POLISH & SLAVIC FEDERAL CREDIT UNION
Brooklyn, New York

FINANCIAL STATEMENTS
September 30, 2014 and 2013

TABLE OF CONTENTS

CliftonLarsonAllen
CliftonLarsonAllen LLP
www.CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors and Supervisory Committee
Polish & Slavic Federal Credit Union
Fairfield, New Jersey

Report on Financial Statements

We have audited the accompanying statements of financial condition of Polish & Slavic Federal Credit Union (the Credit Union) as of September 30, 2014 and 2013, and the related statements of operations, comprehensive loss, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Polish & Slavic Federal Credit Union as of September 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Baltimore, Maryland
December 11, 2014

FINANCIAL STATEMENTS

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
September 30, 2014 and 2013
(In Thousands)

	2014	2013
ASSETS		
Cash and cash equivalents	$ 53,839	$ 39,634
Securities available-for-sale	598,807	596,597
Other investments	5,759	2,665
Loans held-for-sale	–	460
Loans receivable, net	871,573	835,836
Accrued interest receivable	4,311	4,436
Premises and equipment, net	30,593	32,350
National Credit Union Share Insurance Fund deposit	13,281	12,878
Other assets	5,782	4,992
	$ 1,583,945	$ 1,529,848
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' shares	$ 1,390,030	$ 1,346,795
Borrowed funds	35,000	35,000
Accrued expenses and other liabilities	11,478	11,456
Total liabilities	1,436,508	1,393,251
MEMBERS' EQUITY		
Regular reserves	20,562	20,562
Undivided earnings	132,277	120,172
Accumulated other comprehensive loss	(5,402)	(4,137)
Total members' equity	147,437	136,597
	$ 1,583,945	$ 1,529,848

The accompanying notes are an integral part of these financial statements.

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF OPERATIONS
Years Ended September 30, 2014 and 2013
(In Thousands)

	2014	2013
INTEREST INCOME		
Loans	$ 38,708	$ 39,784
Investments and cash equivalents	12,114	8,815
Total interest income	50,822	48,599
INTEREST EXPENSE		
Members' shares	6,676	8,789
Borrowed funds	1,311	1,311
Total interest expense	7,987	10,100
NET INTEREST INCOME	42,835	38,499
PROVISION FOR LOAN LOSSES	799	5,202
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	42,036	33,297
NON-INTEREST INCOME		
Service charges, fees, and commissions	5,880	5,142
Gain on sales of securities available-for-sale	–	5
Net gain on sales of loans held-for-sale	217	353
Other	681	799
Total non-interest income	6,778	6,299
NON-INTEREST EXPENSE		
Salaries and employee benefits	18,776	22,531
Operations	7,067	6,852
Occupancy	4,708	4,519
Marketing	1,148	688
Loan servicing	1,555	1,469
Professional and outside services	1,005	1,027
National Credit Union Share Insurance Fund stabilization expense	–	1,051
Other	2,450	2,375
Total non-interest expense	36,709	40,512
NET INCOME (LOSS)	$ 12,105	$ (916)

The accompanying notes are an integral part of these financial statements.

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years Ended September 30, 2014 and 2013
(In Thousands)

	2014	2013
Net income (loss)	$ 12,105	$ (916)
Other comprehensive income (loss):		
Net unrealized loss on securities available-for-sale:		
Net unrealized holding loss arising during the year	(1,265)	(13,840)
Reclassification adjustment for gains included in net income (loss)	–	(5)
Net unrealized loss on securities available-for-sale	(1,265)	(13,845)
Defined benefit pension plan	–	7,708
Total other comprehensive loss	(1,265)	(6,137)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 10,840	$ (7,053)

The accompanying notes are an integral part of these financial statements.

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
Years Ended September 30, 2014 and 2013
(In Thousands)

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
BALANCE, SEPTEMBER 30, 2012	$ 20,562	$ 121,088	$ 2,000	$ 143,650
Net loss	–	(916)	–	(916)
Net change in unrealized gains and losses on securities available-for-sale	–	–	(13,845)	(13,845)
Defined benefit pension plan	–	–	7,708	7,708
BALANCE, SEPTEMBER 30, 2013	20,562	120,172	(4,137)	136,597
Net income	–	12,105	–	12,105
Net change in unrealized gains and losses on securities available-for-sale	–	–	(1,265)	(1,265)
BALANCE, SEPTEMBER 30, 2014	$ 20,562	$ 132,277	$ (5,402)	$ 147,437

The accompanying notes are an integral part of these financial statements.

