses inherent in the loan portfolio at June 30, 2018. However, no assurance can be given the Credit Union will not sustain loan losses that exceed the allowance, or that subsequent evaluation of the loan portfolio, in light of the prevailing factors, including economic conditions, credit quality of the assets comprising the portfolio and the ongoing evaluation process, will not require significant changes in the allowance for loan losses.

Note 3 – Loans, Net (continued)

Management considers a loan to be impaired when, based on current information and events, it is determined the Credit Union will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans. When management identifies a loan to be impaired, the impairment is measured based on the present value of expected future cash flows, and discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In those cases, the current fair value of the collateral, less selling costs, is utilized instead of discounted cash flows. If management determines the value of the impaired loan is less than the recorded investment in the loan, net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount, impairment is recognized through an allowance or a charge-off to the allowance.

When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is in nonaccrual status, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received under the cash basis method.

The following table includes the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount. Also presented are the average recorded investments in the impaired loans. The average balances are calculated based on the month end balances of the loans receivable of the period reported.

Note 3 – Loans, Net (continued)

Information about impaired loans is as follows as of and for the years ended June 30:

	2018				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded					
Member business loans					
Real estate secured	$ 479,009	$ 479,009	$ 2,701	$ 489,854	$ -
SBA guaranteed	16,326	16,326	1,919	21,680	-
Total member business loans	495,335	495,335	4,620	511,534	-
Residential real estate and home equity					
First mortgage	2,998,581	2,998,581	1,390,167	3,034,641	-
Home equity lines of credit	1,371,274	1,371,274	1,337,926	1,451,248	-
Total real estate and home equity	4,369,855	4,369,855	2,728,093	4,485,889	-
Consumer loans - collateralized					
Automobile	2,178,842	2,178,842	998,987	2,374,696	-
Indirect automobile	2,025,171	1,995,509	1,019,335	2,159,708	-
Other secured	487,189	484,609	250,799	506,923	-
Total consumer loans - collateralized	4,691,202	4,658,960	2,269,121	5,041,327	-
Consumer loans - unsecured					
Unsecured	127,824	127,824	127,824	142,875	-
Credit cards	155,609	155,609	155,609	160,140	-
Total consumer loans - unsecured	283,433	283,433	283,433	303,015	-
Total impaired loans with an allowance recorded	9,839,825	9,807,583	5,285,267	10,341,765	-
Without an allowance recorded					
Member business loans					
Real estate secured	340,674	340,674	-	369,302	-
SBA guaranteed	47,792	47,792	-	64,959	-
Other unsecured	23,526	23,526	-	26,630	-
Total member business loans	411,992	411,992	-	460,891	-
Residential real estate and home equity					
First mortgage	1,095,102	1,095,102	-	1,214,941	-
Second mortgage	25,255	25,255	-	26,241	-
Home equity lines of credit	26,643	26,643	-	82,717	-
Total real estate and home equity	1,147,000	1,147,000	-	1,323,899	-
Consumer loans - collateralized					
Automobile	426,184	426,184	-	589,243	-
Indirect automobile	148,221	146,335	-	201,690	-
Other secured	48,677	48,421	-	57,980	-
Total consumer loans - collateralized	623,082	620,940	-	848,913	-
Total impaired loans without an allowance recorded	2,182,074	2,179,932	-	2,633,703	-
Total	$ 12,021,899	$ 11,987,515	$ 5,285,267	$ 12,975,468	$ -

Note 3 – Loans, Net (continued)

	2017				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded					
Member business loans					
Real estate secured	$ 53,314	$ 53,314	$ 6,367	$ 54,977	$ -
SBA guaranteed	52,455	52,455	9,930	66,381	-
Total member business loans	105,769	105,769	16,297	121,358	-
Residential real estate and home equity					
First mortgage	2,282,536	2,282,536	981,361	2,314,306	-
Home equity lines of credit	1,198,512	1,198,512	1,177,347	1,253,228	-
Total real estate and home equity	3,481,048	3,481,048	2,158,708	3,567,534	-
Consumer loans - collateralized					
Automobile	1,630,150	1,630,150	640,928	1,771,465	-
Indirect automobile	886,625	875,964	423,299	936,400	-
Other secured	259,946	258,677	104,909	270,457	-
Total consumer loans - collateralized	2,776,721	2,764,791	1,169,136	2,978,322	-
Consumer loans - unsecured					
Unsecured	241,421	241,421	241,421	266,614	-
Credit cards	124,493	124,493	124,493	135,411	-
Total consumer loans - unsecured	365,914	365,914	365,914	402,025	-
Total impaired loans with an allowance recorded	6,729,452	6,717,522	3,710,055	7,069,239	-
Without an allowance recorded					
Member business loans					
Real estate secured	838,483	838,483	-	859,057	-
SBA guaranteed	122,944	122,944	-	159,973	-
Other unsecured	30,052	30,052	-	32,771	-
Total member business loans	991,479	991,479	-	1,051,801	-
Residential real estate and home equity					
First mortgage	1,033,234	1,033,234	-	1,054,850	-
Second mortgage	17,924	17,924	-	18,686	-
Home equity lines of credit	48,948	48,948	-	54,723	-
Total real estate and home equity	1,100,106	1,100,106	-	1,128,259	-
Consumer loans - collateralized					
Automobile	498,445	498,445	-	702,604	-
Indirect automobile	143,835	142,892	-	202,380	-
Other secured	99,691	99,339	-	109,972	-
Total consumer loans - collateralized	741,971	740,676	-	1,014,956	-
Total impaired loans without an allowance recorded	2,833,556	2,832,261	-	3,195,016	-
Total	$ 9,563,008	$ 9,549,783	$ 3,710,055	$ 10,264,255	$ -

Note 3 – Loans, Net (continued)

Credit quality indicators – The Credit Union utilizes internal risk ratings for its credit quality indicators. 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:

For member business loans, management's judgment about the quality of each individual loan is made at the time the loan is granted and the collectability of each loan is reviewed periodically and changed when warranted, based on the status of the loan or business. Loans are classified on a nine-point system ranging from Excellent to Probable Loss. Loans classified as Excellent are fully secured by marketable collateral such as deposit accounts pledged to the Credit Union or government backed securities. Strong loans are secured by pledged liquid collateral such as publicly traded stocks or corporate bonds with an adequate margin of safety. Satisfactory loans have sound credit quality overall but may indicate a slight potential weakness in the financial analysis. Loans classified as Acceptable have sound credit quality overall but may indicate several moderate trends toward weakness in the financial analysis or may be a startup business with less than 12 months of financial history. Pass with Caution loans have strained liquidity, unfavorable payment trends, management weakness or erratic profitability and financial performance. Loans classified as Other Loans Especially Mentioned (OLEM) have been downgraded at first 30 days past due and placed on the watch list. Substandard loans are problem loans and likely to deteriorate over the near term. Loans classified as Doubtful have deteriorated and there is no defined source of repayment, identified deficiencies cannot be corrected, and loan loss is expected. Probable Loss loans have no repayment ability and loan loss is near certain.

