FAIRWINDS
CREDIT UNION

2017

LIVE GENEROUSLY

VISION

Members financially secure and economically successful and responsible.

MISSION

Improve members' financial well-being.

CORE VALUES

Advocacy

Good Stewardship

Caring Environment

Honesty and Integrity

Cooperative Principles

Community Commitment

Exceptional Service and Value

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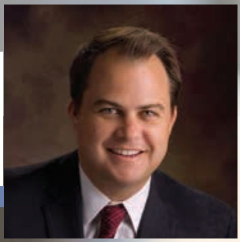
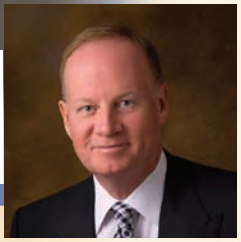
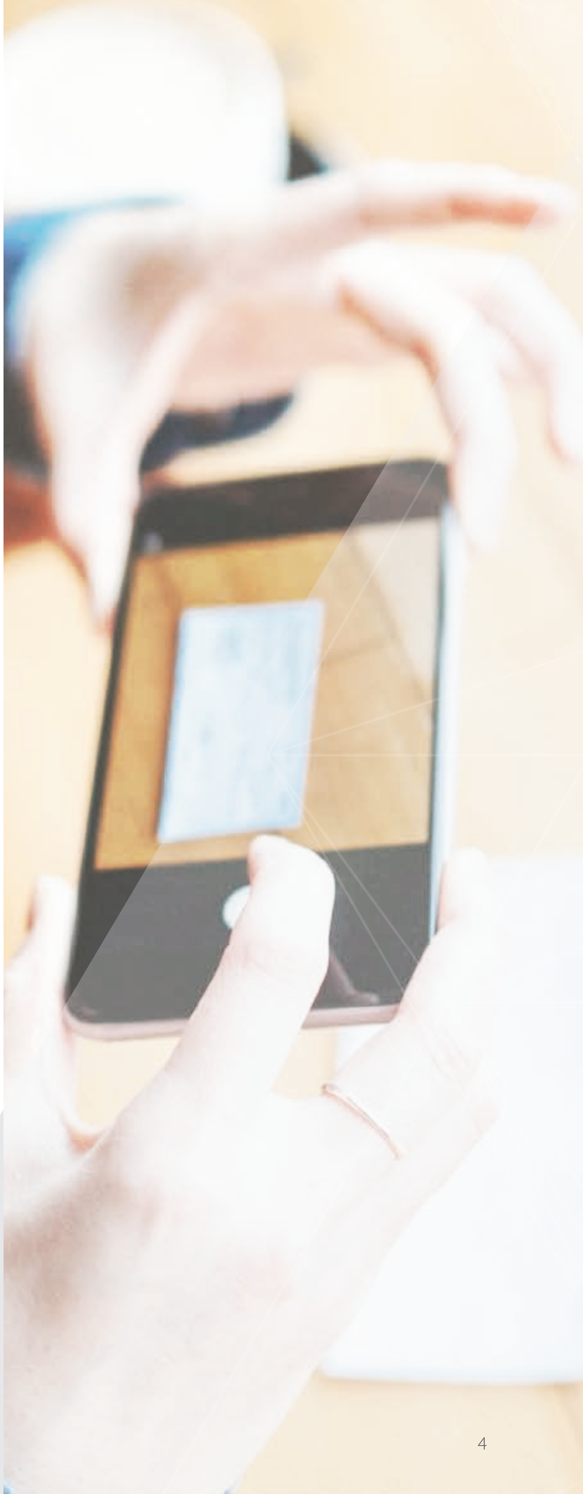
CHAIRMAN'S & PRESIDENT'S REPORT



JASON ALBU
Chairman



LARRY TOBIN
President/CEO



In 2017 we set out to exceed expectations by providing unmatched service, fostering a sense of belonging and helping you stay the course on your path toward financial freedom. Now we're proud to share that thanks to you, our members, it was an exceptional year.

But we're no stranger to exceeding expectations. In fact, a commitment to delivering exceptional experiences is the universal thread that weaves our past with our present, our personalized service with our tech-forward offerings, and our member advocacy with our philanthropy.

Whether it was through our guidance to those who are just starting on their financial journey, helping members navigate their way out of debt, or building innovative spaces that inspire us to dream bigger, this commitment took center stage in 2017 and was a catalyst for the year's success.

In order to achieve exceptional experiences, we recognize that the environments where our interactions take place must also exceed expectations. That's why we're optimizing the places where we do business. The biggest of these transformations took place at our reimagined Support Center where we equipped more than 200 crewmembers with inspired workspaces that foster innovation and collaboration, so they can focus on their primary mission — your improved financial well-being.

Enhancements are underway at our Corporate Tower on the second and 12th floors, too. Once complete, downtown crewmembers will enjoy many of the technological and

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>
> **WE’RE OPTIMIZING THE PLACES WHERE WE DO BUSINESS.**

environmental improvements available at the Support Center along with drop-in work spaces for visiting crewmembers.

Spurred by your feedback, we also upgraded two of our branches by moving them to standalone locations offering an improved member experience with drive-thru services, extended hours, better parking and added space.

Beyond providing exceptional environments for exceptional experiences, lies our fundamental vision — redefining what it means to be a financial institution by guiding you along the path toward financial freedom. We do this by helping you accumulate more savings and lower your debt with personalized consultations, online learning tools and forward-thinking products.

This year, we sharpened our focus on helping you save more by adding options that boost your efforts. This includes the My First Home Savings Account which clears a path toward homeownership, and ¢hange it up which helped members add more than $140,000 to their Savings Accounts since August.

We take great pride in always doing what’s in your best interest, wherever you are. We also recognize that there are times in life when a little more guidance is needed, like during college. That’s why we’re excited to continue our partnership with UCF, giving us the opportunity to show more students how to make better choices with their money. We’re also proud to provide financial guidance to thousands of Central Floridians as the Official Credit Union for Universal Orlando Resort Team Members.

Beyond providing products and services that promote financial well-being, we want to help you save money while enjoying the best of Central Florida, too. No one connects you more to Central

Florida than *FAIRWINDS*. We provide you access to discounts and special offers with *FAIRWINDS* Broadway in Orlando, *FAIRWINDS* Classic Series, Orlando City Soccer, Orlando Solar Bears, and the Orlando Magic.

Living generously is a vital step on the path toward financial freedom. We believe that by helping you achieve financial freedom, we're creating more possibilities for your future income, including the freedom to align your financial decisions with your beliefs by choosing to live generously. Whether contributing to causes that matter to you or helping out those in need in your local community, it is through this meaningful and purposeful giving that you can experience the fulfillment of living generously.

A commitment to community is one of our core values and how we demonstrate living generously. We've led by example throughout the years by participating in fundraisers and volunteering within the community, and in 2017 we took it a step further. We created the *FAIRWINDS* Foundation, a 501(c)(3) non-profit organization that aims to not only deepen our philanthropic footprint in the community but to make each imprint purposeful by focusing on what we know best — financial education.

When reflecting on our endeavors to live generously, help you save more, and optimize our environments, we feel grateful for the opportunity and proud of our accomplishments.

Thank you for choosing *FAIRWINDS*. We're humbled to be able to serve you.

> "
> **A COMMITMENT TO COMMUNITY IS ONE OF OUR CORE VALUES.**

LOOKING BACK ON 2017

Our emphasis on providing exceptional experiences in 2017 propelled us to build upon the service that you've come to expect. We achieved this through:

Reimagining the spaces where you're served.

Our newly designed Support Center opened in June. Now the crewmembers who work there enjoy a more enriching environment, helping them focus on providing you with exceptional service.

▼ Our newly designed Support Center opened in June 2017 and offers an enriching environment for our crewmembers.

We opened full-service branches in Winter Park and DeLand. They provide upgrades that make doing business with us that much easier, including drive-thru banking, more parking, extended hours, added space and more convenient ATMs.

▲ The new Deland branch offers convenient upgrades, including drive-thru banking and more parking.

Providing ways for you to save more.

◄ The My First Home Savings Account helps first-time homebuyers save more effectively for their down payment.

Saving for a down payment can be a challenge for first-time homebuyers. To help with this hurdle, we introduced the My First Home Savings Account. It pays a higher return than traditional savings accounts and offers the special perk of receiving a $1,500 credit toward closing costs when savers contribute at least $250 monthly for 12 consecutive months.

Adding cents to your savings is a lot easier when it's automatic. With the new ¢hange it up program, your purchases are rounded up to the nearest dollar and we transfer the difference into your Savings Account.

▼ In 2017, we introduced the *FAIRWINDS* Orlando City and Orlando Pride Visa® Credit Cards.

▶ When Hurricane Irma hit Central Florida, we provided helpful solutions to assist our members who were experiencing hardship.