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2014 and 2013
(In Thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 12,105	$ (916)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net premium amortization on securities available-for sale	5,944	9,607
Provision for loan losses	799	5,202
Provision for real estate owned losses	–	69
Depreciation and amortization of premises and equipment	2,701	2,777
Net gain on sales of loans held-for-sale	(217)	(353)
Gain on sales of securities available-for-sale	–	(5)
Net gain on sales of real estate owned	(136)	(124)
Net gain on disposals of premises and equipment	(10)	(5)
Originations of loans held-for-sale, net of principal payments	(11,859)	(19,788)
Proceeds from sales of loans held-for-sale	12,452	19,595
Decrease in accrued interest receivable	125	137
Increase in other assets	(474)	(189)
Increase in accrued expenses and other liabilities	22	1,494
Net cash provided by operating activities	21,452	17,501
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available-for-sale	(136,756)	(283,255)
Proceeds from maturities of securities available-for-sale	127,337	215,543
Proceeds from sales of securities available-for-sale	–	1,989
Net decrease in other investments	(3,094)	(138)
Originations of loans receivable, net of principal payments	(38,672)	(9,645)
Increase in the National Credit Union Share Insurance Fund deposit	(403)	(782)
Net purchases of premises and equipment	(934)	(1,002)
Proceeds from sales of real estate owned	2,040	2,182
Net cash used by investing activities	(50,482)	(75,108)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' shares	43,235	43,691
Net cash provided by financing activities	43,235	43,691
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,205	(13,916)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	39,634	53,550
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 53,839	$ 39,634
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 8,013	$ 10,284
Transfers from loans receivable, net to other assets-real estate owned	$ 2,136	$ 2,487

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Polish & Slavic Federal Credit Union (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 who qualify for membership as defined in the Credit Union's Charter and Bylaws.

Subsequent Events: The Credit Union has considered the impact on its financial statements of events occurring subsequent to September 30, 2014 and through December 11, 2014, the date the financial statements were available to be issued.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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 and the fair value of financial instruments.

Cash and Cash Equivalents: For the purpose of the Statements of Financial Condition and the Statements of Cash Flows, cash and cash equivalents includes cash on hand, amounts due from financial institutions, and interest-bearing deposits in other financial institutions. Amounts due from financial institutions and interest-bearing deposits in other financial institutions may, at times, exceed federally insured limits.

Securities Available-for-Sale: Securities that the Credit Union intends to hold for an indefinite period of time, but not necessarily to maturity, are classified as available-for-sale and are carried at fair value. Unrealized gains and losses on securities available-for-sale are excluded from earnings and accounted for as accumulated other comprehensive income (loss). Gains and losses on the sale of securities available-for-sale are recorded on the trade date and determined using the specific identification method. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

The Credit Union recognizes other-than-temporary impairment of a debt security if the fair value of the security is less than its amortized cost and it intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost. The credit loss component of an other-than-temporary impairment of a debt security is recognized in earnings and the non-credit component in other comprehensive income when the Credit Union does not intend to sell the security and it is more likely than not that it will not be required to sell the security prior to recovery. In estimating whether a credit loss exists on a debt security, management considers a variety of factors, including the length of time and the extent to which the fair value has been less than the amortized cost basis, adverse conditions specifically related to the security, an industry or a geographic area, the historical and implied volatility of the fair value of the security, the payment structure of the security and the likelihood of the issuer being able to make payments that increase in the future, failure of the issuer of the security to make scheduled interest or principal payments, any changes to the rating of the security by a rating agency, and recoveries of additional declines in fair value subsequent to the Statement of Financial Condition date.

Other Investments: The Credit Union, as a member of the Federal Home Loan Bank of New York ("FHLBNY") and the National Credit Union Administration ("NCUA") Central Liquidity Facility, is required to maintain an investment in the capital stock of each of these entities. No ready market exists for the stock of these entities and the stock has no quoted market values. FHLBNY stock is carried at cost and reviewed for impairment based on the ultimate recoverability of the cost basis of the stock. NCUA Central Liquidity Facility stock is carried at cost and backed by the full faith and credit of the U.S. government.

Loans Held-For-Sale: First mortgage loans intended for sale in the secondary market are carried at the lower of cost or fair value, as determined by aggregate outstanding commitments from investors or current investor yield requirements. Net unrealized losses are recognized through a valuation allowance by charges to income. All sales are made without recourse and with servicing retained.

Loans Receivable: Loans that the Credit Union has the intent and ability to hold for the foreseeable future or until maturity are classified as loans receivable and are reported at their outstanding principal balances less any charge-offs and the allowance for loan losses.

Loans are transferred from loans receivable to loans held-for-sale when the intent to hold the loans has changed and there is a plan to sell the loans within a reasonable period of time. When the Credit Union no longer has the intent to sell loans, they are transferred from loans held-for-sale to loans receivable. Loans transferred between the categories are transferred at the lower of cost or fair value.

The accrual of interest on loans is discontinued on loans that become 90 days past due as to principal or interest, or when payment in full of principal or interest is doubtful. When a loan is placed on non-accrual status, accrued interest receivable is reversed against interest income and interest income is subsequently recognized on the cash basis until the loan qualifies for return to accrual status. Loans are generally returned to accrual status when all principal and interest amounts contractually due are brought current and the future collection of principal and interest payments is reasonably assured.