Real estate loans, home equity, and consumer loans are generally risk based priced at the time the loan is made based on the borrower's or co-borrower's beacon score. Loans are classified as A, B, C, D, E, or Not Rated. Loans classified as A are the highest quality and the borrow current beacon score is in the highest desirable range. E loans are generally loans with a beacon score below 620. Loans that are classified as Not Rated were either made prior to risk based pricing implementation or the borrower has no established credit score available. Real estate loans in the Not Rated category are loans granted prior to April 2011 and were generally approved based on strict underwriting guidelines. Loan classifications are performed at the time of origination.

Note 3 – Loans, Net (continued)

The following table presents the credit exposure of the loan classes as of June 30:

	2018				
Member business loans	Real estate secured	Unsecured	SBA Guaranteed	Other secured	Total
1 Excellent	$ -	$ -	$ -	$ 22,587	$ 22,587
2 Strong	-	-	-	-	-
3 Satisfactory	41,835,986	5,750	272,454	1,238,707	43,352,897
4 Acceptable	58,179,239	5,164,801	4,314,215	3,836,464	71,494,719
5 Pass with Caution	19,880,635	60,066	35,111	110,987	20,086,799
6 Other Especially Mentioned	231,136	35,427	144,634	7,507	418,704
7 Substandard	373,873	78,257	49,148	101,351	602,629
8 Doubtful	-	19,874	60,470	-	80,344
9 Probable Loss	-	-	-	-	-
Total	$ 120,500,869	$ 5,364,175	$ 4,876,032	$ 5,317,603	$ 136,058,679

Residential real estate and home equity	First mortgage	Second mortgage	Home equity lines of credit	Total
Not Rated	$ 55,147,634	$ 260,037	$ 37,672,656	$ 93,080,327
A	152,433,485	3,270,105	90,430,869	246,134,459
B	58,374,173	1,876,527	39,409,848	99,660,548
C	52,778,395	2,564,417	13,225,103	68,567,915
D	14,257,273	341,227	4,464,122	19,062,622
E	16,211,246	584,895	1,084,990	17,881,131
Total	$ 349,202,206	$ 8,897,208	$ 186,287,588	$ 544,387,002

Consumer loans - collateralized	Automobile	Indirect automobile	Other secured	Total
Not Rated	$ 1,000	$ -	$ 5,128,991	$ 5,129,991
A	197,037,836	206,086,536	63,150,988	466,275,360
B	104,523,847	124,634,598	32,171,026	261,329,471
C	41,575,366	42,871,599	9,390,279	93,837,244
D	22,867,966	20,557,617	3,354,421	46,780,004
E	14,677,342	8,096,054	1,292,982	24,066,378
Total	$ 380,683,357	$ 402,246,404	$ 114,488,687	$ 897,418,448

Consumer loans - unsecured	Unsecured	Credit cards	Total
Not Rated	$ 9,058,337	$ 654,026	$ 9,712,363
A	73,396,153	110,165,758	183,561,911
B	51,779,329	70,965,593	122,744,922
C	19,645,907	22,771,537	42,417,444
D	7,675,086	11,321,111	18,996,197
E	4,062,831	14,542,374	18,605,205
Total	$ 165,617,643	$ 230,420,399	$ 396,038,042

Note 3 – Loans, Net (continued)

	2017				
Member business loans	Real estate secured	Unsecured	SBA Guaranteed	Other secured	Total
1 Excellent	$ -	$ -	$ -	$ 25,000	$ 25,000
2 Strong	1,882,013	-	-	310,493	2,192,506
3 Satisfactory	17,779,309	-	382,073	874,535	19,035,917
4 Acceptable	45,443,144	3,693,924	2,653,691	2,456,685	54,247,444
5 Pass with Caution	587,418	9,786	303,180	46,351	946,735
6 Other Especially Mentioned	3,822,931	30,052	105,069	-	3,958,052
7 Substandard	-	30,273	12,153	-	42,426
8 Doubtful	53,314	-	743	3,511	57,568
9 Probable Loss	-	-	-	-	-
Total	$ 69,568,129	$ 3,764,035	$ 3,456,909	$ 3,716,575	$ 80,505,648

Residential real estate and home equity	First mortgage	Second mortgage	Home equity lines of credit	Total
Not Rated	$ 67,122,007	$ 315,452	$ 45,220,556	$ 112,658,015
A	142,878,702	1,778,404	84,176,770	228,833,876
B	44,264,725	1,295,858	35,331,325	80,891,908
C	38,183,543	1,308,124	12,347,367	51,839,034
D	8,833,216	158,345	4,739,935	13,731,496
E	8,113,477	441,427	1,268,665	9,823,569
Total	$ 309,395,670	$ 5,297,610	$ 183,084,618	$ 497,777,898

Consumer loans - collateralized	Automobile	Indirect automobile	Other secured	Total
Not Rated	$ 1,000	$ 16,322	$ 4,980,632	$ 4,997,954
A	185,312,669	158,921,404	56,899,242	401,133,315
B	88,920,293	75,033,048	29,871,955	193,825,296
C	36,431,507	28,264,022	8,595,947	73,291,476
D	20,528,368	13,671,237	3,197,822	37,397,427
E	15,891,689	5,898,247	1,429,469	23,219,405
Total	$ 347,085,526	$ 281,804,280	$ 104,975,067	$ 733,864,873

Consumer loans - unsecured	Unsecured	Credit cards	Total
Not Rated	$ 8,585,016	$ 595,188	$ 9,180,204
A	68,856,844	105,280,095	174,136,939
B	45,604,215	67,821,583	113,425,798
C	17,811,226	21,763,033	39,574,259
D	8,158,244	10,795,267	18,953,511
E	4,656,294	13,946,483	18,602,777
Total	$ 153,671,839	$ 220,201,649	$ 373,873,488

Note 3 – Loans, Net (continued)

The following table is an aging analysis of loans receivable as of June 30:

	2018						
	30-59 Days Past Due	60-90 Days Past Due	91 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment > 91 Days and Accruing
Member business loans							
Real estate secured	$ -	$ -	$ -	$ -	$ 120,500,869	$ 120,500,869	$ -
Unsecured	2,523	-	-	2,523	5,361,652	5,364,175	-
SBA guaranteed	94,489	24,997	-	119,486	4,756,546	4,876,032	-
Other secured	25,000	-	-	25,000	5,292,603	5,317,603	-
Residential real estate and home equity							
First mortgage	20,707	671,567	356,998	1,049,272	348,152,934	349,202,206	-
Second mortgage	-	-	9,110	9,110	8,888,098	8,897,208	-
Home equity lines of credit	224,417	55,520	194,970	474,907	185,812,681	186,287,588	-
Consumer loans - collateralized							
Automobile	3,052,404	483,982	423,620	3,960,006	376,723,351	380,683,357	-
Indirect automobile	4,724,430	846,868	532,244	6,103,542	396,142,862	402,246,404	-
Other secured	844,886	144,185	140,782	1,129,853	113,358,834	114,488,687	-
Consumer loans							
Unsecured	1,608,789	287,830	32,091	1,928,710	163,688,933	165,617,643	-
Credit cards	2,252,837	298,008	14,551	2,565,396	227,855,003	230,420,399	-
Total	$ 12,850,482	$ 2,812,957	$ 1,704,366	$ 17,367,805	$ 1,956,534,366	$ 1,973,902,171	$ -

	2017						
	30-59 Days Past Due	60-90 Days Past Due	91 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment > 91 Days and Accruing
Member business loans							
Real estate secured	$ -	$ -	$ -	$ -	$ 69,568,129	$ 69,568,129	$ -
Unsecured	8,636	-	-	8,636	3,755,399	3,764,035	-
SBA guaranteed	-	11,704	-	11,704	3,445,205	3,456,909	-
Other secured	-	-	-	-	3,716,575	3,716,575	-
Residential real estate and home equity							
First mortgage	-	-	343,288	343,288	309,052,382	309,395,670	-
Second mortgage	-	-	-	-	5,297,610	5,297,610	-
Home equity lines of credit	548,065	124,363	250,906	923,334	182,161,284	183,084,618	-
Consumer loans - collateralized							
Automobile	2,079,555	665,152	332,919	3,077,626	344,007,900	347,085,526	-
Indirect automobile	1,345,460	395,373	309,371	2,050,204	279,754,076	281,804,280	-
Other secured	624,926	155,467	53,213	833,606	104,141,461	104,975,067	-
Consumer loans							
Unsecured	1,042,015	349,109	105,457	1,496,581	152,175,258	153,671,839	-
Credit cards	1,965,136	286,567	7,971	2,259,674	217,941,975	220,201,649	-
Total	$ 7,613,793	$ 1,987,735	$ 1,403,125	$ 11,004,653	$ 1,675,017,254	$ 1,686,021,907	$ -

Note 3 – Loans, Net (continued)

The following table presents nonaccrual loans by asset class as of June 30:

	2018	2017
Member business loans		
Real estate secured	$ -	$ -
Unsecured	-	-
SBA guaranteed	-	-
Other secured	-	-
Total member business loans	-	-
Residential real estate and home equity		
First mortgage	356,998	343,288
Second mortgage	9,110	-
Home equity lines of credit	194,970	250,906
Total residential real estate and home equity loans	561,078	594,194
Consumer loans - collateralized		
Automobile	423,620	332,919
Indirect automobile	532,244	309,371
Other secured	140,782	53,213
Total collateralized consumer loans	1,096,646	695,503
Consumer loans - unsecured		
Unsecured	32,091	105,457
Credit cards	14,551	7,971
Total unsecured consumer loans	46,642	113,428
Total loans	$ 1,704,366	$ 1,403,125
Forgone interest on nonaccrual loans	$ 29,737	$ 29,510

Troubled debt restructurings – At June 30, 2018 and 2017, impaired loans of $3,793,233 and $3,730,578, respectively, were classified as restructured loans. The restructurings were granted in response to borrower financial difficulty, and generally provide for a temporary modification of loan repayment terms.

Note 3 – Loans, Net (continued)

The types of modifications offered can generally be described in the following categories:

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

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

Payment modification – A modification in which the payment amount is changed.

Combination modification – Any other type of modification, including the use of multiple types of modifications.

In the tables below, member business loan modifications were mostly payment modifications and residential real estate and home equity and consumer loan modifications were combination modifications.

The following table presents loans identified as restructured during the years ended June 30:

	2018		
	Number of Loans	Pre-Modification Outstanding Balance	Modification Outstanding Balance
Residential real estate and home equity			
Home equity lines of credit	7	$ 173,991	$ 173,991
Total residential real estate and home equity loans	7	173,991	173,991
Consumer loans - collateralized			
Automobile	39	411,292	403,763
Indirect automobile	16	269,390	269,390
Other secured	1	15,065	15,065
Total collateralized consumer loans	56	695,747	688,218
Total loans	63	$ 869,738	$ 862,209

Note 3 – Loans, Net (continued)

	2017		
	Number of Loans	Pre-Modification Outstanding Balance	Modification Outstanding Balance
Member business loans			
Real estate secured	1	$ 55,796	$ 55,796
SBA guaranteed	1	12,772	12,772
Total member business loans	2	68,568	68,568
Residential real estate and home equity			
Home equity lines of credit	3	40,800	40,800
Total residential real estate and home equity loans	3	40,800	40,800
Consumer loans - collateralized			
Automobile	29	294,163	308,125
Indirect automobile	5	66,006	66,006
Total collateralized consumer loans	34	360,169	374,131
Total loans	39	$ 469,537	$ 483,499

Note 3 – Loans, Net (continued)

The Credit Union defines default as loans that went 91 days or more past due after the modification, loans that were charged off during the year, or loans that encounter a subsequent modification. The following table presents subsequent defaults within 12 months of the modification date on troubled debt restructurings during the years ended June 30:

	2018		2017	
	Number of Loans	Total Balance	Number of Loans	Total Balance
Member business loans				
SBA guaranteed	1	$ 1,914	1	$ 12,772
Total member business loans	1	1,914	1	12,772
Residential real estate and home equity				
Home equity lines of credit	7	143,117	3	40,051
Total residential real estate and home equity loans	7	143,117	3	40,051
Consumer loans - collateralized				
Automobile	50	156,811	31	271,958
Indirect automobile	20	100,012	4	57,472
Other secured	2	471	-	-
Total collateralized consumer loans	72	257,294	35	329,430
Total loans	80	$ 402,325	39	$ 382,253

