Quorum
FEDERAL CREDIT UNION

2014 Annual Report

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Banking Without Compromise.

Sometimes when you strip everything away, you're left with only the best. We've been busy simplifying and streamlining to make sure that what we're bringing you is just that: the best products, the best rates, the best member experience we can offer.

We're working hard every day to make your money work harder. No fluff, no gimmicks, no pages of fine print. Simply: the best.

Our Management Team

VOFCO Board of Managers, from left to right: Greg Cooper, Graham Hunt, Bruno Sementilli, Tavis Briechle, Mark Werner

Board of Directors

Our Board of Directors, pictured above, from left to right, and their corporate affiliation (date of Board membership initiation, in parenthesis):

Mark Werner (Treasurer) – *Retired, Altria Group, Inc. (1998)*
Sandra Schirmang – *Retired, Kraft Foods Inc. (2009)*
Kathy Lampe – *Humana (2008)*
Kevin Holly (Chairman) – *Retired, Altria Group, Inc. (1989)*
Jan Price (Vice Chairperson) – *Retired, Kraft Foods Inc. (1994)*
Gary Conte – *Retired, Kraft Foods Inc. (2012)*
Jonathan Parker – *RedWorks North America, Ogilvy (2013)*
Steven Klepfer (Secretary) – *Retired, Philips Electronics (1997)*
Joseph P. Vallaro (not pictured) – *Retired, Kraft Foods Inc. (2011)*
Michael Fiore (not pictured) – *MasterCard (2014)*
Dan DeSio (not pictured) – *Retired, Kraft Foods Inc. (2014)*

Senior Management Team

Bruno Sementilli, *President & CEO*
Jeffrey Pachter, *COO/CFO*
Tyson Blackburn, *Vice President of Lending*
Tavis Briechle, *Vice President of Finance*
George Cacchiani, *Vice President of Information Technology & Facilities*
Kimberly Schade, *Vice President of Marketing & Business Development*
Glenn Shuster, *Vice President of Human Resources & Training*
Diane Slifstein, *Vice President of Operations & Member Services*

Supervisory Committee

Sandra Schirmang – *Kraft Foods Inc. (2009)*
Joseph P. Vallaro – *Retired, Kraft Foods Inc. (2011)*
Dan DeSio – *Retired, Kraft Foods Inc. (2014)*

VOFCO Board of Managers

Bruno Sementilli – Chairman
Tavis Briechle - Manager, Treasurer & Secretary
Mark Werner – Manager
Greg Cooper – Manager
Graham Hunt – Manager

Company Officers

Todd Fasanella – CEO
Greg Cooper – Chief Investment Officer
John Campbell – General Counsel
Graham Hunt – Chief Credit Officer

Service Center Locations

Illinois

Champaign (Kraft Foods Plant Facility)
Chicago (Mondelēz International Plant Facility)
Deerfield (Mondelēz International)
Glenview (Kraft Foods Technical Center)
Northfield (Kraft Foods Global, Inc. Corporate Headquarters)

New Jersey

East Hanover (Mondelēz International North America Headquarters)

New York

Bronx (James J. Peters VA Medical Center)
Manhattan (The Ogilvy Group, Inc.)
Suffern (Quorum Federal Credit Union)

South Carolina

Newberry (Louis Rich Plant Facility)

Wisconsin

Madison (Oscar Mayer Plant and Management Center)

Our Management Team

Banking without Compromise.

2014 saw us continue the process we started in 2013 of building a better Quorum through simplifying and streamlining our services. We launched our new website at quorumfcu.org last March, relying heavily on member feedback. We simplified every chance we got, implementing a clean, bright, minimal look, and designed our site so that members could engage with us using the device of their choice: PC, tablet or mobile phone. Changes—including an updated logo and typeface—now reflect a more modern Quorum. Simplifying resulted in a 50 percent reduction in pages, making it easier for visitors to find what they're looking for.

Our online banking experience was also completely re-vamped, improving continuity with our website, and offering more streamlined and intuitive navigation. We introduced a mobile banking app for both iOS and Android, with great new tools like mobile deposits and mobile bill pay. This is more important than ever as we continue to grow: since 2013, we have grown 22% to over 75,000 members.

New Products and Partners
Our new MasterCard® credit cards (World, Cash Back World and RateWise) have been eagerly adopted, and offer exciting new features like advanced EMV chip technology, Fuel Rewards, and Zero Liability. We also unveiled a liquid savings account—HighQ—to our membership with a rate two times above the national average.* Over 4,000 HighQ accounts were opened in 2014, which helped our total deposit balance grow 8.3% from the previous year, to $748 million.

In addition to our successful Vacation Ownership partnerships (VO loan membership grew 18% in 2014), we have begun partnering with hundreds—soon to be thousands—of leading independent and brand name hearing loss manufacturers and distributors nationwide. We are thrilled to be providing such a valuable service to the new members we've taken on as a result of our partnerships and are excited to introduce them to all that we have to offer.

Our co-brand credit card program continues to be successful as well. We launched this program with some of our VO partners last year in an effort to enhance members' vacation ownership experiences by offering rewards. Last year, we added over 10,000 members through this channel (190% growth), and have loaned over $43 million, a 116% increase from 2013.

Planning for 2015
We are also changing data processing systems this year. This is no small feat since our core system controls virtually everything we do, including all the products and services we offer. It currently enables us to perform all member requests and transactions and record activity. Converting systems will make us more efficient, save money on the cost of operations, and align us for future success.

We thank our members, employees and Board of Directors, without whom we could not achieve the ambitious goals we set for ourselves each and every year. We are honored and privileged to be your financial services provider.

Sincerely,

BRUNO SEMENTILLI
PRESIDENT/CEO

KEVIN HOLLY
CHAIRMAN

*As of 12/01/14 according to Bankrate.com.