Allowance for Loan Losses: The allowance for loan losses is maintained at a level that management believes is adequate to absorb estimated probable credit losses inherent in the loan portfolio as of the date of the financial statements. Management's periodic evaluation of the adequacy of the allowance for loan losses is based on a variety of factors, including past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. These evaluations are inherently subjective as it requires estimates that are susceptible to significant revision as additional information becomes available. While the Credit Union makes allocations to specific loans and pools of loans, the total allowance for loan losses is available for all loan losses.

When available information indicates that specific loans or portions thereof are uncollectible, those amounts are charged off against the allowance for loan losses. Subsequent recoveries, if any, are credited to the allowance.

Specific allowances for loan losses are established, as necessary, for individual loans considered impaired. A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all principal and interest amounts due according to the contractual terms of the loan agreement. Loans individually reviewed for impairment include loans with balances of $1 million or greater, loans restructured in a troubled debt restructuring, and real estate loans in the process of foreclosure. When a loan individually reviewed for impairment has been identified as impaired, the measure of impairment is based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the underlying collateral.

General allowances for loan losses are established, on a pool basis by homogeneous products, for loans not considered impaired and are based on historical loss experience adjusted for qualitative factors.

Mortgage Servicing Rights: In connection with its sale of loans with servicing retained, the Credit Union records servicing assets based on the fair value of the servicing rights on the date the loans are sold. Changes in the fair value of mortgage servicing rights are recorded in earnings in the period in which the change occurs. Mortgage servicing rights are included in Other assets in the Statements of Financial Condition.

Foreclosed Assets: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are reported as other expense in the Statements of Operations.

Premises and Equipment: Land is carried at cost. Buildings, leasehold improvements, and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of their useful lives or lease terms.

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

National Credit Union Share Insurance Fund ("NCUSIF") Deposit and Insurance Premiums: The deposit in the NCUSIF is in accordance with NCUA regulations, which require the maintenance of a deposit by each federally insured credit union in an amount equal to 1% of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts its insurance to another source, or the operations of the fund are transferred from the NCUA Board.

NCUSIF premiums and the NCUA's Temporary Corporate Credit Union Stabilization Fund ("TCCUSF") premiums are recognized when assessed by the NCUA. During the year ended September 30, 2013, a TCCUSF premium of $1,050,746 was assessed and is reported as National Credit Union Share Insurance Fund stabilization expense in the Statements of Operations. There were no NCUSIF premiums assessed during the years ended September 30, 2014 and 2013 and there were no TCCUSF premiums assessed during the year ended September 30, 2014.

Members' Shares: 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.

Members' Equity: The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of undivided earnings, is not available for the payment of dividends on members' shares.

Marketing Costs: Marketing costs are expensed as incurred.

Income Taxes: The Credit Union is exempt, by statute, from federal and state income taxes.

Reclassifications: Certain reclassifications have been made to the 2013 financial statements in order to conform to the classifications used in the current year.

NOTE 2 – SECURITIES AVAILABLE-FOR-SALE

The amortized cost, gross unrealized gains, gross unrealized losses, and fair value of securities available-for-sale are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2014				
U.S. Treasury securities	$ 10,002	$ 1	$ –	$ 10,003
U.S. government-sponsored enterprise securities	2,996	–	(35)	2,961
Mortgage-backed securities	591,211	5,074	(10,442)	585,843
Total securities available-for-sale	$ 604,209	$ 5,075	$ (10,477)	$ 598,807
September 30, 2013				
Mortgage-backed securities	$ 600,734	$ 6,073	$ (10,210)	$ 596,597

All of the mortgage-backed securities outstanding at September 30, 2014 and 2013 were issued by U.S. government agencies and U.S. government-sponsored enterprises.

At September 30, 2014 and 2013, securities available-for-sale with a fair value of $38,424,000 and $43,464,000, respectively, were pledged as collateral to secure actual borrowings from Alloya Corporate Federal Credit Union ("Alloya") and potential borrowings from FHLBNY.

Information pertaining to securities available-for-sale with gross unrealized losses at September 30, 2014 and 2013, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows (in thousands):

	Less Than Twelve Months		Twelve Months or More		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
September 30, 2014						
U.S. Treasury securities	$ –	$ –	$ –	$ –	$ –	$ –
U.S. government-sponsored enterprise securities	35	2,961	–	–	35	2,961
Mortgage-backed securities	1,335	150,184	9,107	203,656	10,442	353,840
Total	$ 1,370	$ 153,145	$ 9,107	$ 203,656	$ 10,477	$ 356,801
September 30, 2013						
Mortgage-backed securities	$ 9,266	$ 314,809	$ 944	$ 35,689	$ 10,210	$ 350,498

At September 30, 2014, there were 119 securities with unrealized losses. The Credit Union does not have the intent to sell any such securities and has determined that it will not be required to sell any such securities prior to the recovery of the amortized cost basis and that no credit impairment exists for any of the securities.