Note 4 – Other Real Estate Owned

The following table summarizes the change in the balance of other real estate owned for the years ended June 30:

	2018	2017
Balance, beginning of year	$ 511,380	$ 263,360
Additions	366,042	567,122
Proceeds from sales	(775,078)	(223,860)
Losses on sales, net	(12,744)	(14,000)
Write-downs	(77,000)	(81,242)
Balance, end of year	$ 12,600	$ 511,380

Note 5 – Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans at June 30 are summarized as follows:

	2018	2017
Mortgage loan portfolio serviced for Fannie Mae	$ 674,366,283	$ 682,116,774
Mortgage loan portfolio serviced for Freddie Mac	17,978	102,567
Mortgage loan portfolio serviced for City of Huntsville	373,889	389,275
	$ 674,758,150	$ 682,608,616

Mortgage servicing rights, net of impairment, in the amounts of $2,378,784 and $2,422,292 at June 30, 2018 and 2017, respectively, are classified as *other assets* in the consolidated statements of financial condition.

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in members' shares in the consolidated statements of financial condition, were $6,307,817 and $6,512,488 at June 30, 2018 and 2017, respectively.

Note 5 – Loan Servicing (continued)

The activities in capitalized mortgage servicing rights for the years ended June 30 are summarized as follows:

	2018	2017
Mortgage servicing rights		
Balance, beginning of year	$ 2,422,416	$ 2,763,680
Additions	720,318	583,375
Amortization	(763,925)	(924,639)
Balance, end of year	2,378,809	2,422,416
Reserve for impairment of mortgage servicing rights		
Balance, beginning of year	124	87
(Reductions) additions	(99)	37
Balance, end of year	25	124
Net book value	$ 2,378,784	$ 2,422,292
Fair value	$ 5,175,848	$ 4,003,583

The key market assumptions used in determining the fair value of mortgage servicing rights at June 30 were as follows:

	2018	2017
Prepayment speed per year	7.89 CPR	11.13 CPR
Weighted-average discount rate	9.39%	8.36%

Note 6 – Property and Equipment

Property and equipment are summarized as follows at June 30:

	2018	2017
Land	$ 21,162,328	$ 21,011,247
Land improvements	8,781,404	8,381,473
Building and building improvements	95,332,164	92,096,194
Leasehold improvements	4,635,756	4,332,486
Furniture and equipment	43,956,603	43,437,805
	173,868,255	169,259,205
Accumulated depreciation and amortization	(81,499,688)	(79,135,987)
	$ 92,368,567	$ 90,123,218

The Credit Union leases 15 offices and space for automated teller machines. The operating leases contain renewal options and provisions requiring the Credit Union to pay property taxes and operating expenses over base period amounts. All rental payments are dependent only upon the lapse of time. Minimum rental payments under operating leases with initial or remaining terms of one year or more at June 30, 2018, are as follows:

Years ending June 30,	
2019	$ 401,544
2020	251,574
2021	149,283
2022	118,975
Subsequent years	274,250
	$ 1,195,626

Rental expense for the years ended June 30, 2018 and 2017, for all facilities leased under operating leases, totaled $315,396 and $172,666, respectively.

Depreciation expense totaled $7,631,144 and $6,851,545 for the years ended June 30, 2018 and 2017, respectively.

Note 7 – Members' Shares

Members' shares are summarized as follows at June 30:

	2018	2017
Regular shares	$ 1,746,960,715	$ 1,573,375,622
Share draft accounts	785,557,419	708,346,840
Money market accounts	1,009,127,374	976,462,905
Individual retirement accounts	46,532,614	46,997,102
Other savings	20,139,289	20,026,399
Certificates	616,759,323	557,350,483
	$ 4,225,076,734	$ 3,882,559,351

Certificates by contractual maturity as of June 30 are summarized as follows:

2019	$ 224,734,378
2020	115,716,485
2021	75,904,734
2022	49,641,227
2023	67,441,802
Thereafter	83,320,697
	$ 616,759,323

Regular shares, share draft accounts, money market accounts, and individual retirement account shares, and other savings have no contractual maturity. The NCUSIF insures members' shares and certain individual retirement and Keogh accounts. As of July 21, 2010, Congress permanently applied the minimum NCUSIF coverage to $250,000 on member share accounts. This includes all account types, such as regular share, share draft, money market, and certificates of deposit. Individual retirement account and Keogh account coverage remains at up to $250,000 separate from other types of accounts owned.

The aggregate amount of certificates in denominations of $250,000 or more was $65,967,969 and $56,420,304 at June 30, 2018 and 2017, respectively.

Overdraft demand shares reclassified to loans totaled $1,373,674 and $1,253,245 at June 30, 2018 and 2017, respectively.

Note 8 – Borrowed Funds

The Credit Union utilizes a demand loan agreement with the FHLB of Atlanta. The advances are collateralized by FHLB of Atlanta stock and pledged mortgage loan collateral, which includes residential first mortgages, home equity lines of credit, and second mortgages, under an Advances and Security Agreement between the FHLB and the Credit Union. The amount of loans pledged as collateral at June 30, 2018, is $629,469,080. Based on the qualifying collateral, the agreement provides for a maximum borrowing amount of approximately $459,904,395. The borrowings outstanding represented $0 and $375,000,000 with accrued interest payable of $4,061 and $186,389 as of June 30, 2018 and 2017, respectively.

The Credit Union has available a line of credit with the Federal Reserve Bank of Atlanta, which is secured by pledged investments from the Credit Union's investment portfolio. The terms of the agreement provide for primary credit up to the market value of the securities pledged, with interest payable at 50 basis points above the Federal Open Market Committee's federal funds rate. There were no borrowings under this agreement as of June 30, 2018 or 2017.

Note 9 – Derivatives

The Credit Union is engaged in providing first mortgage permanent financing for residential property. Residential home mortgages are originated for sale into the secondary market and are hedged against interest rate fluctuations with mandatory forward sales commitments and commitments for forward sales of mortgage-backed securities in the TBA market from the time of an interest rate lock loan commitment until the loans are sold (typically 30 to 90 days).

The following is a summary of the interest rate lock loan commitments and open forward commitments as of June 30:

	2018		2017	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate lock commitments	$ 13,132,788	$ 56,585	$ 11,067,200	$ 894
Forward sales of mortgage-backed securities commitments	36,000,000	(128,477)	37,000,000	17,812
Mandatory forward loan sales commitments	3,000,000	(3,281)	500,000	(3,828)

Note 9 – Derivatives (continued)

The notional amounts of the derivatives do not represent amounts exchanged by the parties and, thus, are not a measure of the Credit Union's exposure through its use of derivatives. The amounts exchanged are determined by reference to the notional amounts and the other terms of the individual derivatives.