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Supervisory Committee
Quorum Federal Credit Union
Purchase, New York

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Quorum Federal Credit Union, which comprise the consolidated statements of financial condition as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 financial position of Quorum Federal Credit Union as of December 31, 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.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
April 24, 2015

December 31, 2014 and 2013 (dollars in thousands)
For the years ended December 31, 2014 and 2013 (dollars in thousands)

	2014	2013
ASSETS		
Cash and cash equivalents	$ 34,348	$ 26,407
Certificates of deposit	100	100
Available for sale securities	67,052	64,853
Membership capital stock investments, at cost	4,446	1,346
Loans held for sale	98,588	-
Loans, net	633,678	655,442
Accrued interest receivable	3,807	3,603
Leasehold improvements and equipment, net	7,114	6,496
Deposit in National Credit Union Share Insurance Fund	5,926	5,577
Other assets	15,464	15,078
Total Assets	**$ 870,523**	**$ 778,902**
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share accounts	$ 747,980	$ 690,837
Borrowed funds	47,000	12,000
Accrued expenses and other liabilities	9,044	11,136
Total Liabilities	**804,024**	**713,973**
Members' Equity		
Retained earnings, substantially restricted	68,811	66,136
Accumulated other comprehensive income (loss)		
Defined benefit pension and other post retirement benefits	(2,853)	(1,136)
Unrealized gain on available for sale securities	1,188	615
Total	(1,665)	(521)
Total Members' Equity	**67,146**	**65,615**
Noncontrolling interest	(647)	(686)
Total Equity	**66,499**	**64,929**
Total Liabilities and Members' Equity	**$ 870,523**	**$ 778,902**

See accompanying notes to the consolidated financial statements.

	2014	2013
INTEREST INCOME		
Loans	$ 33,931	$ 29,930
Available for sale securities	1,637	1,750
Share certificates and other interest bearing deposits at corporate credit unions	3	4
Other	225	372
Total Interest Income	**35,796**	**32,056**
INTEREST EXPENSE		
Dividends on members' share accounts	4,858	4,053
Interest expense on borrowed funds	428	268
Total Interest Expense	5,286	4,321
Net Interest Income	30,510	27,735
PROVISION FOR LOAN LOSSES	4,716	2,229
Net Interest Income After Provision for Loan Losses	**25,794**	**25,506**
NON-INTEREST INCOME		
Checking fees	1,032	1,096
Credit card fees	2,953	1,909
Check card fees	1,016	1,011
Late fees	137	165
Gain on sales of loans	556	819
Gain on sale of available for sale securities	468	835
Net gain (loss) on sales of assets	(60)	100
Other fees	1,420	1,568
Total Non-Interest Income	**7,522**	**7,503**
NON-INTEREST EXPENSES		
Employee compensation and benefits	17,001	17,028
Office operations	2,986	2,199
Loan processing	4,329	3,443
Professional fees and other outside services	2,878	2,663
Office occupancy	1,020	1,957
Marketing and promotional	997	1,037
Travel and conference	437	394
Insurance premium assessment	-	446
Other non-interest expenses	954	379
Total Non-Interest Expenses	**30,602**	**29,546**
Net Income	**2,714**	**3,463**
Add: Net (Income) Loss Attributable to the Noncontrolling Interest	**(39)**	**50**
Net Income Attributable to Quorum Federal Credit Union	**$ 2,675**	**$ 3,513**

See accompanying notes to the consolidated financial statements.

For the years ended December 31, 2014 and 2013 (dollars in thousands)

	2014	2013
Net Income	$ 2,714	$ 3,463
Other comprehensive income (loss):		
Unrealized gains/losses on securities:		
Net unrealized holding gain (loss) arising during the period	1,041	(1,099)
Reclassification adjustment for gains on securities realized in income	(468)	(835)
Defined benefit pension and healthcare plans:		
Net gain (loss) arising during the period	(1,836)	881
Reclassification adjustment for amortization of prior service cost and net gain included in periodic pension cost	119	125
Total other comprehensive loss	(1,144)	(928)
Comprehensive income	**$ 1,570**	**$ 2,535**

See accompanying notes to the consolidated financial statements.

	Retained Earnings					
	Statutory Reserve	Undivided Earnings	Total	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
Balance at January 1, 2013	**$ 11,453**	**$ 51,170**	**$ 62,623**	**$ 407**	**$ (636)**	**$ 62,394**
Net income (loss)	-	3,513	3,513	-	(50)	3,463
Other comprehensive loss	-	-	-	(928)	-	(928)
Balance at December 31, 2013	**11,453**	**54,683**	**66,136**	**(521)**	**(686)**	**64,929**
Net income	-	2,675	2,675	-	39	2,714
Other comprehensive loss	-	-	-	(1,144)	-	(1,144)
Balance at December 31, 2014	**$ 11,453**	**$ 57,358**	**$ 68,811**	**$ (1,665)**	**$ (647)**	**$ 66,499**

See accompanying notes to the consolidated financial statements.

For the years ended December 31, 2014 and 2013 (dollars in thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,714	$ 3,463
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	4,716	2,229
Valuation for mortgage servicing rights	105	(347)
Depreciation and amortization	1,143	1,117
Amortization of mortgage servicing rights	98	311
Net (gain) loss on disposal of assets	60	(100)
Gain on sale of securities	(468)	(835)
Net amortization of securities premiums and discounts	763	1,991
Proceeds from sale of loans	14,371	36,341
Loans originated for sale	(20,561)	(35,523)
Net gain on sale of loans	(556)	(819)
Writedown of OREO property	14	189
Change in deferred loan fees/costs, net	(844)	(267)
Increase in accrued interest receivable	(204)	(453)
Increase in other assets	(922)	(3,598)
Increase in accrued expenses and other liabilities	(3,809)	4,047
Net cash provided by operating activities	**(3,380)**	**7,746**
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of certificates of deposit	-	3,197
Purchases of certificates of deposit	-	(1,200)
Proceeds from maturities and prepayments of available for sale securities	8,949	45,006
Proceeds from sale of available for sale securities	14,177	32,672
Purchase of available for sale securities	(25,047)	(24,834)
Purchase of membership capital stock investment	(3,100)	(304)
Increase in loans receivable	(104,440)	(92,788)
Decrease (increase) in deposit in National Credit Union Share Insurance Fund	(349)	47
Proceeds from sale of repossessed assets	758	1,050
Purchases of leasehold improvements and equipment	(1,762)	(5,448)
Proceeds from repurchase of vacation ownership loans by developers	29,992	-
Net cash used in investing activities	**(80,822)**	**(42,602)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' share accounts	57,143	17,999
Proceeds from borrowed funds	200,177	25,000
Repayment of borrowed funds	(165,177)	(18,000)
Net cash provided by financing activities	**92,143**	**24,999**
Increase (decrease) in cash and cash equivalents	**7,941**	**(9,857)**
Cash and cash equivalents at beginning of year	**26,407**	**36,264**
Cash and cash equivalents at end of year	**$ 34,348**	**$ 26,407**
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Net change in unrealized gains (losses) on available for sale securities	$ 573	$ (1,934)
Transfer of loans to repossessed assets	33	145
Transfer of loans to real estate owned	465	1,737
Transfer of vacation ownership loans to held for sale	91,842	-
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for dividends and interest	**$ 5,336**	**$ 4,264**

See accompanying notes to the consolidated financial statements.