There were no sales of securities available-for-sale during the year ended September 30, 2014. Gross realized gains on sales of securities available-for-sale during the year ended September 30, 2013 were $5,000. There were no sales of securities available-for-sale at a loss during the year ended September 30, 2013.

The amortized cost and fair value of securities available-for-sale by contractual maturity at September 30, 2014 follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 10,002	$ 10,003
Due after one year through five years	2,996	2,961
Mortgage-backed securities	591,211	585,843
Total securities available-for-sale	$ 604,209	$ 598,807

Mortgage-backed securities are shown separately in the table above as they are not due at a single maturity date.

NOTE 3 – OTHER INVESTMENTS

The composition of other investments is as follows (in thousands):

	September 30, 2014	September 30, 2013
FHLBNY stock	$ 2,063	$ 2,665
NCUA Central Liquidity Facility stock	3,696	–
Total other investments	$ 5,759	$ 2,665

NOTE 4 – LOANS RECEIVABLE, NET

The composition of loans receivable, net is as follows (in thousands):

	September 30, 2014	September 30, 2013
Residential real estate:		
First mortgage	$ 501,289	$ 494,372
Home equity and second mortgage	70,817	72,269
Commercial real estate	225,693	199,618
Consumer:		
Unsecured credit card	28,510	28,688
Other unsecured	17,320	19,760
Secured	28,461	22,624
Business:		
Unsecured credit card	847	1,057
Other unsecured	1,642	1,965
Secured	107	183
Total loans receivable	874,686	840,536
Allowance for loan losses	(3,113)	(4,700)
Loans receivable, net	$ 871,573	$ 835,836

A summary of the activity in the allowance for loan losses by loan segment is as follows (in thousands):

	Residential Real Estate	Commercial Real Estate	Consumer	Business	Total
Year Ended September 30, 2014					
Beginning balance	$ 2,374	$ 905	$ 1,290	$ 131	$ 4,700
Charge-offs	(1,038)	(14)	(1,481)	(349)	(2,882)
Recoveries	252	–	224	20	496
Provision	(226)	(676)	1,215	486	799
Ending balance	$ 1,362	$ 215	$ 1,248	$ 288	$ 3,113
Year Ended September 30, 2013					
Beginning balance	$ 1,443	$ 597	$ 1,495	$ 189	$ 3,724
Charge-offs	(2,284)	(1,002)	(1,402)	(65)	(4,753)
Recoveries	229	99	98	101	527
Provision	2,986	1,211	1,099	(94)	5,202
Ending balance	$ 2,374	$ 905	$ 1,290	$ 131	$ 4,700

The following table sets forth the balance in the allowance for loan losses and the recorded investment in loans receivable by loan segment and based on impairment method (in thousands):

	Residential Real Estate	Commercial Real Estate	Consumer	Business	Total
September 30, 2014					
Allowance for Loan Losses:					
Individually evaluated for impairment	$ 246	$ –	$ 19	$ –	$ 265
Collectively evaluated for impairment	1,116	215	1,229	288	2,848
Total	$ 1,362	$ 215	$ 1,248	$ 288	$ 3,113
Loans Receivable:					
Individually evaluated for impairment	$ 16,130	$ 2,737	$ 130	$ –	$ 18,997
Collectively evaluated for impairment	555,976	222,956	74,161	2,596	855,689
Total	$ 572,106	$ 225,693	$ 74,291	$ 2,596	$ 874,686
September 30, 2013					
Allowance for Loan Losses:					
Individually evaluated for impairment	$ 353	$ –	$ 23	$ –	$ 376
Collectively evaluated for impairment	2,021	905	1,267	131	4,324
Total	$ 2,374	$ 905	$ 1,290	$ 131	$ 4,700
Loans Receivable:					
Individually evaluated for impairment	$ 19,682	$ 2,934	$ 118	$ –	$ 22,734
Collectively evaluated for impairment	546,959	196,684	70,954	3,205	817,802
Total	$ 566,641	$ 199,618	$ 71,072	$ 3,205	$ 840,536

The following table shows the classes within the loan portfolio segments allocated by payment activity. Loans are deemed performing if they are less than 90 days delinquent and still accruing interest.

	Payment Activity		
	Performing	Non-Performing	Total
	(In Thousands)		
September 30, 2014			
Residential real estate:			
First mortgage	$ 491,127	$ 10,162	$ 501,289
Home equity and second mortgage	69,968	849	70,817
Commercial real estate	222,055	3,638	225,693
Consumer:			
Unsecured credit card	28,376	134	28,510
Other unsecured	17,304	16	17,320
Secured	28,458	3	28,461
Business:			
Unsecured credit card	842	5	847
Other unsecured	1,632	10	1,642
Secured	107	–	107
Total	$ 859,869	$ 14,817	$ 874,686
September 30, 2013			
Residential real estate:			
First mortgage	$ 481,501	$ 12,871	$ 494,372
Home equity and second mortgage	71,538	731	72,269
Commercial real estate	196,510	3,108	199,618
Consumer:			
Unsecured credit card	28,519	169	28,688
Other unsecured	19,715	45	19,760
Secured	22,624	–	22,624
Business:			
Unsecured credit card	1,020	37	1,057
Other unsecured	1,962	3	1,965
Secured	183	–	183
Total	$ 823,572	$ 16,964	$ 840,536