▲ Our members enjoy exclusive discounts and special offers for events at the Dr. Phillips Center for the Performing Arts.

By the end of 2017, enrolled members saved more than $140,000 collectively.

Getting cash back for your purchases and zero percent interest on balance transfers can help you save money and pay down credit card debt. So you can enjoy these benefits while earning Lion Nation Points, we introduced the *FAIRWINDS* Orlando City and Orlando Pride Visa® Credit Cards. Since you can earn one Lion Nation Point per dollar spent, it's the fastest way to earn the points that give you access to game-day and on-field experiences at Orlando City Soccer Stadium.

Experiencing the best Central Florida has to offer enriches your life and connection to the community. Since we want you to get the most out of the City Beautiful, we partner with the Orlando Magic, Orlando City Soccer, Orlando Solar Bears, Orlando Philharmonic and *FAIRWINDS* Broadway in Orlando to give you exclusive access to discounts and special offers.

Damaging wind and rain from Hurricane Irma brought severe property and power loss to the Central Florida community. To help you stay in control of your finances during this challenging time, we provided solutions including loan payment deferments, same-day approval for home improvement loans, and mortgage and home equity payment assistance. Members can count on us for help, wherever they are.

Living generously within our community.

We formed the *FAIRWINDS* Foundation, a nonprofit 501(c)(3) organization that's dedicated to educating individuals on forging their path toward financial responsibility, security and freedom.

We continue our partnership with the University of Central Florida as their Official Student Banking Partner. This gives us the opportunity to provide financial guidance and education to students, faculty and staff at our on-campus branch, seminars and workshops.

Thanks to the generosity of our crewmembers and members, fundraisers brought in $19,177 for the United Way and $13,684 for the Greater Orlando Children's Miracle Network Hospitals.

Parts of Florida, Texas and the Caribbean experienced a particularly devastating hurricane season in 2017. To help those affected, *FAIRWINDS* matched hurricane relief donations. Thanks to their generosity, nearly $12,000 was donated toward hurricane relief efforts, supporting those in most need of our help.

▼ Our crewmembers volunteered to answer calls at the Greater Orlando Children's Miracle Network Radiothon.

▼ We continue to be the University of Central Florida's Official Student Banking Partner.

◀ Crewmembers hit the lanes at the 2017 Junior Achievement Bowl-a-thon.

LOOKING AHEAD TO 2018

With the accomplishments of 2017 in our rearview mirror, we shift our attention to shaping the road ahead. While delivering exceptional experiences continues to be the current that steers us, convenience and technological enhancements will be our vessels in 2018.

This year we're introducing the *FAIRWINDS* Virtual Advisor that leverages artificial intelligence to answer your general credit union questions, wherever you are, through Facebook Messenger, Amazon Echo and Google Home.

However, getting answers won't be the only thing we're making more convenient. Receiving a new debit card will soon be easier. Whether you're replacing your card or getting a new one, we recognize that no one wants to wait for the mail. That's why you'll soon be able to walk into any branch and get one on the spot.

We're giving you more ways to show your passion for Orlando sports with the *FAIRWINDS* Orlando Magic Visa® Credit Card and Debit Card. These pair perfectly with your exclusive access to Orlando Magic experiences available only to *FAIRWINDS* members on the free Orlando Magic App, including a Post-Game Player Meet and Greet, Behind the Scenes Amway Tour and Magic Locker Room Tour.

Newer technology will also give you the opportunity

▼ Show your passion with the exclusive *FAIRWINDS* Orlando Magic Visa® Debit Card and Credit Card designs.

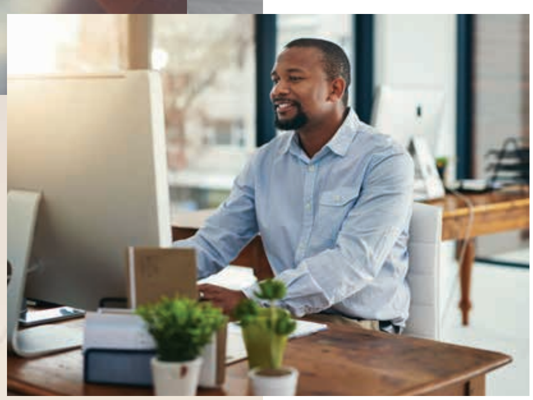
▼ Instant issue for debit cards in our branches will soon be available to our members.

◀ The *FAIRWINDS* Virtual Advisor will leverage artificial intelligence to answer your general credit union questions via the technology you use every day, including Amazon Echo and Google Home.

to provide your feedback on the service we provide more often. Now we're sending surveys by email after you complete transactions. This way we can continue to fine-tune the service we provide based on the valuable feedback we receive in your responses.

Business members will get a technology boost with the forthcoming Online Business Banking Suite. This upgrades the current business online banking platform businesses use with a sleeker design, user-friendly navigation, an all-in-one mobile app, desktop check deposit, a convenient direct connection to QuickBooks® and more.

▼ Members will have the opportunity to share feedback with us about each transaction they make via an automated email survey.



▶ Our business members will have access to our all new Online Business Banking Suite and its advanced features.

TREASURER'S REPORT

KELLY LEARY
Treasurer

Delivering exceptional experiences to you, our members, includes the commitment of your credit union to also deliver an exceptional performance. Once again, we were able to achieve this with another record-breaking year, demonstrating that *FAIRWINDS* Credit Union continues to be a leading financial institution in the Central Florida marketplace.

Here is a snapshot of some of these key accomplishments in 2017:

Soundness and Asset Quality

- Net income increased from $19.3 million in 2016 to $22.6 million in 2017.
- Return on Assets climbed from 0.95% to 1.05%.
- The Net Worth Ratio increased from 9.89% to 10.51%, well above the National Credit Union Administration's standard of 7.00%.
- Delinquency stayed on a downward course, decreasing from 0.56% in 2016 to 0.44% in 2017.
- Charge-offs were 0.23% in 2017, a slight decline from 0.27% in 2016.

Prudent and Responsible Lending

- Our consumer lending division disbursed $432 million in 2017, helping members to secure affordable financing for vehicles, credit cards, and personal loans.

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FAIRWINDS REMAINS A STRONG, SAFE, AND TRUSTED FINANCIAL PARTNER.

- With the market still offering historic low rates throughout most of 2017, more than $227 million was disbursed in mortgage loans.
- More than $59 million in business loans was disbursed, reinforcing that both commercial and small businesses in Central Florida continue to turn to *FAIRWINDS* for their present needs and future growth.

Assets Under Management and Investments

- Member deposits grew $114 million, an increase of 6.46% from 2016.
- Our Retirement Planning division grew 21.88% year-over-year, resulting in a portfolio of $449 million in assets.

As we stay the course to achieve an even more successful performance in 2018, you can rest assured and have the utmost confidence that *FAIRWINDS* remains a strong, safe, and trusted financial partner. Thank you for the opportunity to serve you today and long into the future.

AUDIT COMMITTEE REPORT

LISA SNEAD
Audit Committee Chairman

Protecting members' money and financial information is paramount. To ensure that the credit union delivers on this commitment, annual and ongoing audits are performed and include:

- A financial statement audit.
- Information systems and security review.
- Operational and compliance audits.

The *FAIRWINDS* Audit Committee, serving independently from the credit union, enlists a third-party accounting firm each year to conduct an unbiased audit of *FAIRWINDS'* financial condition. Doeren Mayhew, CPA, an independent audit firm, rendered an unqualified opinion in its report to the Audit Committee for the credit union's financial statements as of September 30, 2017.

Results of the audit state that the credit union's financial statements are sound and free from material misstatements. Further auditing by Doeren Mayhew, CPA, of the credit union's information technology confirms adequate internal controls related to the financial statements.

Based upon these independent external audits and ongoing internal audits conducted by our Internal Audit department, on behalf of the Audit Committee, I can confidently state that *FAIRWINDS* Credit Union continues to be well-managed, and demonstrates the highest levels of safety, security, and soundness. Members can continue to trust *FAIRWINDS* Credit Union.