NOTE 1: Nature of Business and Summary of Significant Accounting Policies

Nature of business and principles of consolidation:
Quorum Federal Credit Union, formerly known as Kraft Foods Federal Credit Union, (the "Credit Union") is chartered under the Federal Credit Union Act and is administratively responsible to the National Credit Union Administration.

The Credit Union provides financial services through its branch locations and remote services. Its primary deposit products are checking, savings, money market and term certificate accounts, and its primary lending products are residential mortgage, credit cards, student loans, and unsecured installment loans. A majority of loans are secured by specific items of collateral including consumer assets and residential real estate.

The Credit Union also participates in loan programs through established relationships with vacation ownership companies, colleges, and other credit unions.

The consolidated financial statements include Quorum Federal Credit Union and its 79% owned subsidiary, Vacation Ownership Funding Company, LLC, together referred to as "the Credit Union." The Vacation Ownership Funding Company, LLC was formed during 2009 for the purposes of providing consultative services on the Credit Union's behalf to the time share industry in offering financing solutions to vacation ownership companies. Intercompany transactions and balances are eliminated in consolidation.

In 2012, Kraft Foods Inc. changed its name to Mondelēz International, Inc. and spun-off its North American grocery business into a new company called Kraft Foods Group, Inc. The Credit Union's field of membership includes not only full-time employees, retirees, immediate family members and households of Kraft Foods Group, Inc., Mondelēz International and Altria Group, Inc. and other subsidiaries (the "Sponsor Companies") but also other employee groups and associations. A large concentration of the Credit Union's membership includes employees of Kraft Foods Group, Inc., Mondelēz International, Altria Group, Inc. and indirect loan members of the Vacation Ownership Funding Company, LLC. The Credit Union provides a full range of financial services to its members from branch locations in New York, Illinois, Wisconsin, South Carolina and New Jersey.

Subsequent events:
The Credit Union has evaluated subsequent events for recognition and disclosure through April 24, 2015 which is the date the financial statements were available to be issued.

Basis of financial statement presentation and use of estimates:
The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and general practices within the credit union industry. In preparing the financial statements, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the date of the statement of financial condition and reported amounts of income and expenses for 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 and corporate credit unions (including cash items in process of collection), federal funds sold (which generally have a one-day

See accompanying notes to the consolidated financial statements.

NOTE 1: Nature of Business and Summary of Significant Accounting Policies (continued)

maturity) and all highly liquid debt instruments with original maturities of three months or less. Cash flows from loans and members' share accounts are reported net. The Credit Union maintains amounts due from banks and share deposits in corporate credit unions, which at times may exceed insured limits. The Credit Union has not experienced any losses from such concentrations.

Certificates of deposit:
Certificates of deposit are carried at cost. Individual balances may exceed insured limits at times. The Credit Union has not experienced any losses from such concentrations.

Securities:
Management determines the appropriate classification of securities at the date individual securities are acquired. Securities classified as "available for sale" are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss).

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized using the interest method over the terms of the securities without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, Management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Loans held for sale:
Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors or from a third party valuation. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of loans are based on the difference between the selling price and the carrying value of the related loan sold. At December 31, 2014 and 2013, mortgage loans held for sale were $6,746 and $0. At December 31, 2014 certain vacation ownership loans are classified as held for sale which is more fully described in Note 4. These loans are required to be carried at the lower of cost or fair value. Management believes that the fair value of these loans exceed cost, and therefore, these loans are carried at amortized cost at December 31, 2014. Management has not identified specific loans to be classified as held for sale, but has specifically identified the amount of such loans to be sold if the loans were to be sold as of December 31, 2014.

NOTE 1: Nature of Business and Summary of Significant Accounting Policies (continued)

Membership capital stock investment
Membership Capital Investment Stock consists of Federal Home Loan Bank (FHLB) stock and Central Liquidity Facility (CLF) stock.

The Credit Union is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Cash dividends are reported in income.

The Credit Union's membership in the Central Liquidity Facility provides access to a federal liquidity source for the primary purpose of emergency liquidity and contingency funding. The facility requires a capital stock subscription equal to ½ of one percent of the Credit Union's average paid-in and unimpaired capital and surplus. Half of this stock subscription is paid to the facility, and the other half is available on call. Quarterly cash dividends on the facility paid portion of the stock subscription are reported in income.

Loans:
Loans that Management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of the allowance for loan losses, adjusted for net loan origination fees. Interest income on loans is recognized as earned using the simple interest method applied to the outstanding principal balance of the loans. Loan origination fees, net of direct origination costs, are deferred and amortized as an adjustment of loan yield over the contractual life of the loan. The recorded investment in loans includes accrued interest receivable.

Interest income on first and second mortgages and consumer loans is discontinued when the loan is 90 days past due based on contractual terms, pursuant to statutory regulation. Consumer loans are typically charged off no later than 120 days past due, unless Management has reason to believe the loan is collectible. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful. Loans past 90 days still on accrual include vacation ownership loans that are collectively evaluated for impairment. Subsequent recognition of income occurs only to the extent payment is received subject to Management's assessment of the collectability of the remaining principal and interest.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest income on impaired loans is recognized only to the extent that cash payments are received and may be recorded as a reduction to the principal if collectability of all loan principal is unlikely. A nonaccrual loan is restored to accrual status when it is no longer 90 days delinquent and collectability of interest and principal is no longer in doubt.