The derivatives expose the Credit Union to credit risk in the event of nonperformance by counterparties to such agreements. The risk consists primarily of the termination value of the agreements where the Credit Union is in a favorable position. The Credit Union controls credit risk associated with its derivative instruments through management review and approval of counterparties.

The following table summarizes the types of derivatives, separately by assets and liabilities, their locations on the consolidated statements of financial condition, and the fair values of such derivatives as of June 30:

Derivatives	Statement of Financial Condition Location	Asset Derivatives 2018	Liability Derivatives 2018
Interest rate lock commitments	Other Assets	$ 56,585	$ -
Forward sales of mortgage-backed securities commitments	Accrued expenses and other liabilities	-	(128,477)
Mandatory forward loan sales commitments	Accrued expenses and other liabilities	-	(3,281)
		2017	2017
Interest rate lock commitments	Other Assets	$ 894	$ -
Forward sales of mortgage-backed securities commitments	Other Assets	17,812	-
Mandatory forward loan sales commitments	Accrued expenses and other liabilities	-	(3,828)

The following table summarizes the types of derivatives, their locations within the consolidated statements of income, and the gains (losses) recorded for the year ended June 30:

Derivatives	Statement of Income Location	2018	2017
Interest rate lock commitments	Mortgage banking revenue	$ (21,983)	$ (69,833)
Forward sales of mortgage-backed securities commitments	Mortgage banking revenue	(146,289)	201,719
Mandatory forward loan sales commitments	Mortgage banking revenue	466,680	356,562

Note 10 – Off-Balance Sheet Activities

The Credit Union is 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 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 consolidated financial statements.

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

Outstanding loan commitments total $73,032,441 and $51,589,301 at June 30, 2018 and 2017, respectively. Letters of credit outstanding totaled $145,438 and $110,190 as of June 30, 2018 and 2017, respectively.

ACH origination limits for business customers outstanding totaled approximately $5,850,175 and $5,359,225 as of June 30, 2018 and 2017, respectively.

Unfunded loan commitments under lines of credit are summarized as follows at June 30:

	2018	2017
Credit card	$ 496,165,954	$ 422,359,947
Home equity line of credit	175,477,621	170,603,261
Overdraft line of credit	46,644,212	46,023,588
Member business	7,606,970	16,123,642
Other consumer	9,572,608	8,835,371
	$ 735,467,365	$ 663,945,809

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 to secure borrowing on the lines of credit is based on management's credit evaluation of the member.

Unfunded commitments under member business lines of credit, 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 ultimately may not be drawn upon to the total extent to which the Credit Union is committed.

Note 10 – Off-Balance Sheet Activities (continued)

The Credit Union is regularly a party to various legal actions normally associated with collections of loans and other business activities of financial institutions, the aggregate effect of which, in management's opinion, would not have a material adverse effect on the financial condition or results of operations of the Credit Union.

Note 11 – Contingent Liabilities

In the ordinary course of business, the Credit Union sells loans that may have to be subsequently repurchased due to defects that occurred during the origination of the loan. The defects are categorized as documentation errors, underwriting errors, early payment defaults, and fraud. When a loan sold to an investor without recourse fails to perform, the investor will typically review the loan file to determine whether defects in the origination process occurred. If a defect is identified, the Credit Union may be required to either repurchase the loan or indemnify the investor for losses sustained. If there are no defects, the Credit Union has no commitment to repurchase the loan.

Note 12 – Employee Benefits

Defined benefit pension plan – The Credit Union sponsors a defined benefit pension plan (Plan) for the benefit of its employees. The Plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the Credit Union and compensation levels at retirement. Contributions to the Plan reflect benefits attributed to employees' services to date, as well as services expected to be earned in the future. The Plan's status is:

	As of and For the Years Ended June 30,	
	2018	2017
Projected benefit obligation	$ (80,041,861)	$ (78,799,851)
Fair value of plan assets	57,747,477	48,877,808
Funded status	$ (22,294,384)	$ (29,922,043)
Accumulated benefit obligation	$ 58,457,028	$ 56,284,771
Net pension cost	$ 4,340,284	$ 5,540,234
Employer contribution	5,400,000	4,400,000
Benefit payments	917,472	826,219

Note 12 – Employee Benefits (continued)

The components of pension expense are as follows:

	Years Ended June 30,	
	2018	2017
Service cost	$ 3,315,066	$ 3,442,064
Interest cost	3,052,992	2,775,534
Expected return on Plan assets	(3,574,186)	(2,866,243)
Amortization of loss	1,546,412	2,188,879
Net periodic pension cost (NPPC)	$ 4,340,284	$ 5,540,234

The change in fair value of Plan assets is as follows:

	June 30,	
	2018	2017
Fair value of Plan assets at beginning of year	$ 48,877,808	$ 39,911,350
Actual return on Plan assets	4,387,141	5,392,677
Employer contributions	5,400,000	4,400,000
Benefits paid	(917,472)	(826,219)
Fair value of Plan assets at end of year	$ 57,747,477	$ 48,877,808

The change in projected benefit obligation is as follows:

	June 30,	
	2018	2017
Projected benefit obligation at beginning of year	$ 78,799,851	$ 76,299,277
Service cost	3,315,066	3,442,064
Interest cost	3,052,992	2,775,534
Benefits paid	(917,472)	(826,219)
Actuarial (gain) loss	(4,208,576)	(2,890,805)
Projected benefit obligation at end of year	$ 80,041,861	$ 78,799,851

Note 12 – Employee Benefits (continued)

Amounts recognized in the consolidated statements of financial condition consist of:

	June 30, 2018	June 30, 2017
Defined pension liability	$ 22,294,384	$ 29,922,043
Total recognized	$ 22,294,384	$ 29,922,043

Amounts recognized in accumulated other comprehensive loss consist of:

	June 30, 2018	June 30, 2017
Unrealized losses	$ 20,116,414	$ 26,684,357

Components of net periodic pension cost over the next fiscal year ending June 30, 2019:

Amortization of loss	$ 998,535

Expected long-term return on Plan assets is determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio.

The Plan seeks to beat inflation, meet actuarial assumptions, meet or exceed benchmark returns, and fund Plan operating needs. The goal is to control risk through portfolio diversification and to reflect, among other possible factors, the previously stated objectives in conjunction with current and anticipated funding levels and economic and industry trends. Plan assets are primarily invested in funds with a high degree of liquidity and/or marketability. Quantitative and qualitative determinants will establish the appropriate asset allocation on a periodic, but not less than annual basis.