CONSOLIDATED FINANCIAL STATEMENTS

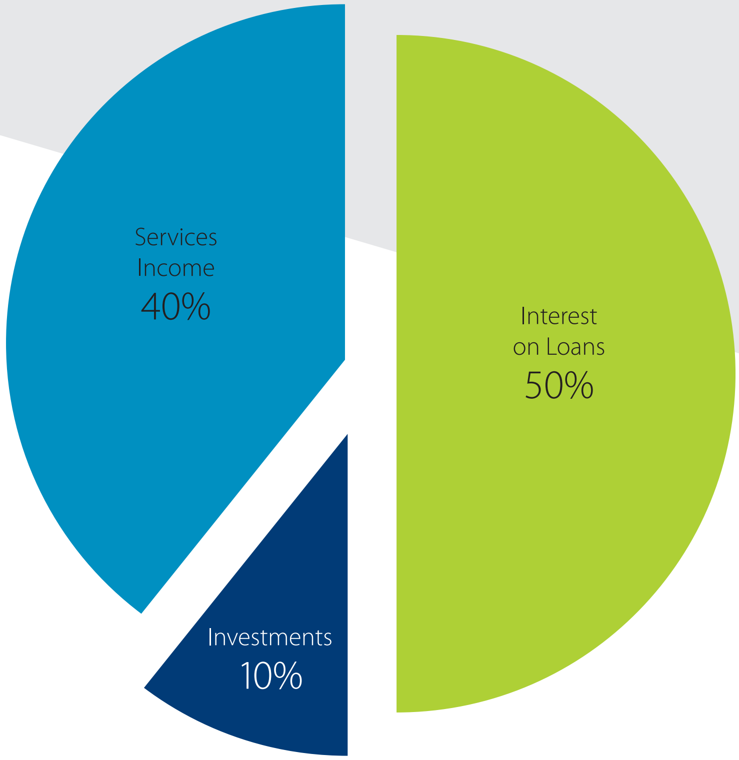
Assets	As of December 31, 2016	As of December 31, 2017
Net Loans to Members	$1,340,860,902	$1,493,711,502
Cash & Due from Banks	$38,590,901	$45,558,176
Government & Agency Securities	$524,391,589	$449,445,284
Other Investments	$44,743,158	$45,088,993
Fixed Assets	$89,079,889	$94,808,152
All Other Assets	$39,574,514	$40,761,101
Total Assets	$2,077,252,101	$2,169,373,208

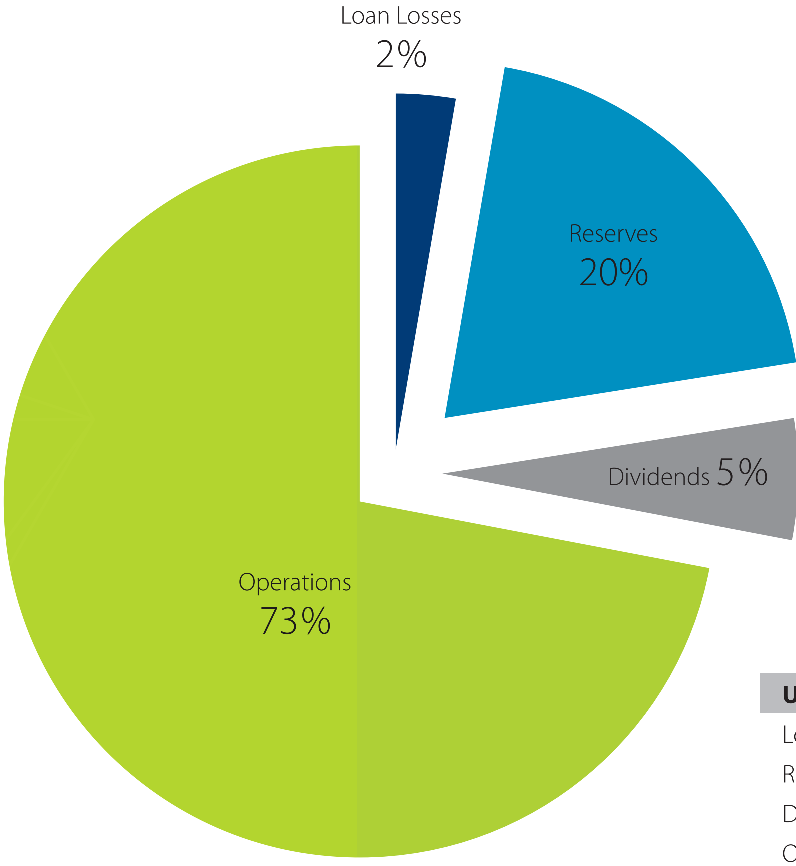
Liabilities & Members' Equity	As of December 31, 2016	As of December 31, 2017
Accounts Payable & Liabilities	$99,814,542	$54,098,379
Members' Shares & Deposits	$1,776,192,765	$1,890,919,302
Reserves & Undivided Earnings	$201,244,794	$224,355,527
Total Liabilty and Member's Equity	$2,077,252,101	$2,169,373,208

Statement of Income	As of December 31, 2016	As of December 31, 2017
Interest on Loans	$51,649,888	$57,104,672
Investment Income	$10,749,054	$11,357,999
Other Income	$44,387,280	$45,235,972
Total Income	$106,786,221	$113,698,643
Operating Expenses	($78,216,017)	($81,662,046)
Provision for Loan Losses	($3,488,003)	($2,753,687)
Non-Operating Gains	$672,625	($932,189)
Dividends	($6,494,768)	($5,663,797)
Total Expenses	($87,526,163)	($91,011,718)
Reserves	$19,260,058	$22,686,925

Vital Statistics	As of December 31, 2016	As of December 31, 2017
Number of Members	176,085	180,986
Number of Loans Granted	15,817	16,555
$$$ of Loans Granted	$829,952,410	$882,003,672
Number of Loans Granted Since Organized	1,034,143	1,050,698
$$$ of Loans Granted Since Organized	$9,801,252,047	$10,683,255,719

Sources of Income	
Interest on Loans	50%
Investments	10%
Services Income	40%





Users of Income	
Loan Losses	2%
Reserves	20%
Dividends	5%
Operations	73%

BOARD OF DIRECTORS

JASON ALBU
Chairman
Member since 2009

LISA SNEAD
Vice Chair
Member since 2002

CAROL F. DENTON
Secretary
Member since 1969

KELLY D. LEARY
Treasurer
Member since 1992

RICHARD LEIGH
Director
Member since 1988

B. DANIEL MCNUTT, JR.
Director
Member since 1983

MACK R. PERRY
Director
Member since 1984

MANAGEMENT TEAM

LARRY F. TOBIN

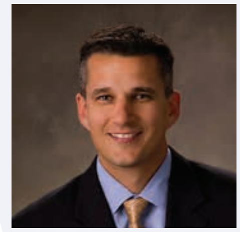
President/CEO
Member since 1970

KATHY A. CHONODY

Senior Executive VP/CFO
Member since 1977

PHILLIP C. TISCHER

Senior Executive VP/COO
Member since 1992



JAMES D. ADAMCZYK

Senior Executive VP/CLO
Member since 2004

CATHY M. HERTZ

Executive VP - Human Resources
Member since 2011

MATHY M. HOGAN

Executive VP - Administration
Member since 1980

CHARLES S. LAI

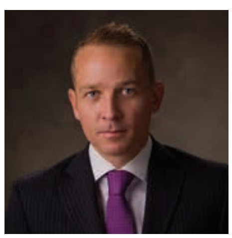
Executive VP/CIO
Member since 1986

DIANNE K. OWEN

Executive VP - Marketing
Member since 1993

THOMAS R. BALDWIN

Senior VP - Retirement Planning
Member since 2016

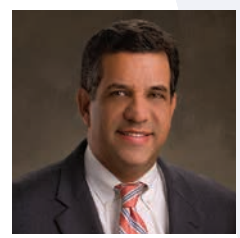


DANIEL T. BOCK III

Senior VP - Finance
Member since 2006

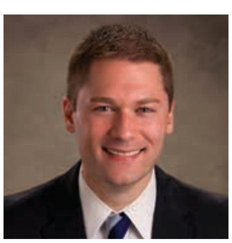
DEREK V. DRAKE

Senior VP - Risk Management
Member since 2005



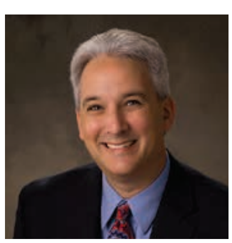
JORGE M. FONT

Senior VP - Business Services
Member since 2013



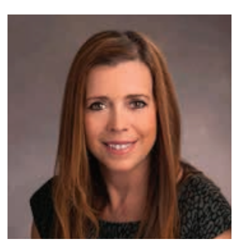
BRYAN S. MEIZINGER

Senior VP - Retail Lending
Member since 2000



JAMES M. THORNBERRY

Senior VP - Operations
Member since 2004



KIM B. WIGHTMAN

Senior VP - Accounting/Controller
Member since 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Audit Committee of
FAIRWINDS **Credit Union and Subsidiaries**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of *FAIRWINDS* Credit Union and Subsidiaries, which comprise the consolidated statements of financial condition as of September 30, 2017 and 2016, and the related consolidated statements of earnings, 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 Consolidated 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of *FAIRWINDS* Credit Union and Subsidiaries as of September 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Troy, Michigan
January 5, 2018