Allowance for loan losses:
The allowance for loan losses is a valuation allowance for probable incurred credit losses through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when Management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

NOTE 1: Nature of Business and Summary of Significant Accounting Policies (continued)

A loan is impaired when, based on current information and events, it is probable the Credit Union will be unable to collect all contractual principal and interest payments due in accordance with the terms of the original loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired. 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 shortfall in relation to the principal and interest owed.

First and second mortgage real estate loans and commercial participations over $10 are individually evaluated for impairment. Consumer loans over $10, if secured by collateral, or $5 if not secured by collateral, that are on nonaccrual status are also individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral less estimated selling costs, if the loan is collateral dependent. Large groups of smaller balance homogeneous loans, including vacation ownership and taxi participations, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Credit Union determines the amount of reserve in accordance with accounting policy for the allowance for loan losses.

The allowance for loan losses is evaluated on a regular basis by Management and is based upon Management's periodic review of the collectibility 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, prevailing economic conditions and other factors. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Credit Union over the past two to five years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. 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 in lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified: first mortgages, second mortgages, consumer, vacation ownership and commercial.

NOTE 1: Nature of Business and Summary of Significant Accounting Policies (continued)

The Credit Union has established credit policies applicable to each type of lending activity in which it engages. The Credit Union evaluates the creditworthiness of each member and, in most cases, extends credit of up to a specified percent of the market value of the collateral at the date of the credit extension, depending on the borrower's creditworthiness and the type of collateral. While collateral provides assurance as a secondary source of repayment, the Credit Union ordinarily requires the primary source of repayment to be based on the borrower's ability to generate continuing cash flows. The market value of collateral is monitored on an ongoing basis. Specific risk characteristics of the Credit Union's portfolio segments include:

First and Second Mortgages
Real estate is the primary form of collateral for a substantial portion of the Credit Union's loans. For real estate loans, the Credit Union's policy for collateral requires that, generally, the amount of the loan may not exceed 80% of the original appraised value of the property; however, in certain cases loans will be granted up to 100% of the appraised value with private mortgage insurance.

Residential participation loans are collateralized by residential real estate property. The Credit Union owns a percentage of each loan, ranging between 50% to 90%. These loans can be a combination of fixed rate and adjustable rate mortgages.

Consumer
Vehicle loans are secured by automobiles. Vehicle loans may be granted up to 100% of the purchase price of the vehicle including taxes, registration and insurance. Other types of secured loans are primarily collateralized by stock or savings of the borrower.

Other consumer loans, including credit cards, unsecured loans and student loans, are evaluated based on the borrower's ability to pay.

Vacation Ownership
The Credit Union, beginning in 2009, entered into financing agreements with several vacation ownership companies to provide loans for the purchase of vacation ownership intervals. The loans are purchased at a discount (65% to 90% of loan balance in 2014 and 2013). The discount amount is netted against the loan balances as a hold-back by the Credit Union and paid to the vacation ownership company over the term of the loan, as interest and principal is paid to the Credit Union. This holdback feature minimizes the credit risk on this portfolio. The loans generate a fixed rate of interest agreed to by both parties (4.50% to 8.00% in 2014 and 2013). The stated rate on the loans are in excess of the fixed rate paid to the Credit Union and therefore the excess interest spread provides additional credit enhancement. The agreements require loan payments received to be disbursed in accordance with the waterfall, which provides the Credit Union with a senior priority to the cash flows.

Commercial
Commercial participation loans are collateralized by commercial real estate property. The Credit Union owns a percentage of each loan, ranging between 50% to 90%. Historically, the Credit Union has not experienced any losses on the commercial loan portfolio.

NOTE 1: Nature of Business and Summary of Significant Accounting Policies (continued)

Taxi participation loans are collateralized by taxi medallions, primarily in the cities of Philadelphia, New York, Boston, and Chicago. The Credit Union owns a percentage of each loan, primarily between 80% and 90%. Historically, the Credit Union has not experienced any losses on taxi participation loans.

Management believes that the allowance for loan losses covers probable incurred losses. While Management uses the best information available to make its evaluation, future adjustments to the allowance for loan losses may be necessary if there are significant changes in economic conditions, particularly in the New York tri-state region and Illinois, or economic matters affecting employment at Kraft Foods Group Inc., Mondelēz International and Altria Group, Inc. (See "Nature of Business" section for other information). In addition, the National Credit Union Administration ("NCUA"), as an integral part of its examination process, periodically reviews the Credit Union's allowance for loan losses. The NCUA has the authority to require the Credit Union to make adjustments to the allowance or charge-offs based on their judgments about information available to them at the time of their examination.

The Credit Union's real estate loans are collateralized by real estate located principally in New York and Illinois. Accordingly, the collateral value of a substantial portion of the Credit Union's loan portfolio is susceptible to changes in market conditions within these states.

Transfers of financial assets:
Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Credit Union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the transferor does not maintain effective control over the transferred assets through an agreement to purchase them before their maturity.

Servicing rights:
Servicing rights are recognized as separate assets when rights are acquired through purchase or through sale of financial assets.

For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on the fair value of the servicing rights. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. The Credit Union compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. Capitalized servicing rights are reported in other assets and are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to the carrying amount. Impairment is determined by stratifying rights into tranches based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance and charged to other expense, for an individual tranche, to the extent that fair value is less than the capitalized amount of the tranche. If the Credit Union later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to non-interest income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.
Servicing fee income, which is reported on the income statement as non-interest income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights, and any related impairment charge, is netted against loan servicing fee income.

NOTE 1: Nature of Business and Summary of Significant Accounting Policies (continued)

Real estate owned assets:
Assets acquired through or instead of loan foreclosure are initially recorded at fair value less cost to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Leasehold improvements and equipment:
Leasehold improvements and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated lives of the assets, which range from 3-15 years. Leasehold improvements are amortized on the straight-line basis over the shorter of the remaining lease term or the estimated useful lives of the improvements. Gains and losses on dispositions are recognized upon realization. Maintenance and repairs are expensed as incurred and improvements are capitalized. Minimum lease payments for operating leases are charged to expense on the straight-line basis over the expected lease term.