	2018	2017
Assumptions used to determine benefit obligation		
Discount rate	4.15%	3.90%
Rate of compensation increase	5.00%	5.00%
Assumptions used to determine net pension cost		
Discount rate	4.15%	3.90%
Expected long-term return on Plan assets	7.00%	7.00%
Rate of compensation increase	5.00%	5.00%

The Credit Union expects to contribute approximately $5,400,000 to the Plan in fiscal year 2019.

Note 12 – Employee Benefits (continued)

The Credit Union's pension plan weighted average asset allocations by asset category are as follows as of June 30:

	2018	2017
Equity securities	78.5%	78.7%
Fixed income	19.9%	3.8%
Money market funds and cash	1.6%	1.7%

The following pension benefits, which reflected expected future service, as appropriate, are expected to be paid as follows:

Years ending June 30,	
2019	$ 1,196,863
2020	1,374,520
2021	1,565,466
2022	1,808,585
2023	2,086,942
2024-2028	15,301,556
	$ 23,333,932

The following table discloses the fair value of Pension Plan assets by level:

June 30, 2018	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	$ 907,970	$ 907,970	$ -	$ -
Mutual funds				
Domestic equity				
Blended funds	31,734,758	31,734,758	-	-
International equity	10,392,648	10,392,648	-	-
Specialty funds	3,139,972	3,139,972	-	-
Fixed income	11,489,570	11,489,570	-	-
	$ 57,664,918	$ 57,664,918	$ -	$ -

Note 12 – Employee Benefits (continued)

June 30, 2017	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	$ 810,251	$ 810,251	$ -	$ -
Mutual funds				
Domestic equity				
Blended funds	26,573,337	26,573,337	-	-
International equity	9,534,882	9,534,882	-	-
Specialty funds	2,362,227	2,362,227	-	-
Fixed income	9,597,111	9,597,111	-	-
	$ 48,877,808	$ 48,877,808	$ -	$ -

Postretirement benefit plan – The Credit Union provides certain health care benefits for all retired employees who meet eligibility requirements. The Credit Union's share of the benefits that will be paid after retirement is being accrued by charges to expense over each employee's service period to the dates they are fully eligible for benefits.

The funded status of the Plan is as follows:

	2018	2017
Benefit obligation at June 30,	$ (12,276,412)	$ (13,173,690)
Funded status	$ (12,276,412)	$ (13,173,690)

	Years Ended June 30, 2018	Years Ended June 30, 2017
Benefit cost	$ 917,993	$ 1,528,449
Employer contribution	264,548	343,506
Participant contribution	9,123	9,123
Benefit payments	273,671	352,629

The Credit Union expects to contribute $275,000 to the Plan in fiscal year 2019.

Note 12 – Employee Benefits (continued)

Amounts recognized in the consolidated statements of financial condition consist of:

	June 30,	
	2018	2017
Accrued expenses and other	$ (12,276,412)	$ (13,173,690)
Total recognized	$ (12,276,412)	$ (13,173,690)

Amounts recognized in accumulated other comprehensive loss consist of the following:

	June 30,	
	2018	2017
Unrealized (gains) losses	$ (1,288,143)	$ 262,580

The following are assumptions used to determine net periodic benefit cost for the Plan at June 30:

.	2018	2017
Weighted-average assumptions as of June 30		
Discount rate	4.09%	3.80%
Healthcare cost trend		
Current	5.50%	7.00%
Ultimate	3.84%	5.00%

The following benefits are expected to be paid as follows:

Years ending June 30,	
2019	$ 274,285
2020	308,479
2021	376,820
2022	430,341
2023	499,838
2024-2028	3,330,668
	$ 5,220,431

Defined contribution retirement savings plan – The Credit Union has a 401(k) defined contribution plan (Plan) that allows employees to defer a portion of their salary into the Plan. The Credit Union matches a portion of employees' wage reductions. The Credit Union contributed $2,389,852 and $1,961,830 in matching contributions to the Plan for the years ended June 30, 2018 and 2017, respectively. The Credit Union made an additional discretionary contribution of $1,728,940 to the Plan for the year ended June 30, 2018.

Note 12 – Employee Benefits (continued)

Deferred compensation plans – The Credit Union has a deferred compensation plan (Plan) created in accordance with Internal Revenue Code (IRC) Section 457(b). The Plan permits the eligible employees to defer a portion of their salary until future years. The recorded obligation of approximately $210,779 and $354,795 as of June 30, 2018 and 2017, respectively, was included in other liabilities.

The Credit Union also has two Plans created in accordance with IRC Section 457(f). The first Plan allows the Credit Union to contribute a specific amount of pre-tax income in a variable annuity for eligible employees with benefits to be paid on a specific date or when they retire. All benefits due under this plan were distributed and the plan ended in 2018. The recorded asset of $8,629,794 as of June 30, 2017, was included in other assets. The recorded obligation of $3,590,889 as of June 30, 2017, was recorded in other liabilities. The second Plan was implemented in 2017 and allows the Credit Union to contribute to a segregated investment account (see SERP account in Note 1). The investment returns are intended to fund obligations to eligible employees when they retire. The recorded obligation of $712,500 and $187,500 as of June 30, 2018 and 2017, respectively, was recorded in other liabilities.

Note 13 – Members' Equity

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 consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under accounting principles generally accepted in the United States of America. The Credit Union's capital amounts and 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 table below) of net worth to total assets. Further, credit unions over $10,000,000 in assets are also required to calculate a Risk-Based Net Worth (RBNW) requirement that establishes whether or not the Credit Union will be considered complex under the regulatory framework. The Credit Union's RBNW requirement was 7.11% and 6.91% as of June 30, 2018 and 2017, respectively. The minimum requirement to be considered complex under the regulatory framework is 6.00%. Management believes, as of June 30, 2018 and 2017, the Credit Union meets all capital adequacy requirements to which it is subject.

Note 13 – Members' Equity (continued)

Key aspects of the Credit Union's minimum capital amounts and ratios are summarized as follows:

	2018		2017	
	Amount	Ratio	Amount	Ratio
Amount needed to be classified as well capitalized for RBNW	$ 339,608,464	7.11%	$ 332,337,545	6.91%
Amount needed to be classified as well capitalized	334,354,325	7.00%	336,666,110	7.00%
Actual net worth	550,948,469	11.53%	506,973,304	10.54%

As of June 30, 2018 and 2017, the NCUA 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 7.00% of assets. There are no conditions or events since that notification that management believes have changed the Credit Union's category. In performing its calculation of total assets, the Credit Union used the quarter end balance option, as permitted by regulation.