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

SEPTEMBER 30, 2017 AND 2016

Assets	**2017**	**2016**
Cash and cash equivalents	$ 82,236,883	$ $87,292,992
Investment securities:		
Available-for-sale	503,946,029	544,528,344
Held-to-maturity	395,883	578,189
FHLB stock	3,994,600	4,920,900
Loans to members, net of allowance for loan losses	1,435,024,686	1,292,573,433
Accrued interest receivable	5,649,282	5,268,066
Property, equipment and leasehold improvements	93,552,732	78,778,489
NCUSIF deposit	17,103,341	15,917,089
Assets acquired in liquidation of loans	7,306,688	10,761,115
Investments in life insurance contracts	20,381,825	19,517,597
Other assets	10,490,352	7,040,079
Total assets	$ 2,180,082,301	$ 2,067,176,293
Liabilities and Members' Equity		
Liabilities:		
Members' shares and savings accounts	$ 1,881,926,710	$ 1,768,839,536
Borrowed funds	50,000,000	75,000,000
Supplemental executive retirement plan liability	7,351,126	5,781,781
Accrued expenses and other liabilities	19,407,949	12,065,058
Total liabilities	1,958,685,785	1,861,686,375
Commitments and contingent liabilities		
Members' equity:		
Regular reserves	14,459,893	14,459,893
Undivided earnings	208,426,994	186,080,534
Accumulated other comprehensive (loss) income	(1,490,371)	4,949,491
Total members' equity	221,396,516	205,489,918
Total liabilities and members' equity	$ 2,180,082,301	$ 2,067,176,293

CONSOLIDATED STATEMENTS OF EARNINGS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Interest income:		
Loans receivable	$ 55,554,942	$ 50,452,022
Investment securities	11,270,599	10,801,594
Total interest income	66,825,541	61,253,616
Interest expense:		
Members' shares and savings	3,356,806	3,571,110
Borrowed funds	2,812,533	2,982,544
Total interest expense	6,169,339	6,553,654
Net interest income	60,656,202	54,699,962
Provision for loan losses	2,746,894	1,632,656
Net interest income after provision for loan losses	57,909,308	53,067,306
Non-interest income:		
Fees and charges	45,550,945	43,385,349
Market value increase (decrease) on trading securities and investments in life insurance contracts	4,768	(77,407)
Total non-interest income	45,555,713	43,307,942
Non-interest expenses:		
Compensation and benefits	43,335,075	41,644,753
Office operations	19,197,061	16,341,726
Occupancy	6,893,953	7,922,306
Operating expenses	10,418,430	10,739,157
Loss on disposals and write-downs of fixed assets	192,186	91,106
Losses on sales and write-downs of assets in liquidation	1,081,856	841,639
Total non-interest expenses	81,118,561	77,580,687
Net earnings	$ 22,346,460	$ 18,794,561

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Net earnings	$ 22,346,460	$ 18,794,561
Other comprehensive (loss) income:		
Net changes in unrealized holding gains on investments classified as available-for-sale	(6,439,862)	3,390,594
Comprehensive income	$ 15,906,598	$ 22,185,155

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Members' equity - October 1, 2015	$ 14,459,893	$ 167,285,973	$ 1,558,897	$ 183,304,763
Comprehensive income	-	18,794,561	3,390,594	22,185,155
Members' equity - September 30, 2016	14,459,893	186,080,534	4,949,491	205,489,918
Comprehensive income (loss)	-	22,346,460	(6,439,862)	15,906,598
Members' equity - September 30, 2017	$ 14,459,893	$ 208,426,994	$ (1,490,371)	$ 221,396,516

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Net earnings	$ 22,346,460	$ 18,794,561
Adjustments to net cash provided from operating activities:		
Depreciation	4,601,999	5,010,226
Provision for loan losses	2,746,894	1,632,656
Net amortization of premiums on investment securities	1,012,289	1,078,584
Decrease in market values of trading securities	-	272,067
Increases in market values of life insurance contracts	(161,951)	(468,474)
Loss on disposals and write-downs of fixed assets	192,186	91,106
Loss on sales and write-downs of assets in liquidation	1,081,856	841,639
Changes in assets and liabilities:		
(Increase) decrease in accrued interest receivable	(381,216)	384,545
Increase in other assets	(3,535,890)	(263,387)
Increase in supplemental executive retirement plan liability	1,569,345	1,424,044
Increase in other accrued expenses and other liabilities	7,342,891	2,312,314
Total adjustments	14,468,403	12,315,320
Net cash provided from operating activities	36,814,863	31,109,881

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash flows from investing activities:		
Net increase in loans to members	$ (148,285,332)	$ (159,469,677)
Proceeds from maturities of investment securities:		
Available-for-sale	93,712,913	195,551,866
Held-to-maturity	182,611	230,900
Purchases of investment securities - available-for-sale	(60,497,437)	(143,938,007)
Purchases of life insurance contracts	(702,277)	(5,665,887)
Redemption of FHLB stock	926,300	1,140,100
Purchases of property and equipment	(20,059,218)	(12,639,799)
Proceeds from the sale of property and equipment	490,790	16,568
Proceeds from the sale of assets in liquidation	5,459,756	4,139,175
Net increase in NCUSIF deposit	(1,186,252)	(1,122,058)
Net cash used in investing activities	(129,958,146)	(121,756,819)
Cash flows from financing activities:		
Net increase in members' shares and savings accounts	113,087,174	171,823,050
Proceeds from advances	75,000,000	-
Repayment of borrowed funds	(100,000,000)	(30,000,000)
Net cash provided from financing activities	88,087,174	141,823,050
Net (decrease) increase in cash and cash equivalents	(5,056,109)	51,176,112
Cash and cash equivalents - beginning	87,292,992	36,116,880
Cash and cash equivalents - ending	$ 82,236,883	$ 87,292,992
Supplemental Information		
Interest and dividends paid	$ 6,169,339	$ 6,553,654
Assets acquired in the settlement of loans	$ 3,087,185	$ 3,068,332
Non-Cash Investing Activities		
Transfers from trading to available-for-sale	$ -	$ 11,842,158

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Business

FAIRWINDS Credit Union's (the "Credit Union") operations are principally related to holding deposits for and making loans to individuals who qualify for membership. The field of membership is defined by the Credit Union's Charter and Bylaws.

FAIRWINDS Financial Services, L.L.C. is a wholly-owned subsidiary of the Credit Union. *FAIRWINDS* Financial Services, L.L.C.'s operations represent less than 1% of the consolidated totals for 2017 and 2016.

FAIRWINDS Insurance Services, L.L.C. is a wholly-owned subsidiary of *FAIRWINDS* Credit Union created to provide insurance products for members of the Credit Union. *FAIRWINDS* Insurance Services, L.L.C.'s operations represent less than 1% of the consolidated totals for 2017 and 2016.

Principles of Consolidation

The consolidated financial statements included the accounts of the Credit Union and its wholly-owned subsidiaries, *FAIRWINDS* Financial Services, L.L.C. and *FAIRWINDS* Insurance Services, L.L.C. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, amounts due from banks (including cash items in the process of clearing) and interest bearing deposits in banks with an original maturity of 90 days or less including overnight deposits. Amounts due from banks and corporate credit unions may, at times, exceed federally insured limits.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Investment Securities

Investments are classified into the following categories: held-to-maturity and available-for-sale. Investment securities classified as held-to-maturity are measured at amortized cost. This classification is based upon the Credit Union's intent and ability to hold these investment securities to full maturity. Investment securities classified as available-for-sale are measured at fair value as of the consolidated statement of financial condition date.

Unrealized gains and losses on available-for-sale investments are reported as a separate component of members' equity. Realized gains and losses on disposition, if any, are computed using the specific identification method. Investments are adjusted for the amortization of premiums and accretion of discounts as an adjustment to interest income on investments over the term of the investment.

Declines in the estimated fair value of individual investment securities below their cost that are other-than-temporary are reflected as realized losses in the consolidated statements of earnings. Factors affecting the determination of whether an other-than-temporary impairment has occurred include, among other things: (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near term prospects of the issuer, (iii) that the Credit Union does not intend to sell these securities, and (iv) it is more likely than not that the Credit Union will have the ability to hold the securities for a period of time sufficient to allow for any anticipated recovery in fair value.

Investments classified as trading securities in the September 30, 2015 consolidated financial statements were transferred to the available-for-sale classification during the year ended September 30, 2016. The investments were transferred at fair value on the transfer date.