Impairment of long-lived assets:
Long-lived assets, including leasehold improvements and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment is indicated by that review, the asset is written down to its estimated fair value through a charge to non-interest expense.

Deposit in National Credit Union Share Insurance Fund:
The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1% of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. Generally, the NCUSIF deposit is non-interest-bearing. However, a special dividend may be paid on the NCUSIF deposit if the NCUSIF maintains a predetermined amount of reserves. In June 2009, the NCUA Board created the Stabilization Fund. The Stabilization Fund has the ability to borrow from the Treasury Department. The NCUSIF is prohibited from paying dividends while the Stabilization Fund has outstanding borrowings from the Treasury. The amount which would normally be paid as a dividend will be distributed to the Stabilization Fund during this period.

Insurance premiums:
A Credit Union is required to pay an insurance premium equal to one-twelfth of 1% of its total insured shares, unless the payment is waived or reduced by the NCUA Board. In 2014, the payment was waived by the NCUA. In 2013, the NCUA Board approved a premium assessment of 8 basis points for insured deposits under $250 at June 30, 2013. The Credit Union recorded expense of $0 and $446 for this premium in 2014 and 2013, respectively.

December 31, 2014 and 2013 (dollars in thousands)

NOTE 1: Nature of Business and Summary of Significant Accounting Policies (continued)

Loan commitments and related financial instruments:
Financial instruments include off-balance sheet credit commitments, such as commitments to make loans, available lines of credit and outstanding loan purchase commitments. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Members' share accounts:
Members' share accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' share accounts are based on available earnings at the end of an interest period and are not guaranteed by the Credit Union. Dividend rates on members' share accounts are set by Management, based on an evaluation of market conditions.

Members' equity:
The aggregate amount of members' equity arises from the accumulated earnings of the Credit Union, after payment of dividends to members. The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of dividends. The Board of Directors may, from time to time, make additional appropriations from retained earnings, which would also be restricted as to the payment of dividends.

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

Pension and post-retirement benefits:
Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Employee 401(k) expense is the amount of matching contributions.

Comprehensive income (loss):
Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income (loss). Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities and pension liability adjustments, are reported as a separate component of the members' equity section of the statement of financial condition, such items, along with net income (loss), are components of comprehensive income (loss).

Loss contingencies:
Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Fair value of financial instruments:
Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 15. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2014 and 2013:

	2014	2013
Cash on hand	$ 2,500	$ 2,516
Certificates of deposit maturing within 90 days	-	100
Demand deposits at banks	21,595	19,577
Shares at corporate credit unions	10,253	4,214
Total cash and cash equivalents	$ 34,348	$ 26,407

The Credit Union is required to maintain reserves against its respective transaction accounts and nonpersonal time deposits. The Credit Union was required to have cash and liquid assets of $3,147 and $3,094 to meet these requirements at December 31, 2014 and 2013, respectively.

Note 3: Available for Sale Securities

A summary of the amortized cost, gross unrealized gains and losses, and fair value of available for sale securities at December 31, 2014 and 2013 is as follows:

2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mutual Fund - Investment in Deferred Compensation 457(b) Plan	$ 81	$ -	$ -	$ 81
Mutual or Exchange Traded Funds - Investment in Total Benefit Pre-Funding Program	10,334	2	(134)	10,202
Equities - Investment in Total Benefit Pre-Funding Program	5,571	845	(56)	6,360
Government-Sponsored Entities - Mortgage-Backed Securities - Residential	12,624	302	(32)	12,894
Government-Sponsored Entities - Collateralized Mortgage Obligations	7,985	117	(18)	8,084
Government-Sponsored Entities - Home Equity Conversion Mortgages	13,722	186	(10)	13,898
Municipal Bonds	5,610	-	(66)	5,544
US Treasury	9,937	52	-	9,989
Total available for sale securities	$ 65,864	$ 1,504	$ (316)	$ 67,052

Note 3: Available for Sale Securities (continued)

2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mutual Fund - Investment in Deferred Compensation 457(b) Plan	$ 25	$ -	$ -	$ 25
Mutual or Exchange Traded Funds - Investment in Total Benefit Pre-Funding Program	10,638	43	(129)	10,552
Equities - Investment in Total Benefit Pre-Funding Program	4,571	541	(30)	5,082
Government-Sponsored Entities - Mortgage-Backed Securities - Residential	17,819	364	(13)	18,170
Government-Sponsored Entities - Collateralized Mortgage Obligations	11,464	136	(22)	11,578
Government-Sponsored Entities - Home Equity Conversion Mortgages	14,086	86	(195)	13,977
Municipal Bonds	5,635	-	(166)	5,469
Total available for sale securities	$ 64,238	$ 1,170	$ (555)	$ 64,853

The following table presents the Credit Union's available for sale securities, gross unrealized losses, and fair value, aggregated by the length of time the individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
2014	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Mutual Fund - Investment in Total Benefit Pre-Funding Program	$ 8,764	$ (134)	$ -	$ -	$ 8,764	$ (134)
Equities - Investment in Total Benefit Pre-Funding Program	1,021	(56)	-	-	1,021	$ (56)
Government-Sponsored Entities - Mortgage-Backed Securities – Residential	4,144	(32)	-	-	4,144	(32)
Government-Sponsored Entities - Collateralized Mortgage Obligations	2,421	(18)	-	-	2,421	(18)
Government-Sponsored Entities - Home Equity Conversion Mortgages	6,700	(10)	-	-	6,700	(10)
Municipal Bonds	1,053	(5)	4,491	(61)	5,544	(66)
	$ 24,103	$ (255)	$ 4,491	$ (61)	$ 28,594	$ (316)

Notes to the Consolidated Financial Statements
December 31, 2014 and 2013 *(dollars in thousands)*

Note 3: Available for Sale Securities (continued)

	Less than 12 Months		12 Months or More		Total	
2013	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Mutual Fund - Investment in Total Benefit Pre-Funding Program	$ 5,813	$ (129)	$ -	$ -	$ 5,813	$ (129)
Equities - Investment in Total Benefit Pre-Funding Program	1,062	(30)	-	-	1,062	$ (30)
Government-Sponsored Entities - Mortgage-Backed Securities - Residential	3,798	(13)	-	-	3,798	(13)
Government-Sponsored Entities - Collateralized Mortgage Obligations	3,263	(20)	801	(2)	4,064	(22)
Government-Sponsored Entities - Home Equity Conversion Mortgages	6,886	(195)	-	-	6,886	(195)
Municipal Bonds	5,635	(166)	-	-	5,635	(166)
	$ 26,457	$ (553)	$ 801	$ (2)	$ 27,258	$ (555)

Proceeds from the sales of securities in 2014 were $14,177 with gross gains of $468 and no losses. Proceeds from the sales of securities in 2013 were $32,672 with gross gains of $835 and no losses.