The following table presents the aging of the recorded investment in past due loans receivable by loan class (in thousands):

	30 – 59 Days	60 – 89 Days	90 Days or Greater	Total Past Due	Current	Total
September 30, 2014						
Residential real estate:						
First mortgage	$ –	$ 1,816	$ 8,282	$ 10,098	$ 491,191	$ 501,289
Home equity and second mortgage	406	63	836	1,305	69,512	70,817
Commercial real estate	–	303	3,556	3,859	221,834	225,693
Consumer:						
Unsecured credit card	171	117	134	422	28,088	28,510
Other unsecured	68	58	16	142	17,178	17,320
Secured	20	10	3	33	28,428	28,461
Business:						
Unsecured credit card	–	–	5	5	842	847
Other unsecured	2	–	10	12	1,630	1,642
Secured	–	–	–	–	107	107
Total	$ 667	$ 2,367	$ 12,842	$ 15,876	$ 858,810	$ 874,686
September 30, 2013						
Residential real estate:						
First mortgage	$ –	$ 3,618	$ 10,789	$ 14,407	$ 479,965	$ 494,372
Home equity and second mortgage	310	244	650	1,204	71,065	72,269
Commercial real estate	–	12	3,108	3,120	196,498	199,618
Consumer:						
Unsecured credit card	170	116	169	455	28,233	28,688
Other unsecured	125	64	45	234	19,526	19,760
Secured	42	13	–	55	22,569	22,624
Business:						
Unsecured credit card	–	28	37	65	992	1,057
Other unsecured	102	–	3	105	1,860	1,965
Secured	–	–	–	–	183	183
Total	$ 749	$ 4,095	$ 14,801	$ 19,645	$ 820,891	$ 840,536

The Credit Union evaluates the credit quality of its loans receivable primarily based on the aging status of the loans.

Loans receivable on non-accrual status by loan class are summarized as follows (in thousands):

	September 30, 2014	September 30, 2013
Residential real estate:		
First mortgage	$ 10,162	$ 12,871
Home equity and second mortgage	849	731
Commercial real estate	3,638	3,108
Consumer:		
Unsecured credit card	134	169
Other unsecured	16	45
Secured	3	-
Business:		
Unsecured credit card	5	37
Other unsecured	10	3
Secured	-	-
Total	$ 14,817	$ 16,964

At September 30, 2014 and 2013, the Credit Union did not have any loans 90 days or more past due that were still accruing interest.

The following table presents the number of loans modified in TDRs and their recorded investments immediately prior to the modification and post-modification (dollars in thousands):

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Year Ended September 30, 2014			
Residential real estate:			
First mortgage	3	$ 1,274	$ 1,274
Consumer:			
Other unsecured	2	33	33
Year Ended September 30, 2013			
Residential real estate:			
First mortgage	3	$ 689	$ 689
Consumer:			
Other unsecured	2	98	98

During the year ended September 30, 2014, one first mortgage loan secured by residential real estate that was modified in a TDR with a recorded investment of $339,000 had a payment default within twelve months of modification. During the year ended September 30, 2013, there were no payment defaults of loans modified in TDRs within twelve months of modification.

Information concerning impaired loans receivable by loan class is summarized as follows (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
September 30, 2014					
With no related allowance:					
Residential real estate:					
First mortgage	$ 10,350	$ 12,336	$ –	$ 11,250	$ 436
Home equity and second mortgage	465	509	–	450	–
Commercial real estate	2,737	3,442	–	2,847	6
Consumer:					
Unsecured credit card	–	–	–	–	–
Other unsecured	37	37	–	28	4
Secured	–	–	–	1	–
Business:					
Unsecured credit card	–	–	–	–	–
Other unsecured	–	–	–	–	–
Secured	–	–	–	–	–
With a related allowance:					
Residential real estate:					
First mortgage	5,131	5,131	166	6,129	249
Home equity and second mortgage	184	184	80	161	3
Commercial real estate	–	–	–	–	–
Consumer:					
Unsecured credit card	–	–	–	–	–
Other unsecured	93	93	19	101	5
Secured	–	–	–	–	–
Business:					
Unsecured credit card	–	–	–	–	–
Other unsecured	–	–	–	–	–
Secured	–	–	–	–	–
Total impaired loans	$ 18,997	$ 21,732	$ 265	$ 20,967	$ 703