Note 14 – Changes in Accumulated Other Comprehensive Income (Loss) Balances

The changes in the balances of each component of accumulated other comprehensive income (loss) are as follows:

	Net Unrealized (Losses) Gains on Investments Classified as Available for Sale	Net Change in (Losses) Gains, Prior Service Cost, and Transition Obligation on Defined Benefit Pension Plan	Net Change in Losses and Prior Service Cost on Postretirement Benefit Plan	Net Unrealized Holding (Losses) Gains on Postretirement Investments	Total
Balance as of June 30, 2016	$ 30,684,155	$ (34,290,474)	$ (5,326,375)	$ 2,352,742	$ (6,579,952)
Other comprehensive income (loss) before reclassifications	(29,252,655)	7,606,117	5,063,795	950,969	(15,631,774)
Amounts reclassified from accumulated other comprehensive loss	(8,456,362)	-	-	-	(8,456,362)
Net current period other comprehensive income (loss)	(37,709,017)	7,606,117	5,063,795	950,969	(24,088,136)
Balance as of June 30, 2017	(7,024,862)	(26,684,357)	(262,580)	3,303,711	(30,668,088)
Other comprehensive income (loss) before reclassifications	(34,463,068)	6,567,943	1,550,723	(3,303,711)	(29,648,113)
Amounts reclassified from accumulated other comprehensive loss	(14,609,564)	-	-	-	(14,609,564)
Net current period other comprehensive income (loss)	(49,072,632)	6,567,943	1,550,723	(3,303,711)	(44,257,677)
Balance as of June 30, 2018	$ (56,097,494)	$ (20,116,414)	$ 1,288,143	$ -	$ (74,925,765)

Note 15 – Related Party Transactions

In the normal course of business, the Credit Union extends credit to directors, committee members, and executive officers. The aggregate loans to related parties are $399,355 and $331,304 at June 30, 2018 and 2017, respectively. Deposits from related parties amounted to $3,624,201 and $2,788,596 at June 30, 2018 and 2017, respectively.

Note 16 – Fair Value Measurements

The Codification defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is a market-based measurement, not an entity specific measurement, and the hierarchy gives the highest priority to quoted prices in active markets.

Fair value measurements are disclosed by level within the fair value hierarchy. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Valuation techniques are to be consistent with the market approach, the income approach, and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the fair value hierarchy establishes valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. (Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.)

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. (Valuations are obtained from observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.)

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. (Level 3 valuations incorporate certain assumptions and projections for which require significant management judgment or estimation in determining the fair value assigned to such assets or liabilities.)

Note 16 – Fair Value Measurements (continued)

A summary of the Credit Union's financial instruments and other accounts subject to fair value, including methodologies and resulting values follows:

Cash and cash equivalents – The carrying amounts of cash and cash equivalents approximate their fair value.

Money market account – The money market deposit accounts are public investment vehicles valued using $1 for the net asset value. The money market deposit accounts are classified within Level 2 of the valuation hierarchy.

Investments – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities would include U.S. agency debentures and agency issued mortgage-backed securities. In certain cases, where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

U.S. agency and agency issued mortgage-backed securities are generally based upon a matrix pricing model from an investment reporting and valuation service. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities.

Fixed income bonds in the Charitable donation account, Employee benefit funding account, and Supplemental executive retirement account are valued using pricing models maximizing the use of observable inputs for similar securities, which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Equity securities in the Charitable donation account, Employee benefit funding account, and Supplemental executive retirement account are valued at the closing price reported on the active market on which the individual securities are traded

Other investments – The carrying value approximates fair value based on the redemption provisions of the underlying investments.

Loans held for sale – Loans held for sale are valued at the market value as determined by outstanding commitments from investors or current investor yield requirements calculated on the aggregate loan basis. Loans that are committed with firm investor pricing are classified as Level 1. In the absence of a commitment, the best source of fair value is a current estimated market price as reflected in the Credit Union's hedge reporting model that is provided by a reputable third party. In assessing the value of the uncommitted loans, it must be noted that open forward commitments or obligations to sell loans are a component of the loan value at any given date. These are classified as Level 2.

Note 16 – Fair Value Measurements (continued)

Interest rate lock commitments – The Credit Union considers its commitments to extend the secondary market qualifying loans (the pipeline) with interest rate lock commitments to be derivatives. These derivatives are recognized at their estimated fair values as reflected in the Credit Union's hedge reporting model that is provided by a reputable third party based on market prices for similar assets. These are classified as Level 2.

Forward commitments – The Credit Union considers its mandatory form loan sales commitments and forward sales of mortgage-backed securities commitments to be derivatives, which are recognized at their estimated fair value as reflected in the Credit Union's hedge reporting model that is provided by a reputable third party based on market prices for similar assets. These are classified as Level 2.

Loans, net – For variable rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (for example, one-to-four family residential), credit card loans, and other consumer loans are estimated using a discounted cash flow calculation that applies interest rates currently being offered similar loans to a schedule of aggregated expected monthly maturities of these loans. Fair values for business real estate and business loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Mortgage servicing rights – Mortgage servicing rights (MSRs) do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, the precise terms and conditions typically are not readily available. Accordingly, the Credit Union estimates the fair value of MSRs and certain other retained interests in securitizations using discounted cash flow models incorporating numerous assumptions from the perspective of market participants including servicing income, servicing costs, market discount rates, prepayment speeds, and default rates. Mortgages servicing rights would be classified within Level 3 of the valuation hierarchy.

Accrued interest – Accrued interest receivable represents interest on loans and investments. The carrying amount of accrued interest receivable approximates fair value.

Members' shares – The fair values disclosed for regular share, share draft, and money market accounts are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of regular share, share draft, and money market accounts approximate their fair values at the reporting date. Fair values for share certificates are estimated using a discounted cash flow calculation that applies interest rates currently being offered on share certificates to a schedule of aggregated expected monthly maturities on the Credit Union's current share certificates.

Borrowed funds – The fair values of the Credit Union's borrowed funds are estimated using discounted cash flow analyses based on the Credit Union's incremental borrowing rates for similar types of borrowing arrangements.

Note 16 – Fair Value Measurements (continued)

Off-balance sheet credit-related instruments – Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value for such financial instruments is nominal.