The mutual fund and equities investments are primarily made up of assets normally impermissible to the Credit Union, but allowable if the investments are specifically earmarked for the purpose of pre-funding future employee benefit obligations, with the proceeds offsetting general employee benefits expense. The investment objective is to be invested in 40% equity securities (common and preferred stock and real estate investment trusts) and 60% in corporate bonds (high yield and investment grade bonds).

U.S. Government agencies include Federal Home Loan Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation bonds. Mortgage-backed securities and collateralized mortgage obligations are residential loans pools issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. Home equity conversion mortgages are residential pools of reverse mortgages issued and guaranteed by the Government National Mortgage Association. The municipal bonds held on December 31, 2014 are securities issued by Warren Township, Indiana; Prince William County, Virginia; Wayne Township, Indiana; New Albany, Indiana and Grand Prairie, Texas. The municipal bonds held on December 31, 2013 are securities issued by all above plus Hallsville, Texas. Unrealized losses on these securities have not been recognized into income because the issues are of high credit quality, Management does not intend to sell, it is not more likely than not that Management would be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to change in interest rates. The fair value is expected to recover as the securities approach maturity.

December 31, 2014 and 2013 (dollars in thousands)

Note 3: Available for Sale Securities (continued)

The mutual and exchange traded funds held on December 31, 2014 are mostly made up of short duration, investment grade corporate bonds. Unrealized losses on these funds have not been recognized into income because the issues are of high credit quality, Management does not intend to sell, it is not more likely than not that Management would be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to change in interest rates.

The amortized cost and fair value of available for sale securities as of December 31, 2014 by contractual maturity are shown below. Securities not due at a single maturity are shown separately.

	Amortized Cost	Fair Value
Due within one year	$ -	$ -
Due from one year to five years	15,547	15,533
Government-Sponsored Entities – Mortgage-Backed Securities – Residential	12,624	12,894
Government-Sponsored Entities – Collateralized Mortgage Obligations	7,985	8,084
Government-Sponsored Entities – Home Equity Conversion Mortgages	13,722	13,898
Mutual Funds	10,415	10,283
Equities	5,571	6,360
Total	$ 65,864	$ 67,052

Note 4: Loans Receivable

The composition of loans receivable at December 31, 2014 and 2013 is as follows:

	2014	2013
First mortgages	$ 311,080	$ 283,117
Second mortgages:		
Home secured	2,883	3,916
RealtyLine	49,940	42,460
Consumer:		
Credit card	70,718	49,660
Automobile	4,014	7,765
Unsecured	3,639	4,972
Secured	699	776
Private student loans	61,972	44,947
Audiology	732	-
Vacation ownership	43,526	135,413
Commercial:		
Taxi participation	78,381	80,241
Commercial participation	10,871	6,946
Subtotal	638,455	660,213
Add: Net deferred loan costs	1,323	479
Allowance for loan losses	(6,100)	(5,250)
Loans, net	$ 633,678	$ 655,442

In 2014, the NCUA directed the Credit Union to reduce their vacation ownership loan portfolio by June 30, 2015. The limitation applied to the Credit Union's holdings is a result of the NCUA determining that these loans meet the definition of an eligible obligation as opposed to indirect loans. The aggregate limit for eligible obligation is 5% of unimpaired capital and surplus. As of December 31, 2014, if the Credit Union were required to reduce its holdings, approximately $91,842 of vacation ownership loans would need to be sold. As a result, this amount of loans has been classified as loans held for sale in the consolidated statement of financial condition at December 31, 2014. During 2015, the Credit Union proposed certain changes to the vacation ownership loan program and the NCUA has acknowledged that the proposed changes to the program will qualify future loans as indirect loans. There is no regulatory limit specific to indirect loans, and therefore the Credit Union anticipates continuing the vacation ownership loan program with such loans qualifying as indirect loans. Similar to other loan types, these loans will follow the concentration guidelines adopted by the Board of Directors and will be subjected to examination by the NCUA.

Note 4: Loans Receivable (continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the years ending December 31, 2014 and 2013:

December 31, 2014	First Mortgages	Second Mortgages	Consumer	Vacation Ownership	Commercial	Total
Allowance for loan losses:						
Beginning balance	$ 1,792	$ 421	$ 3,012	$ -	$ 25	$ 5,250
Provision for loan losses	(459)	(86)	5,286	-	(25)	4,716
Loans charged off	(165)	(70)	(4,219)	-	-	(4,454)
Recoveries	74	15	499	-	-	588
Total ending allowance balance	$ 1,242	$ 280	$ 4,578	$ -	$ -	$ 6,100

December 31, 2013	First Mortgages	Second Mortgages	Consumer	Vacation Ownership	Commercial	Total
Allowance for loan losses:						
Beginning balance	$ 1,596	$ 854	$ 2,100	$ -	$ 50	$ 4,600
Provision for loan losses	477	(82)	1,859	-	(25)	2,229
Loans charged off	(646)	(378)	(1,362)	-	-	(2,386)
Recoveries	365	27	415	-	-	807
Total ending allowance balance	$ 1,792	$ 421	$ 3,012	$ -	$ 25	$ 5,250

Notes to the Consolidated Financial Statements
December 31, 2014 and 2013 *(dollars in thousands)*

Note 4: Loans Receivable (continued)

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2014 and 2013:

December 31, 2014	First Mortgages	Second Mortgages	Consumer	Vacation Ownership	Commercial	Total
Allowance for loan losses:						
Ending allowance balance						
attributable to loans:						
Individually evaluated for impairment	$ 909	$ 30	$ 203	$ -	$ -	$ 1,142
Collectively evaluated for impairment	333	250	4,375	-	-	4,958
Total ending allowance balance	$ 1,242	$ 280	$ 4,578	$ -	$ -	$ 6,100
Loans:						
Loans individually evaluated						
for impairment	$ 10,133	$ 299	$ 471	$ -	$ 2,783	$ 13,686
Loans collectively evaluated						
for impairment	300,970	52,869	142,290	43,526	86,437	626,092
Total ending loan balance	$ 311,103	$ 53,168	$ 142,761	$ 43,526	$ 89,220	$ 639,778

December 31, 2013	First Mortgages	Second Mortgages	Consumer	Vacation Ownership	Commercial	Total
Allowance for loan losses:						
Ending allowance balance						
attributable to loans:						
Individually evaluated for impairment	$ 1,332	$ 78	$ 85	$ -	$ -	$ 1,495
Collectively evaluated for impairment	460	343	2,927	-	25	3,755
Total ending allowance balance	$ 1,792	$ 421	$ 3,012	$ -	$ 25	$ 5,250
Loans:						
Loans individually evaluated						
for impairment	$ 9,749	$ 287	$ 424	$ -	$ -	$ 10,460
Loans collectively evaluated						
for impairment	272,997	46,347	108,288	135,413	87,187	650,232
Total ending loan balance	$ 282,746	$ 46,634	$ 108,712	$ 135,413	$ 87,187	$ 660,692

December 31, 2014 and 2013 (dollars in thousands)

Note 4: Loans Receivable (continued)

The following tables present information related to loans individually evaluated for impairment by class of loans as of December 31, 2014 and 2013:

December 31, 2014	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
First mortgages	$ 4,643	$ 4,643	$ -	$ 2,846	$ 7
Second mortgages:					
Home secured	91	91	-	141	-
RealtyLine	178	178	-	98	2
Consumer:					
Credit card	-	-	-	-	-
Automobile	-	-	-	-	-
Unsecured	-	-	-	-	-
Secured	-	-	-	-	-
Audiology	-	-	-	-	-
Student loans	-	-	-	-	-
Vacation ownership	-	-	-	-	-
Commercial:					
Taxi participation	2,783	2,783	-	-	-
Commercial participation	-	-	-	-	-
With an allowance recorded:					
First mortgages	5,490	5,490	909	7,095	15
Second mortgages:					
Home secured	10	10	10	35	-
RealtyLine	20	20	20	35	-
Consumer:					
Credit card	335	335	109	312	-
Automobile	49	49	23	73	-
Unsecured	50	50	34	43	2
Secured	-	-	-	-	-
Auto participation	-	-	-	-	-
Student loans	37	37	37	-	-
Vacation ownership	-	-	-	-	-
Commercial:					
Taxi participation	-	-	-	-	-
Commercial participation	-	-	-	-	-
Total	$ 13,686	$ 13,686	$ 1,142	$ 10,678	$ 26

Note 4: Loans Receivable (continued)

December 31, 2013	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
First mortgages	$ 1,049	$ 1,049	$ -	$ 4,935	$ 6
Second mortgages:					
Home secured	191	191	-	164	-
RealtyLine	18	18	-	169	-
Consumer:					
Credit card	-	-	-	-	-
Automobile	-	-	-	-	-
Unsecured	-	-	-	-	-
Secured	-	-	-	-	-
Audiology	-	-	-	-	-
Student loans	-	-	-	-	-
Vacation ownership	-	-	-	-	-
Commercial:					
Taxi participation	-	-	-	-	-
Commercial participation	-	-	-	-	-
With an allowance recorded:					
First mortgages	8,700	8,700	1,332	6,372	229
Second mortgages:					
Home secured	59	59	59	126	-
RealtyLine	19	19	19	539	-
Consumer:					
Credit card	288	288	17	175	-
Automobile	97	97	53	75	1
Unsecured	35	35	13	66	-
Secured	4	4	2	-	-
Auto participation	-	-	-	-	-
Student loans	-	-	-	-	-
Vacation ownership	-	-	-	-	-
Commercial:					
Taxi participation	-	-	-	-	-
Commercial participation	-	-	-	-	-
Total	$ 10,460	$ 10,460	$ 1,495	$ 12,621	$ 236

The cash basis income on impaired loans was not materially different for 2014 and 2013. The recorded investment includes loan origination fees and excludes accrued interest receivable.

December 31, 2014 and 2013 (dollars in thousands)

Note 4: Loans Receivable (continued)

The following tables present the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of December 31, 2014 and 2013:

December 31, 2014	Nonaccrual	Still Accruing Loans Past Due Over 90 Days
First mortgages	$ 3,438	$ -
Second mortgages:		
Home secured	10	-
RealtyLine	178	-
Consumer:		
Credit card	106	-
Automobile	23	-
Unsecured	33	-
Secured	-	-
Auto participation	-	-
Student loans	37	-
Audiology	5	-
Vacation ownership	-	2,231
Commercial:		
Taxi participation	-	-
Commercial participation	-	-
Total	$ 3,830	$ 2,231

Note 4: Loans Receivable (continued)

December 31, 2013	Nonaccrual	Loans Past Due Over 90 Days Still Accruing
First mortgages	$ 3,077	$ -
Second mortgages:		
Home secured	104	-
RealtyLine	37	-
Consumer:		
Credit card	3	-
Automobile	53	-
Unsecured	3	-
Secured	-	-
Auto participation	-	-
Student loans	-	-
Vacation ownership	-	2,547
Commercial:		
Taxi participation	-	-
Commercial participation	-	-
Total	$ 3,277	$ 2,547

Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified as impaired loans.