Federal Home Loan Bank (FHLB) Stock

As a member of the FHLB, the Credit Union is required to invest in stock of the FHLB. The FHLB stock is carried at cost and its disposition is restricted. Based on its restricted nature, no ready market exists for this investment and it has no quoted market value.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Loans to Members

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

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection. Credit card loans and other personal loans are typically charged-off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

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

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

Allowance for Loan Losses

The allowance for loan losses ("allowance") is an estimate of loan losses inherent in the Credit Union's loan portfolio. The allowance is established through a provision for loan losses which is charged to expense. Loan losses are charged-off against the allowance when the Credit Union determines the loan balance to be uncollectible. Cash received on previously charged-off amounts is recorded as a recovery to the allowance.

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

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

For purposes of determining the allowance, the Credit Union has segmented certain loans in the portfolio by product type. Loans are divided into the following segments: commercial, real estate, and consumer. The Credit Union further disaggregates these segments into classes based on the associated risks within those segments. Real estate loans are divided into first mortgages and home equity. Consumer loans are divided into secured and unsecured.

The allowance consists of specific and general components. The specific component covers impaired loans and troubled debt restructurings and the specific allowances are established for these loans based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flows, the loan's estimated market value, or the estimated fair value of the underlying collateral. The general component covers non-impaired loans and is based on historical losses adjusted for current factors. This actual loss experience is adjusted for economic factors based on the risks present for each portfolio segment or class of loans. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. These factors are inherently subjective and are driven by the repayment risk associated with each portfolio segment. The Credit Union maintains a separate general valuation allowance for each portfolio segment.

These portfolio segments include commercial, real estate, and consumer with risk characteristics described as follows:

Commercial: Commercial loans not secured by real estate generally possess a lower inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Commercial real estate loans generally possess a higher inherent risk of loss than other real estate portfolio segments. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in decreased collateral values.

Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments.

Allowance for Loan Losses (Continued)

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

Commercial Segment Methodology

For loans not individually evaluated, the Credit Union determines the allowance on a collective basis utilizing historical losses adjusted for current factors. This actual loss experience is adjusted for economic factors based on the risks present for each class of loans. As of September 30, 2017 and 2016, the historical loss time frame for each class was 60 months and 12 months, respectively.

Consumer and Real Estate Segment Methodology

For loans not individually evaluated, the Credit Union determines the allowance on a collective basis utilizing historical losses adjusted for current factors. This actual loss experience is adjusted for economic factors based on the risks present for each portfolio segment or class of loans. As of September 30, 2017 and 2016, the historical loss time frame for real estate loans was 36 months and 12 months, respectively. As of September 30, 2017 and 2016, the historical loss time frame for consumer loans was 12 months.

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral, less costs to sell, if the loan is collateral dependent. A loan is collateral dependent if its repayment is expected to be provided solely by the underlying collateral.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

Troubled Debt Restructurings

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A loan restructuring represents a troubled debt restructuring ("TDR") if for economic or legal reasons related to the borrower's financial difficulties the Credit Union grants a concession to the borrower that it would not otherwise consider. Restructured loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above.

Consumer and Real Estate Credit Quality Indicators

The majority of the Credit Union's consumer and real estate loan portfolio comprises secured loans that are evaluated at origination on a centralized basis against standardized underwriting criteria. The ongoing measurement of credit quality of the consumer and residential loan portfolios is largely done on an exception basis. If payments are made on schedule, as agreed, then no further monitoring is performed. However, if delinquency occurs, the delinquent loans are turned over to the Credit Union's special assets department for resolution, which generally occurs fairly rapidly and often through repossession and foreclosure. Credit quality for the entire consumer and real estate loan portfolio is measured by the periodic delinquency rate, nonaccrual amounts, and actual losses incurred.

The Credit Union evaluates the credit quality of loans in the consumer loan portfolio based primarily on the aging status of the loan and payment activity. Accordingly, nonaccrual loans and loans modified under troubled debt restructurings that are past due in accordance with the loans' original contractual terms are considered to be in a non-performing status for purposes of credit quality evaluation.

Commercial Credit Quality Indicators

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

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

Commercial Credit Quality Indicators (Continued)

The risk ratings can be grouped into five major categories, defined as follows:

Pass: A pass loan is a credit with no existing or known potential weaknesses deserving of management's close attention.

Special Mention: Loans classified as special mention have potential weaknesses, such as negative financial trends, a limited financial history, a serious documentation flaw, or inadequate control on the part of the Credit Union. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset. However, a loan rated "special mention" is considered fully collectible.

Substandard: A loan is "substandard" if there is the potential for loss. Such loans have well-defined weaknesses and are not fully protected either by the paying capacity of the borrower or the value of the secondary source of repayment. These loans are characterized by the distinct possibility that the Credit Union could sustain some loss if the deficiencies are not corrected.

Doubtful and Loss: The lowest risk ratings of "doubtful" and "loss" indicate increased loss potential. Such loans should have already been recognized and, more than likely, charged-off.

Loan Charge-off Policies

The Credit Union's quality control process includes preparing lists to monitor and track delinquent loans. Tracking the loans on these lists enables management to assess the performance of the loan portfolio and act to mitigate risk therein through necessary changes in policy and procedures. The quality control process also serves as a tool to assist the Credit Union in identifying loans for charge-off on a timely basis.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

Loan Charge-off Policies (Continued)

All loans will be charged-off once deemed uncollectible. Non-performing loans are charged-off in compliance with Section 655.044, Florida Statutes. Generally, non-performing loans are deemed to be a loss when they become six months delinquent unless it is determined prior that there is no collectability based on the established loan life collections process. This process includes well defined procedures and guidelines used to identify, monitor, and address non-performing loans and when they should be considered for charge-off.

In the overdraft program, deposit accounts that are negative for 60 consecutive days will be charged-off. All other negative balance deposit accounts will be written off as operational losses as appropriate.

Concentrations of Credit Risk

A significant amount of the Credit Union's business activity is with members who work or reside in the Orlando, Florida metropolitan area. Therefore, the Credit Union may be exposed to credit risk by the economic climate of the overall geographical region in which borrowers reside.

Property, Equipment and Leasehold Improvements

Land is carried at cost. Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are stated at cost, less accumulated amortization. Amortization is computed on the straight-line method over the length of the lease term. Assets classified as construction-in-process are not depreciated until the asset has been completed and placed into service. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Maintenance, repairs, and minor alterations are charged to current operations as expenditures occur and major improvements are capitalized.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the credit union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. The NCUSIF deposit is required to be reviewed for impairment, including consideration of the refundability of the deposit.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Assets Acquired in Liquidation of Loans

Assets acquired in liquidation of loans represent collateral used to secure members' loans that have been acquired by the Credit Union in an effort to settle the members' loan and are recorded at the lower of cost or market less costs of liquidation.

Upon acquisition, the assets are initially recorded at estimated fair value, less costs to sell, at the date of transfer, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of the carrying amount or estimated fair value less costs to sell.

Investments in Life Insurance Contracts

The Credit Union owns investments in various life insurance contracts for key executives. These investments are recorded at their cash surrender value. Gains and losses from changes in value are recorded as part of net income.

Members' Shares and Savings Accounts

Members' shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in annual elections of the Board of Directors. 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. Interest on members' shares and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Income Taxes

The Credit Union and its Subsidiaries are exempt from most federal, state and local income taxes under the provisions of the Internal Revenue Code and state tax laws.

The Credit Union is a state-chartered credit union as described in Internal Revenue Code ("IRC") Section 501(c)(14). As such, the Credit Union is exempt from federal taxation of income derived from the performance of activities that are in furtherance of its exempt purposes. However, IRC Section 511 imposes a tax on the unrelated business income (as defined in Section 512) derived by state-chartered credit unions. Many states have similar laws. The specific application of Section 512 to the various activities conducted by state-chartered credit unions has been an issue for many years. In 2007, the Internal Revenue Service ("IRS") issued a series of Technical Advice Memoranda ("TAM") to a number of state-chartered credit unions located throughout the country. In these TAMs, the IRS ruled certain products and services to be subject to taxation as unrelated business income. In light of the TAMs, the Credit Union has assessed its activities and any potential federal or state income tax liability. In the opinion of management, any liability arising from federal or state taxation of activities deemed to be unrelated to its exempt purpose is not expected to have a material effect on the Credit Union's financial condition or results of operations. The Credit Union's income tax filings are subject to audit by various taxing authorities and open tax periods cover the three year period ending September 30, 2017.

Risks and Uncertainties

The Credit Union invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial condition and consolidated statements of earnings.

Reclassification/Presentation

Certain information in the 2016 consolidated financial statements has been reclassified to conform to the 2017 presentation.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

Accounting for Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses. The FASB's CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized.

The CECL model represents a significant change from existing GAAP, and may result in material changes to the Credit Union's accounting for loans. The Credit Union has not determined the effect that ASU 2016-13 will have on its financial statements and its related disclosures. The ASU will be effective for the Credit Union's September 30, 2022 annual financial statements. Early application is permitted for annual periods beginning January 1, 2019.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including January 5, 2018, which is the date the consolidated financial statements were available to be issued.