	Recorded Investment		Unpaid Principal Balance		Related Allowance		Average Recorded Investment		Interest Income Recognized	
September 30, 2013										
With no related allowance:										
Residential real estate:										
First mortgage	$	10,919	$	14,493	$	–	$	9,057	$	165
Home equity and second mortgage		850		1,042		–		493		–
Commercial real estate		2,934		3,623		–		2,455		–
Consumer:										
Unsecured credit card		–		–		–		–		–
Other unsecured		1		1		–		2		–
Secured		3		3		–		5		–
Business:										
Unsecured credit card		–		–		–		–		–
Other unsecured		–		–		–		–		–
Secured		–		–		–		–		–
With a related allowance:										
Residential real estate:										
First mortgage		7,774		7,774		322		7,561		296
Home equity and second mortgage		140		140		31		141		4
Consumer:										
Unsecured credit card		–		–		–		–		–
Other unsecured		113		113		23		53		3
Secured		–		–		–		–		–
Business:										
Unsecured credit card		–		–		–		–		–
Other unsecured		–		–		–		–		–
Secured		–		–		–		–		–
Total impaired loans	$	22,734	$	27,189	$	376	$	19,767	$	468

No additional funds were committed to be advanced in connection with the impaired loans outstanding at September 30, 2014 or 2013.

Unfunded commitments to extend credit consisted of the following (in thousands):

	September 30,	
	2014	**2013**
Commitments to grant real estate loans	$ 17,814	$ 22,265
Unfunded commitments under lines of credit:		
Real estate equity	55,427	54,779
Credit card	72,134	71,733
Other	23,775	26,434
Total unfunded commitments to extend credit	$ 169,150	$ 175,211

Loan commitments may expire without being drawn upon. Therefore, the total commitment amount does not necessarily represent future cash requirements of the Credit Union. These commitments are not reflected in the financial statements.

Members' ability to repay loans to the Credit Union may be affected by the economic climate of the geographic regions in which they reside. The Credit Union's members reside primarily in the New York City, New York and Chicago, Illinois metropolitan areas.

NOTE 5 – LOAN SERVICING

Loans serviced for others by the Credit Union are not included in the accompanying Statements of Financial Condition. The unpaid principal balances of first mortgage loans serviced for others were $86,815,000 and $82,881,000 at September 30, 2014 and 2013, respectively.

The following table summarizes activity pertaining to mortgage servicing rights, included in other assets on the Statement of Financial Condition (in thousands):

	Years Ended September 30, 2014	Years Ended September 30, 2013
Balance at beginning of year	$ 844	$ 578
Additions	84	136
Changes in fair value	(10)	130
Balance at end of year	$ 918	$ 844

NOTE 6 – PREMISES AND EQUIPMENT, NET

Premises and equipment, net is summarized as follows (in thousands):

	September 30, 2014	September 30, 2013
Land	$ 4,646	$ 4,646
Buildings	32,585	32,477
Leasehold improvements	3,477	4,119
Furniture and equipment	16,688	15,964
Total premises and equipment	57,396	57,206
Accumulated depreciation and amortization	(26,803)	(24,856)
Premises and equipment, net	$ 30,593	$ 32,350

Future minimum rent commitments under non-cancelable operating leases for premises at September 30, 2014 are as follows (in thousands):

Years Ending September 30,	
2015	$ 820
2016	829
2017	842
2018	610
2019	477
Thereafter	512
Total future minimum lease payments	$ 4,090

Rent expense for the years ended September 30, 2014 and 2013 for premises leased under operating leases totaled $1,110,000 and $1,143,000, respectively.

NOTE 7 – MEMBERS' SHARES

Members' shares are summarized as follows (in thousands):

	September 30, 2014	September 30, 2013
Regular shares	$ 782,232	$ 743,436
Share drafts	151,987	126,123
Money markets	28,927	28,141
Individual retirement account ("IRA") shares	77,680	69,994
Share and IRA certificates	349,204	379,101
Total members' shares	$ 1,390,030	$ 1,346,795

Scheduled maturities of share and IRA certificates as of September 30, 2014 are as follows (in thousands):

Years Ending September 30,	
2015	$ 144,002
2016	106,279
2017	29,680
2018	10,713
2019	58,530
Total share and IRA certificates	$ 349,204

The aggregate amounts of share and IRA certificates in denominations of $100,000 or more at September 30, 2014 and 2013 were $99,487,000 and $116,569,000, respectively.

Member accounts are insured to at least $250,000 by the NCUSIF. The NCUSIF is a federal insurance fund backed by the full faith and credit of the U.S. government.

NOTE 8 – BORROWED FUNDS

Borrowings from Alloya are as follows (dollars in thousands):

Maturity Date	Interest Rate	September 30, 2014	September 30, 2013
January 5, 2015	3.82 %	$ 10,000	$ 10,000
January 4, 2018	4.00	15,000	15,000
January 23, 2018	3.29	10,000	10,000
Total borrowed funds		$ 35,000	$ 35,000

The borrowing maturing January 5, 2015 is subject to repayment at the option of Alloya every three months.