Other real estate owned – Other real estate owned represents real estate the Credit Union has taken control of in partial or full satisfaction of loans. At the time of repossession or foreclosure, these assets are recorded at the fair value less costs to sell, which becomes the asset's new basis. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. Management periodically performs valuations to determine if the asset's fair value has further declined. Fair value adjustments are recorded to noninterest expense. Other real estate owned is classified within Level 3 of the fair value hierarchy.

Impaired loans – The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At June 30, 2018 and 2017, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with Accounting Standards Codification Topic 820, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria. For a majority of impaired real estate loans, the Credit Union obtains a current external appraisal. Other valuation techniques are used as well, including internal valuations, comparable property analysis, and contractual sales information.

Note 16 – Fair Value Measurements (continued)

Fair value on a recurring basis – The table below presents the balances of assets and liabilities measured and presented in the consolidated statement of financial condition at fair value on a recurring basis:

June 30, 2018	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale				
Operating Investments				
Federal agency debt securities	$ 322,228,265	$ -	$ 322,228,265	$ -
Collateralized debt obligation	96,768,367	-	96,768,367	-
Residential Mortgage-backed securities	830,758,687	-	830,758,687	-
Commerical Mortgage-backed securities	1,062,529,536	-	1,062,529,536	-
Charitable Donation Account				
Money Market	690,227	-	690,227	-
Fixed Income Bonds	12,439,457	-	12,439,457	-
Equity Securities	10,462,686	10,462,686	-	-
Employee Benefit Funding Account				
Money Market	2,841,816	-	2,841,816	-
Fixed Income Bonds	62,717,052	-	62,717,052	-
Equity Securities	51,219,877	51,219,877	-	-
Supplemental executive retirement plan account				
Money market	650,056	-	650,056	-
Fixed income bonds	17,321,060	-	17,321,060	-
Equity securities	5,875,545	5,875,545	-	-
Interest rate lock commitments	56,585	-	56,585	-
Forward sales of mortgage-backed securities commitments	(128,477)	-	(128,477)	-
Mandatory forward loan sale commitments	(3,281)	-	(3,281)	-
Loans Held for Sale	27,873,144	-	27,873,144	-
	$ 2,504,300,602	$ 67,558,108	$ 2,436,742,494	$ -

Note 16 – Fair Value Measurements (continued)

June 30, 2017	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale				
Operating Investments				
Federal agency debt securities	$ 456,163,790	$ -	$ 456,163,790	$ -
Collateralized debt obligations	57,912,034		57,912,034	-
Residential mortgage-backed securities	811,345,093	-	811,345,093	-
Commercial mortgage-backed securities	980,444,117		980,444,117	-
Charitable Donation Account				
Money Market	149,383	-	149,383	-
Fixed Income Bonds	2,975,563	-	2,975,563	-
Equity Securities	19,271,641	19,271,641	-	-
Employee Benefit Funding Account				
Money Market	679,211	-	679,211	-
Fixed Income Bonds	15,977,522	-	15,977,522	-
Equity Securities	94,432,318	94,432,318	-	-
Supplemental executive retirement plan account				
Money market	491,087		491,087	-
Fixed income bonds	10,146,025		10,146,025	-
Equity securities	3,733,931	3,733,931		-
Interest rate lock commitments	894	-	894	-
Forward sales of mortgage-backed securities commitments	17,812	-	17,812	-
Mandatory forward loan sale commitments	(3,828)	-	(3,828)	-
Loans Held for Sale	29,316,565	-	29,316,565	-
	$ 2,483,053,158	$ 117,437,890	$ 2,365,615,268	$ -

Fair value on a nonrecurring basis – Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents the assets and liabilities carried on the statements of financial condition by caption and by level within the valuation hierarchy (as described above) for which a nonrecurring change in fair value has been recorded.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Impaired loans	$ 4,554,558	$ -	$ -	$ 4,554,558
Other real estate owned	12,600	-	-	12,600
June 30, 2017				
Impaired loans	$ 3,019,397	$ -	$ -	$ 3,019,397
Other real estate owned	511,380	-	-	511,380

Note 16 – Fair Value Measurements (continued)

Quantitative information about Level 3 fair value measurements – The range and weighted average of the significant unobservable inputs used to fair value Level 3 nonrecurring assets during the years ended June 30 along with the valuation techniques used, are shown in the following table:

	Fair Value at June 30, 2018	Valuation Technique	Unobservable Input	Range (Weighted-Average)
Other real estate owned	$ 12,600	Lower of cost/market	Book Value	0% - 0% (0%)[1]
Restructured loans	701,528	Present value	Revised loan terms	1% - 16% (3%)[2]
Impaired loans	3,853,030	Fair market value	Collateral value	1% - 91% (58%)[3]

[1] Discount to appraisal value. Amounts are estimated and carrying amount is generally lower than estimated fair value.
[2] Discount to the present value of the expected cash flows based on the revised loan terms.
[3] Discount to the estimated value of the collateral that secures the loan. Various methods of valuation are used.

	Fair Value at June 30, 2017	Valuation Technique	Unobservable Input	Range (Weighted-Average)
Other real estate owned	$ 511,380	Lower of cost/market	Appraised value	0% - 30% (21%)[1]
Restructured loans	292,653	Present value	Revised loan terms	1% - 17% (7%)[2]
Impaired loans	2,726,744	Fair market value	Collateral value	1% - 93% (58%)[3]

[1] Discount to appraisal value. Amounts are estimated and carrying amount is generally lower than estimated fair value.
[2] Discount to the present value of the expected cash flows based on the revised loan terms.
[3] Discount to the estimated value of the collateral that secures the loan. Various methods of valuation are used.

The estimated fair value of the Credit Union's financial instruments is summarized as follows at June 30:

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 156,218,775	$ 156,218,775	$ 481,354,643	$ 481,354,643
Investments available for sale	2,476,502,631	2,476,502,631	2,453,721,715	2,453,721,715
Other investments	4,549,048	4,549,048	20,154,948	20,154,948
Loans held for sale	27,873,144	27,873,144	29,316,565	29,316,565
Loans to members, net	1,953,763,335	1,909,589,625	1,669,839,117	1,662,029,208
Interest rate lock commitments	56,585	56,585	894	894
Accrued interest receivable	12,241,151	12,241,151	10,163,232	10,163,232
Forward sales of mortgage-backed securities commitments	(128,477)	(128,477)	(17,812)	(17,812)
Financial liabilities				
Members' shares	4,225,076,734	4,218,013,405	3,882,559,351	3,881,955,386
Borrowed funds	-	-	375,186,389	375,186,389
Mandatory forward loan sale commitments	3,281	3,281	3,828	3,828