Note 2 - Investment Securities

The following table presents the amortized cost and estimated fair value of investments as of September 30, 2017:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities available-for-sale:				
Federal agency securities	$ 119,484,862	$ 282,166	$ (156,268)	$ 119,610,760
Collateralized mortgage obligations	213,164,566	277,828	(3,244,415)	210,197,979
Mortgage-backed securities	75,955,994	174,365	(388,314)	75,742,045
Corporate bonds	80,076,605	337,416	(78,621)	80,335,400
Mutual funds	16,488,634	1,571,211	-	18,059,845
Total securities available-for-sale	$ 505,170,661	$ 2,642,986	$ (3,867,618)	$ 503,946,029
Securities to be held-to-maturity:				
Mortgage-backed securities	$ 395,883	$ 19,393	$ -	$ 415,276

The following table presents the amortized cost and estimated fair value of investments as of September 30, 2016:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities available-for-sale:				
Federal agency securities	$ 139,434,025	$ 1,582,465	$ -	$ 141,016,490
Collateralized mortgage obligations	243,168,025	1,813,100	(396,900)	244,584,225
Mortgage-backed securities	65,216,823	1,360,656	-	66,577,479
Corporate bonds	75,321,656	798,858	(28,564)	76,091,950
Mutual funds	16,456,929	25,065	(223,794)	16,258,200
Total securities available-for-sale	$ 539,597,458	$ 5,580,144	$ (649,258)	$ 544,528,344
Securities to be held-to-maturity:				
Mortgage-backed securities	$ 578,189	$ 36,854	$ -	$ 615,043

Note 2 - Investment Securities (Continued)

Trading securities with a fair value of $12,114,225 at September 30, 2015 were transferred to available-for-sale during 2016.

The amortized cost and estimated market value of debt securities, at September 30, 2017, by contractual maturity, are shown below. Expected maturities on mortgage-backed securities will differ from contractual maturities because the borrower may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available-for-sale		Securities to be Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	$ 69,939,788	$ 69,950,100	$ -	$ -
Due in one year to less than five years	129,621,679	129,996,060	-	-
Due in five years to ten years	-	-	-	-
Due in greater than ten years	-	-	-	-
Collateralized mortgage Obligations	213,164,566	210,197,979	-	-
Mortgage-backed securities	75,955,994	75,742,045	395,883	415,276
Total	$ 488,682,027	$ 485,886,184	$ 395,883	$ 415,276

Investments in mutual funds, which are classified as available-for-sale for the year ended September 30, 2017, have no contractual maturity and are excluded from the maturity schedule above. The mutual funds had a fair value of $18,059,845 as of September 30, 2017.

Note 2 - Investment Securities (Continued)

Information pertaining to investments with gross unrealized losses as of September 30, 2017 aggregated by investment category and length of time that individual investments have been in a continuous loss position, follows:

	Continuing Unrealized Losses for Less Than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency securities	$ 84,393,960	$ (156,268)	$ -	$ -	$ 84,393,960	$ (156,268)
Collateralized mortgage obligations	114,993,317	(1,461,312)	71,445,634	(1,783,103)	186,438,951	(3,244,415)
Mortgage-backed securities	57,273,910	(388,314)	-	-	57,273,910	(388,314)
Corporate Bonds	20,127,550	(28,474)	5,017,050	(50,147)	25,144,600	(78,621)
Total	$ 276,788,737	$ (2,034,368)	$ 76,462,684	$ (1,833,250)	$ 353,251,421	$ (3,867,618)

Information pertaining to investments with gross unrealized losses as of September 30, 2016 aggregated by investment category and length of time that individual investments have been in a continuous loss position, follows:

	Continuing Unrealized Losses for Less Than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency securities	$ -	$ -	$ -	$ -	$ -	$ -
Collateralized mortgage obligations	33,846,164	(89,672)	53,327,116	(307,228)	87,173,280	(396,900)
Mortgage-backed securities	-	-	-	-	-	-
Corporate Bonds	5,056,450	(28,564)	-	-	5,056,450	(28,564)
Mutual funds	11,853,080	(223,794)	-	-	11,853,080	(223,794)
Total	$ 50,755,694	(342,030)	53,327,116	(307,228)	104,082,810	(649,258)

Note 2 - Investment Securities (Continued)

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because the implicit guarantee of the principal balances of these securities by the U.S. Government and its Agencies. The decline in fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline. Management has the ability and intent to hold these securities through to recovery of fair value, which may be maturity. Corporate bonds were temporarily impaired as a result of changes in the current interest rate environment and not due to increased credit risk. The Corporate bonds were all rated investment grade securities by Moody's as of September 30, 2017 and 2016.

Note 3 - Loans to Members

The composition of loans to members is as follows:

	2017	2016
Commercial loans	$ 173,856,709	$ 144,772,248
Real Estate:		
First mortgages	630,437,998	580,485,770
Home equity	73,172,443	73,197,904
Consumer:		
Secured	474,783,480	419,774,014
Unsecured	86,247,107	78,073,323
Net deferred loan origination fees/costs	7,916,285	7,122,478
Total	1,446,414,022	1,303,425,737
Less: allowance for loan losses	11,389,336	10,852,304
Total loans to members	$ 1,435,024,686	$ 1,292,573,433

Note 3 - Loans to Members (Continued)

Allowance for Loan Losses and Recorded Investment in Loans

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method at September 30, 2017:

	Commercial	Real Estate	Consumer	Total
Allowance for loan losses:				
Beginning balance	$ 2,119,263	$ 5,010,122	$ 3,722,919	$ 10,852,304
Charge-offs	(49,941)	(102,827)	(4,140,000)	(4,292,768)
Recoveries	21,469	1,501,614	559,823	2,082,906
Provision	433,196	(1,026,552)	3,340,250	2,746,894
Ending balance	2,523,987	5,382,357	3,482,992	11,389,336
Ending balance individually evaluated for impairment	233,373	3,818,730	-	4,052,103
Ending balance collectively evaluated for impairment	$ 2,290,614	$ 1,563,627	$ 3,482,992	$ 7,337,233
Loans:				
Ending balance individually evaluated for impairment	$ 6,392,756	$ 46,388,792	$ $-	$ 52,781,548
Ending balance collectively evaluated for impairment	167,463,953	660,330,199	565,838,322	1,393,632,474
Total recorded investment in loans	$ 173,856,709	$ 706,718,991	$ 565,838,322	$ 1,446,414,022

Note 3 - Loans to Members (Continued)

Allowance for Loan Losses and Recorded Investment in Loans (Continued)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method at September 30, 2016:

	Commercial	Real Estate	Consumer	Total
Allowance for loan losses:				
Beginning balance	$ 2,168,568	$ 7,049,459	$ 3,297,361	$ 12,515,388
Charge-offs	(81,807)	(1,285,368)	(3,640,186)	(5,007,361)
Recoveries	87,780	909,458	714,383	1,711,621
Provision	(55,278)	(1,663,427)	3,351,361	1,632,656
Ending balance	2,119,263	5,010,122	3,722,919	10,852,304
Ending balance individually evaluated for impairment	248,997	3,456,645	-	3,705,642
Ending balance collectively evaluated for impairment	$ 1,870,266	$ 1,553,477	$ 3,722,919	$ 7,146,662
Loans:				
Ending balance individually evaluated for impairment	$ 14,832,402	$ 46,818,147	$ -	$ 61,650,549
Ending balance collectively evaluated for impairment	129,939,846	609,733,690	502,101,652	1,241,775,188
Total recorded investment in loans	$ 144,772,248	$ 656,551,837	$ 502,101,652	$ 1,303,425,737

Note 3 - Loans to Members (Continued)

Impaired Loans

Loan impairment is measured by estimating the expected future cash flows or by valuing the underlying collateral. The following table presents loans individually evaluated for impairment by class of loans as of September 30, 2017:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ -	$ -	$ -	-	$ -
Real Estate:					
First mortgages	11,015,867	11,015,867	-	148,863	543,665
Home equity	608,004	608,004	-	28,952	34,232
With an allowance recorded:					
Commercial	6,392,756	6,392,756	233,373	799,095	143,658
Real Estate:					
First mortgages	32,416,543	32,416,543	3,544,615	140,842	1,357,507
Home equity	2,348,378	2,348,378	274,115	33,548	104,084
Total					
Commercial	$ 6,392,756	$ 6,392,756	$ 233,373	$ 799,095	$ 143,658
Real Estate	$ 46,388,792	$ 46,388,792	$ 3,818,730	$ 352,205	$ 2,039,488

Note 3 - Loans to Members (Continued)

Impaired Loans (Continued)