NOTE 9 –LEGAL CONTINGENCIES

The Credit Union is a party to various legal actions in which claims for monetary damages are asserted. Because of the inherent difficulty of predicting the outcome of pending legal actions, the Credit Union cannot state what the eventual outcome of the pending legal actions will be. Based on current knowledge, management does not believe that liabilities, if any, arising from the legal actions will have a material adverse effect on the Credit Union's financial condition, results of operations, or liquidity.

NOTE 10 – EMPLOYEE BENEFITS

401(k) Plan

The Credit Union established a defined contribution 401(k) plan on January 1, 2013 that permits employees meeting specific age and length of service requirements to make contributions to the plan. The Credit Union makes matching contributions equal to 100% of the employees' contributions up to the first 3% of the employees' salaries and 50% of employees' contributions over 3% through 5% of the employees' salaries. The plan also provides for a discretionary contribution each plan year by the Credit Union. The expense of the 401(k) Plan was $432,000 and $331,000 for the years ended September 30, 2014 and 2013, respectively. The Credit Union did not make a discretionary contribution to the plan during the years ended September 30, 2014 and 2013.

Defined Benefit Pension Plan

Effective December 31, 2012, the Credit Union terminated its non-contributory defined benefit pension plan (the "Pension Plan") that had covered substantially all employees. All benefit accruals under the Pension Plan had ceased effective November 30, 2012 and no employee hired or rehired after that date was eligible for any benefits under the Pension Plan. The distribution of the assets of the Pension Plan to its participants was completed in September 2013.

Prior to its termination, the Pension Plan provided for benefits to be paid to eligible employees at retirement based primarily upon credited years of service and average compensation levels. Employees began vesting after three years of service at a rate of 20% per year and become fully vested after seven years of service.

In accordance with U.S. GAAP, the Credit Union was required to recognize the overfunded or underfunded status of the Pension Plan as an asset or liability, respectively, in its Statement of Financial Condition and to recognize changes in that funded status in the year in which the changes occurred through other comprehensive income (loss).

The following table set forth information regarding the Pension Plan (in thousands):

	Year Ended September 30, 2013
Net pension cost	$ 4,518
Other changes in plan assets and benefit obligations recognized in other comprehensive income/(loss):	
Amortization of actuarial loss	(65)
Loss due to curtailment	(3,556)
Loss due to settlement	(4,087)
Total recognized in other comprehensive income/(loss)	(7,708)
Total recognized in net periodic benefit cost and other comprehensive income/(loss)	$ (3,190)
Employer contributions	$ 3,209
Benefits paid	$ 17,289

Weighted-average assumptions used to determine net periodic pension cost for the Pension Plan were as follows:

	Year Ended September 30, 2013
Discount rate	4.00%
Expected long-term return on plan assets	6.50
Rate of compensation increase	2.50

The expected long-term return on plan assets was determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio.

NOTE 11 – 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 financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action ("PCA"), 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 U.S. GAAP. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the following table) of net worth to total assets. Further, credit unions over $10,000,000 in assets are also required to calculate a Risk-Based Net Worth ("RBNW") requirement which establishes whether or not the credit union will be considered "complex" under the regulatory framework. The Credit Union's RBNW requirements as of September 30, 2014 and 2013 were 6.75% and 7.22%, respectively. The minimum ratio to be considered "complex" under the regulatory framework is 6.00%. Management believes, as of September 30, 2014 and 2013, that the

Credit Union meets all capital adequacy requirements to which it is subject.

As of September 30, 2014, the most recent call reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for PCA. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7.00% of assets and meet any applicable RBNW requirement. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual and required capital amounts and ratios are presented in the following table (dollars in thousands):

	Actual		**To be Adequately Capitalized Under PCA Provisions**		**To be Well Capitalized Under PCA Provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
September 30, 2014						
Net worth	$152,839	9.64%	$95,037	6.00%	$110,876	7.00%
September 30, 2013						
Net worth	$140,734	9.19%	$91,791	6.00%	$107,089	7.00%

Because the RBNW requirement is less than the net worth ratio, the Credit Union retains it original category. Further, in performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

NOTE 12 – RELATED PARTY TRANSACTIONS

In the normal course of business, the Credit Union extends credit to its directors, supervisory committee members and executive officers. The aggregate loans to related parties totaled $4,868,000 and $4,024,000 at September 30, 2014 and 2013, respectively. Deposits from related parties amounted to $1,979,000 and $1,451,000 at September 30, 2014 and 2013, respectively.

NOTE 13 – FAIR VALUES OF FINANCIAL INSTRUMENTS

As defined in U.S. GAAP, 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 at the measurement date.