Loan impairment is measured by estimating the expected future cash flows or by valuing the underlying collateral. The following table presents loans individually evaluated for impairment by class of loans as of September 30, 2016:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 12,209,498	$ 12,209,498	$ -	$ 11,756,444	$ 309,158
Real Estate:					
First mortgages	1,752,225	1,752,225	-	6,081,901	27,524
Home equity	89,076	89,076	-	430,203	-
With an allowance recorded:					
Commercial	$ 2,622,904	$ 2,622,904	$ 248,997	$ 7,565,717	$ 108,987
Real Estate:					
First mortgages	44,382,534	44,382,534	3,341,065	45,605,823	1,385,030
Home equity	594,312	594,312	115,580	1,597,216	7,480
Total					
Commercial	$ 14,832,402	$ 14,832,402	$ 248,997	$ 19,322,161	$ 418,145
Real Estate	$ 46,818,147	$ 46,818,147	$ 3,456,645	$ 53,715,143	$ 1,420,034

Note 3 - Loans to Members (Continued)

Age Analysis of Past Due Loans

The following table presents the aging of the recorded investment in past due loans at September 30, 2017:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivable	Recorded Investment > 90 Days and Accruing
Commercial	$ 1,860,976	$ -	$ 13,867	$ 1,874,843	$ 171,981,866	$ 173,856,709	$ -
Real estate:							
First mortgages	-	3,034,177	2,819,245	5,853,422	626,776,789	632,630,211	-
Home equity	436,271	273,921	323,637	1,033,829	73,054,951	74,088,780	-
Consumer:							
Secured	2,556,152	178,836	115,236	2,850,224	478,032,393	480,882,617	-
Unsecured	904,513	413,321	559,287	1,877,121	83,078,584	84,955,705	-
Total	$ 5,757,912	$ 3,900,255	$ 3,831,272	$ 13,489,439	$ 1,432,924,583	$ 1,446,414,022	$ -

Note 3 - Loans to Members (Continued)

Age Analysis of Past Due Loans (Continued)

The following table presents the aging of the recorded investment in past due loans at September 30, 2016:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivable	Recorded Investment > 90 Days and Accruing
Commercial	$ 3,528	$ -	$ 477,859	$ 481,387	$ 144,290,861	$ 144,772,248	$ -
Real estate:							
First mortgages	42,656	1,726,068	3,780,893	5,549,617	577,014,687	582,564,304	-
Home equity	458,063	150,825	319,230	928,118	73,059,415	73,987,533	-
Consumer:							
Secured	2,330,723	205,413	107,865	2,644,001	422,482,473	425,126,474	-
Unsecured	807,167	349,434	486,692	1,643,293	75,331,885	76,975,178	-
Total	$ 3,642,137	$ 2,431,740	$ 5,172,539	$ 11,246,416	$ 1,292,179,321	$ 1,303,425,737	$ -

Note 3 - Loans to Members (Continued)

Commercial Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance for loan losses. For commercial loan classes, the Credit Union evaluates credit quality based on risk ratings assigned to each loan as described in Note 1.

The following table presents the loan balance for commercial loans based on risk rating as of September 30, 2017:

Credit grade:	
Pass	$ 162,283,802
Special mention	5,903,158
Substandard	5,328,965
Doubtful	340,784
Loss	-
Total	$ 173,856,709

The following table presents the loan balance for commercial loans based on risk rating as of September 30, 2016:

Credit grade:	
Pass	$ 137,019,897
Special mention	462,661
Substandard	4,957,364
Doubtful	2,332,326
Loss	-
Total	$ 144,772,248

Note 3 - Loans to Members (Continued)

Consumer and Real Estate Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance for loan losses. For real estate and consumer loan classes, the Credit Union evaluates credit quality based on the aging status of the loan and payment activity. Accordingly, nonaccrual loans are considered to be in a non-performing status for purposes of credit quality evaluation.

The following tables present the loan balance based on performance indication as of September 30, 2017 and 2016:

	September 30, 2017		September 30, 2016	
	Performing Loans	Non-Performing Loans	Performing Loans	Non-Performing Loans
Real estate:				
First mortgages	$ 629,810,966	$ 2,819,245	$ 578,783,411	$ 3,780,893
Home equity	73,765,143	323,637	73,668,303	319,230
Total real estate	703,576,109	3,142,882	652,451,714	4,100,123
Consumer:				
Secured	480,767,381	115,236	425,018,609	107,865
Unsecured	84,396,418	559,287	76,488,486	486,692
Total consumer	565,163,799	674,523	501,507,095	594,557
Total	$ 1,268,739,908	$ 3,817,405	$ 1,153,958,809	$ 4,694,680

Note 3 - Loans to Members (Continued)

Troubled Debt Restructurings

The consolidated statement of earnings impact of approved TDRs was immaterial for consolidated financial statement disclosure for the years ended Septemer 30, 2017 and 2016. Subsequently defaulted is defined as reaching 90 days past due during the first 12 months subsequent to approval:

	September 30, 2017		
	Number of Contracts	Recorded Investment in TDRs Approved	TDRs Which Subsequently Defaulted
Commercial	2	$ 3,289,112	$ -
Real estate:			
First mortgages	2	317,614	-
Home equity	2	44,032	-
Consumer:			
Unsecured	16	92,999	-

	September 30, 2016		
	Number of Contracts	Recorded Investment in TDRs Approved	TDRs Which Subsequently Defaulted
Real estate:			
First mortgages	11	$ 1,926,103	$ 43,729
Home equity	3	95,216	-
Consumer:			
Secured	1	11,815	-
Unsecured	7	55,883	925

Note 4 - Property, Equipment and Leasehold Improvements

The principal categories of property, equipment and leasehold improvements may be summarized as follows:

	2017	2016
Land and improvements	$ 24,749,660	$ 22,550,658
Building and improvements	71,389,883	47,202,702
Furniture and equipment	35,633,589	33,052,249
Leasehold improvements	9,426,815	9,841,378
Construction-in-process	1,421,774	13,382,301
Total cost	142,621,721	126,029,288
Less accumulated depreciation	49,068,989	47,250,799
Undepreciated cost	$ 93,552,732	$ 78,778,489

Construction-in-process amounts relate to a renovation projects at the Credit Union's branches. Remaining costs to complete under construction contracts are approximately $4,000,000 at September 30, 2017 and are expected to be completed in 2018.

Depreciation and amortization charged to earnings was approximately $4,600,000 and $5,000,000 for the years ended September 30, 2017 and 2016, respectively.

Note 5 - Borrowed Funds

The Credit Union has outstanding borrowed funds and these notes mature and carry interest rates as follows:

	2017	2016
Fixed Rate Note with the Federal Home Loan Bank of Atlanta bearing interest of 4.385%, interest is payable monthly and principal is payable with a single payment on August 28, 2017	$ -	$ 25,000,000
Fixed Rate Note with the Federal Home Loan Bank of Atlanta bearing interest of 4.530%, interest is payable monthly and principal is payable with a single payment on August 29, 2017	-	25,000,000
Fixed Rate Note with the Federal Home Loan Bank of Atlanta bearing interest of 2.702%, interest is payable monthly and principal is payable with a single payment on January 30, 2018	25,000,000	25,000,000
Fixed Rate Note with the Federal Home Loan Bank of Atlanta bearing interest of 1.160%, interest is payable monthly and principal is payable with a single payment on October 30, 2017	25,000,000	-
Total borrowed funds	$ 50,000,000	$ 75,000,000

As of September 30, 2017, the Credit Union has pledged $384,597,662 in first mortgage loans as collateral against the term loans held with the Federal Home Loan Bank of Atlanta.

The Credit Union maintains a credit agreement with the Federal Home Loan Bank of Atlanta, maximum credit available of $380,783,088 at September 30, 2017. At September 30, 2017 and 2016, the Credit Union had advanced $50,000,000 and $75,000,000, respectively, against this line-of-credit agreement in the form of term notes. Interest rates on advances from the FHLB are determined at the time of the advances and collateral in the form of mortgage securities are pledged at the time of the advance.

Note 5 - Borrowed Funds (Continued)

The Credit Union maintains a line-of-credit with Corporate One Federal Credit Union at a variable rate of interest, guaranteed by all assets, maximum credit available of $100,000,000 at September 30, 2017 and 2016. There were no outstanding advances as of September 30, 2017 and 2016.

The Credit Union is authorized to borrow from the Federal Reserve discount window. The Credit Union may borrow funds up to amounts collateralized by Credit Union assets including investment securities. The Credit Union has no outstanding borrowings at September 30, 2017.

Note 6 - Members' Shares and Savings Accounts

	2017	2016
Share draft accounts	$ 151,848,489	$ 147,033,658
Shares and equivalents	834,400,591	759,435,785
Money market accounts	637,357,596	588,132,973
Individual retirement accounts	54,135,185	50,025,358
Certificates of deposit and IRA certificates	204,184,849	224,211,762
Total members' shares and savings accounts	$ 1,881,926,710	$ 1,768,839,536

At September 30, 2017, scheduled maturities of certificates of deposit and IRA certificates are as follows:

Year Ending September 30th:	
2018	$ 157,574,196
2019	18,633,982
2020	10,760,287
2021	8,326,432
2022	8,780,537
Therafter	109,415
Total	$ 204,184,849

The aggregate amount of time deposit accounts in denominations of $250,000 or more at September 30, 2017 were $12,363,822.

Note 7 - Regulatory Capital

The Credit Union is subject to various regulatory capital requirements administered by its primary federal regulator, the NCUA. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under generally accepted accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table on the following page) of net worth (as defined in NCUA Regulations) to total assets (as defined in NCUA Regulations). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR ratio as of September 30, 2017 and 2016 was 6.14% and 6.15%, respectively. The minimum ratio to be considered complex under the regulatory framework is 6.0%. The Credit Union is considered complex under the regulatory framework.

As of September 30, 2017, the most recent call reporting period, 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.

	As of September 30, 2017		As of September 30, 2016	
	Amount	Ratio/ Requirement	Amount	Ratio/ Requirement
Actual net worth	$ 222,886,887	10.22%	$ 200,540,427	9.70%
Amount needed to be classified as "adequately capitalized"	130,804,938	6.00%	124,030,578	6.00%
Amount needed to be classified as "well capitalized"	152,605,761	7.00%	144,702,341	7.00%

Note 8 - Related Party Transactions

The majority of employees and all members of the Board of Directors have member accounts at the Credit Union, including share, deposit and loan accounts. The terms of transactions involving these accounts (i.e., rates charged and paid) are comparable to other members.

Included in loans receivable at September 30, 2017 and 2016 are loans of $4,041,856 and $4,835,525, respectively, to directors and officers of the Credit Union. Such loans are made in the ordinary course of business at normal credit terms including interest rates and collateralization.

Note 9 - Commitments and Contingent Liabilities

The principal commitments of the Credit Union are as follows:

Lease Commitments

At September 30, 2017 and 2016, the Credit Union had outstanding commitments under noncancellable operating leases for office space for several branch locations. Net rent expenses under the operating leases, included in expenses, were $2,631,563 and $3,002,752 for the years ended September 30, 2017 and 2016, respectively.

The projected minimum rental payments under the terms of the leases at September 30, 2017 are as follows:

Year Ending September 30th:	
2018	$ 1,916,720
2019	1,646,906
2020	1,333,108
2021	1,112,435
2022	1,130,612
Therafter	4,319,557
Total	$ 11,459,338

Note 9 - Commitments and Contingent Liabilities (Continued)

Off-Balance Sheet Risk

The Credit Union is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated statements of financial condition. The contract or notional amounts of those instruments reflect the extent of involvement the Credit Union has in particular classes of financial instruments.

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. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of September 30, 2017, the total unfunded commitments under such lines-of-credit was approximately $436,700,000. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

Miscellaneous Litigation

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

Note 10 - Fair Value Measurements

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under this guidance are described below:

Basis of Fair Value Measurements

Level 1 - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on 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 asset or liability.

Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques.

Note 10 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis at September 30, 2017 and 2016 are summarized as follows:

	Fair Value Measurements at September 30, 2017			
	Level 1	Level 2	Level 3	Total
Available-for-sale securities	$ -	$ 503,946,029	$ -	$ 503,946,029
Investments in life insurance contracts	-	20,381,825	-	20,381,825
Total	$ -	$ 524,327,854	$ -	$ 524,327,854

	Fair Value Measurements at September 30, 2016			
	Level 1	Level 2	Level 3	Level 4
Available-for-sale securities	$ -	$ 544,528,344	$ -	$ 544,528,344
Investments in life insurance contracts	-	19,517,597	-	19,517,597
Total	$ -	$ 564,045,941	$ -	$ 564,045,941

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a non-recurring basis at September 30, 2017 and 2016 are summarized as follows:

	Fair Value Measurements at September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets acquired in liquidation of loans	$ -	$ -	$ 7,306,688	$ 7,306,688
Impaired loans	-	-	48,729,445	48,729,445
Total	$ -	$ -	$ 56,036,133	$ 56,036,133

	Fair Value Measurements at September 30, 2016			
	Level 1	Level 2	Level 3	Level 4
Assets acquired in liquidation of loans	$ -	$ -	$ 10,761,115	$ 10,761,115
Impaired loans	-	-	17,108,871	17,108,871
Total	$ -	$ -	$ 27,869,986	$ 27,869,986

Note 10 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis (Continued)

Assets acquired in liquidation of loans primarily consists of other real estate owned (OREO) properties acquired through or in lieu of foreclosure and are initially recorded at fair value less estimated selling costs, establishing a new cost basis. The fair value amount is determined by using appraisals or broker price opinions (BPOs), which are supported by unobservable inputs, such as historical information relative to sales prices for similar properties located in the surrounding area. As a result, the information derived from appraisals and BPOs is subjective and can result in a wide range of fair value estimates. Accordingly, OREO is classified as Level 3 in the fair value hierarchy and valued on a non-recurring basis.

The Credit Union markets the OREO properties for sale to the public. Periodically, fair value amounts are reviewed to ensure the carrying amount of OREO is not maintained at a level that is higher than the current fair value less estimated selling costs. Holding costs such as insurance, maintenance, taxes and utility costs are charged to expense as incurred. Valuation adjustments on these assets as well as gains or losses realized from disposition of such properties are reflected in "other non-interest income or expense" on the consolidated statements of earnings.

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or market value. For collaterally dependent loans, fair value is measured based on the value of the collateral securing the loans and is classified at a Level 3 in the fair value hierarchy where the collateral is real estate. The value of real estate collateral is determined based on appraisal by qualified licensed appraisers hired by the Credit Union. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. For non-collaterally dependent loans, fair value is determined based on a present value of cash flows methodology. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors identified previously.

Note 11 - Employee Benefit Plans

Defined Contribution 401(k) Profit Sharing Plan

The Credit Union has a 401(k) profit sharing plan that covers substantially all employees. Contributions by the Credit Union included in the determination of net earnings for the years ended September 30, 2017 and 2016 amounted to approximately $1,204,000 and $1,249,000, respectively.

Deferred Compensation Plan

The Credit Union has a deferred compensation plan covering certain management employees which will be payable upon the employees retirement or termination. The liability at September 30, 2017 and 2016 was approximately $75,000 and $110,000, respectively and is included in other accrued liabilities on the consolidated statements of financial condition.

The Credit Union has three Supplemental Executive Retirement Plans (SERPs) that guarantee specific payments be made to key executives once eligibility requirements are met. As of September 30, 2017 and 2016, the obligation to the executives was $7,351,126 and $5,781,781, respectively. The SERPs were established to provide periodic benefit payments for each executive to be paid when they reach certain ages. The amounts are paid as a lump-sum, with the final payment to be made at age 65 determined based on the 5 highest years of compensation paid to the executive between the date the agreements were signed and retirement age.

The Credit Union anticipates payments under the terms of the SERPs to be as follows:

Year Ending September 30th:	
2018	$ -
2019	-
2020	-
2021	-
2022	1,000,000
5 years therafter	6,351,126
Total	$ 7,351,126

The Credit Union has invested in assets, which consist of mutual funds, life insurance and annuity contracts, to informally fund the deferred compensation plans. As of September 30, 2017 and 2016, the Credit Union had mutual funds valued at $18,059,845 and $16,258,200, respectively, and life insurance and annuity contracts valued at $20,381,825 and $19,517,597, respectively, related to these plans. The assets would be available to general creditors in the event of liquidation of the Credit Union's assets.

Note 12 - 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 and the related custodial escrow balances approximate the following as of September 30, 2017 and 2016:

	2017	2016
Mortgage loan portfolio serviced for:		
Federal National Mortgage Association (FNMA)	$ 250,154,054	$ 199,785,117
Custodial escrow balances	$ 3,524,634	$ 2,963,428

The following table presents mortgage servicing rights activity and fair value as of and for the years ended September 30, 2017 and 2016:

	2017	2016
Mortgage servicing rights:		
Balance - beginning	$ 1,812,360	$ 1,264,520
Capitalized servicing rights	715,278	761,029
Amortization expense	(149,243)	213,189
Balance - ending	$ 2,378,395	$ 1,812,360

At September 30, 2017 and 2016, the fair value of the mortgage servicing rights approximated its book value. Mortgage servicing rights are included in other assets in the consolidated statements of financial condition at September 30, 2017 and 2016.

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