In accordance with U.S. GAAP, the Credit Union groups its financial assets and financial liabilities generally measured at fair value in the three levels set forth below, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1 - Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

- Level 3 - Valuations are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following table presents assets measured at fair value on a recurring basis by classification within the fair value hierarchy (in thousands):

	Carrying Value			
	Level 1	Level 2	Level 3	Total
September 30, 2014				
Securities available-for-sale:				
U.S. Treasury securities	$ 10,003	$ –	$ –	$ 10,003
U.S. government sponsored enterprise securities	–	2,961	–	2,961
Mortgage-backed securities	–	585,843	–	585,843
Total securities available-for-sale	10,003	588,804	–	598,807
Mortgage servicing rights	–	–	918	918
Total	$ 10,003	$ 588,804	$ 918	$ 599,725
September 30, 2013				
Securities available-for-sale:				
Mortgage-backed securities	$ –	$ 596,597	$ –	$ 596,597
Mortgage servicing rights	–	–	844	844
Total	$ –	$ 596,597	$ 844	$ 597,441

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs (in thousands):

	Mortgage Servicing Rights	
	September 30,	
	2014	2013
Balance at beginning of year	$ 844	$ 578
Total realized (losses) gains included in net income	(10)	130
Additions	84	136
Balance at end of year	$ 918	$ 844

The following table presents assets measured at fair value on a non-recurring basis by classification within the fair value hierarchy (in thousands):

	Carrying Value			
	Level 1	Level 2	Level 3	Total
September 30, 2014				
Impaired loans receivable	$ –	$ –	$ 5,513	$ 5,513
Real estate owned	–	–	1,118	1,118
Total	$ –	$ –	$ 6,631	$ 6,631
September 30, 2013				
Impaired loans receivable	$ –	$ –	$ 7,316	$ 7,316
Real estate owned	–	–	479	479
Total	$ –	$ –	$ 7,795	$ 7,795

Impaired loans: In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or 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. 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.

Impairment amounts on impaired loans represent specific valuation allowance and write-downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged-off.

Foreclosed Assets: Foreclosed assets are recorded at fair value based on property appraisals, less estimated selling costs, at the date of the transfer with any impairment amount charged to the allowance for loan losses. Subsequent to the transfer, foreclosed assets are carried at the lower of cost or fair value, less estimated selling costs with changes in fair value or any impairment amount recorded in other non-interest expense. Values are estimated using Level 3 inputs based on customized discounting criteria. The carrying value of foreclosed assets is not re-measured to fair value on a recurring basis but is subject to fair value adjustments when the carrying value exceeds the fair value, less estimated selling costs.

The following methods and assumptions were used by the Credit Union in estimating fair values of financial instruments disclosed herein:

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

Securities available-for-sale: The fair values for securities available-for-sale are based on quoted market prices, if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The Credit Union obtains fair value measurements for securities available-for-sale from an independent pricing service. The fair value measurements consider observable data that may include, among other things, dealer quotes, market spreads, cash flows, reported trades, trade execution data, market consensus prepayment speeds, credit information, and the securities' terms and conditions.

Other investments: The carrying amounts of other investments approximate their fair value.

Loans receivable, net: For variable rate loans that reprice frequently, fair values are based on carrying values. Fair values for certain impaired loans are estimated using underlying collateral values. The fair value for other loans is determined by discounting the estimated cash flows, adjusted for prepayments, using the current rate at which similar loans would be made to borrowers with similar credit ratings and maturities.

Loans held-for-sale: The fair value of loans held-for-sale is estimated based on current secondary market prices for loans with similar terms.

Mortgage servicing rights: The fair value of mortgage servicing rights is computed by an independent third party using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates various market-based assumptions, including discount rates, prepayment speeds, servicing income, servicing costs, and default rates.

Members' shares: The fair values of regular shares, share drafts, money market accounts, and IRA shares are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). Fair values of share and IRA certificates are estimated by discounting the estimated contractual cash flows using rates currently offered for alternative funding sources of similar remaining maturities.

Borrowed funds: The fair values of borrowed funds are estimated based on the discounted value of contractual cash flows using rates currently offered for similar types of borrowing arrangements.

Accrued interest receivable and payable: The carrying values of accrued interest receivable and accrued interest payable approximate their fair values.

Off-balance sheet financial instruments: The fair values of off-balance sheet commitments are estimated based on fees charged to enter into similar agreements, taking into account the remaining terms of the agreements and credit standing of the members. The fair value for such financial instruments is nominal.

The carrying values and estimated fair values of the Credit Union's financial instruments are summarized as follows (in thousands):

	September 30, 2014		September 30, 2013	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets:				
Cash and cash equivalents	$ 53,839	$ 53,839	$ 39,634	$ 39,634
Securities available-for-sale	598,807	598,807	596,597	596,597
Other investments	5,759	5,759	2,665	2,665
Loans held-for-sale	–	–	460	469
Loans receivable, net	871,573	870,040	835,836	829,917
Accrued interest receivable	4,311	4,311	4,436	4,436
Mortgage servicing rights	918	918	844	844
Financial Liabilities:				
Members' shares	1,390,030	1,392,629	1,346,795	1,352,417
Borrowed funds	35,000	36,820	35,000	40,334
Accrued interest payable	933	933	959	959