December 31, 2014 and 2013 (dollars in thousands)

Note 4: Loans Receivable (continued)

The following tables present the aging of the recorded investment in past due loans by class of loans as of December 31, 2014 and 2013:

December 31, 2014	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
First mortgages	$ 2,029	$ 202	$ 3,438	$ 5,669	$ 305,434	$ 311,103
Second mortgages:						
Home secured	259	58	10	327	2,556	2,883
RealtyLine	302	10	178	490	49,795	50,285
Consumer:						
Credit card	1,100	581	106	1,787	69,467	71,254
Automobile	115	-	23	138	3,876	4,014
Unsecured	141	12	33	186	3,453	3,639
Secured	-	-	-	-	699	699
Student loans	195	-	37	232	62,158	62,390
Audiology	18	6	5	29	736	765
Vacation ownership	1,927	1,361	2,231	5,519	38,007	43,526
Commercial:						
Taxi participation	-	-	-	-	78,368	78,368
Commercial participation	-	-	-	-	10,852	10,852
Total	$ 6,086	$ 2,230	$ 6,061	$ 14,377	$ 625,401	$ 639,778

Note 4: Loans Receivable (continued)

December 31, 2013	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
First mortgages	$ 2,585	$ 295	$ 3,077	$ 5,957	$ 276,789	$ 282,746
Second mortgages:						
Home secured	191	50	104	345	3,571	3,916
RealtyLine	291	-	37	328	42,390	42,718
Consumer:						
Credit card	375	150	3	528	49,724	50,252
Automobile	295	32	53	380	7,385	7,765
Unsecured	271	36	9	316	4,656	4,972
Secured	6	2	3	11	765	776
Student loans	-	-	-	-	44,947	44,947
Vacation ownership	2,564	1,273	2,547	6,384	129,029	135,413
Commercial:						
Taxi participation	-	-	-	-	80,241	80,241
Commercial participation	-	-	-	-	6,946	6,946
Total	$ 6,578	$ 1,838	$ 5,833	$ 14,249	$ 646,443	$ 660,692

During the years ending December 31, 2014 and 2013, the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan.

During 2014 and 2013, modifications involving a reduction of the stated interest rate of the loan were for periods ranging from 1 month to 7 years. Modifications involving an extension of the original maturity date were for periods ranging from 1 month to 10 years.

Note 4: Loans Receivable (continued)

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ending December 31, 2014 and 2013:

December 31, 2014	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
First mortgages	1	$ 58	$ 68
Second mortgages:			
Home secured	-	-	-
RealtyLine	-	-	-
Consumer:			
Credit card	-	-	-
Automobile	-	-	-
Unsecured	-	-	-
Secured	-	-	-
Student loans	-	-	-
Audiology	-	-	-
Vacation ownership	-	-	-
Commercial:			
Taxi participation	3	2,770	2,789
Commercial participation	-	-	-
Total	4	$ 2,828	$ 2,857

Notes to the Consolidated Financial Statements
December 31, 2014 and 2013 *(dollars in thousands)*

Note 4: Loans Receivable (continued)

December 31, 2013	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
First mortgages	1	$ 233	$ 233
Second mortgages:			
Home secured	-	-	-
RealtyLine	-	-	-
Consumer:			
Credit card	-	-	-
Automobile	-	-	-
Unsecured	-	-	-
Secured	-	-	-
Student loans	-	-	-
Vacation ownership	-	-	-
Commercial:			
Taxi participation	-	-	-
Commercial participation	-	-	-
Total	1	$ 233	$ 233

Troubled debt restructurings described above increased the allowance for loan losses by $59 and $22 and resulted in no charge offs during the years ended December 31, 2014 and 2013.

The Credit Union has loans of $10,971 and $8,303 and has allocated $505 and $1,028 of specific reserves to members whose loan terms have been modified in troubled debt restructurings as of December 31, 2014 and 2013, respectively. The Credit Union has no commitments to lend additional amounts to members with outstanding loans that are classified as troubled debt restructurings.

There were no payment defaults within 12 months following the modification during 2014 and 2013.

A loan is considered to be in payment default once it is 30 days past due under the modified terms.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Credit Union's internal underwriting policy.

December 31, 2014 and 2013 (dollars in thousands)

Note 4: Loans Receivable (continued)

Credit Quality Indicators:
The Credit Union evaluates the credit quality of certain classes of loans based on the credit score of the borrower. The credit scores for each borrower are updated annually. The following table presents the credit score for each of these classes of loans based on the most recent score obtained by the Credit Union.

December 31, 2014	Credit Score of 720 and Above	Credit Score of 719-680	Credit Score of 679-640	Credit Score of 639-600	Credit Score Less than 600	Not Rated	Total
First mortgages	$ 227,693	$ 44,121	$ 20,176	$ 9,113	$ 5,646	$ 4,354	$ 311,103
Second mortgages:							
Home secured	1,428	570	402	277	199	7	2,883
RealtyLine	37,453	7,206	2,833	731	92	1,970	50,285
Consumer:							
Automobile	2,307	567	715	154	124	147	4,014
Unsecured	708	557	474	260	351	1,289	3,639
Secured	387	66	199	23	12	12	699
Total	$ 269,976	$ 53,087	$ 24,799	$ 10,558	$ 6,424	$ 7,779	$ 372,623

December 31, 2013	Credit Score of 720 and Above	Credit Score of 719-680	Credit Score of 679-640	Credit Score of 639-600	Credit Score Less than 600	Not Rated	Total
First mortgages	$ 198,400	$ 44,631	$ 20,298	$ 9,108	$ 6,005	$ 4,304	$ 282,746
Second mortgages:							
Home secured	1,997	863	457	366	222	11	3,916
RealtyLine	31,008	6,023	2,517	609	119	2,442	42,718
Consumer:							
Automobile	4,734	1,050	1,096	298	255	332	7,765
Unsecured	1,509	724	667	341	494	1,237	4,972
Secured	397	45	249	44	16	25	776
Total	$ 238,045	$ 53,336	$ 25,284	$ 10,766	$ 7,111	$ 8,351	$ 342,893

Note 4: Loans Receivable (continued)

The Credit Union considers the performance of the loan portfolio and its impact on the allowance for loan losses. For all loan classes, the Credit Union also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment in all loan classes based on payment activity:

December 31, 2014	Performing	Nonperforming	Total
First mortgages	$ 307,665	$ 3,438	$ 311,103
Second mortgages:			
Home secured	2,873	10	2,883
RealtyLine	50,107	178	50,285
Consumer:			
Credit card	71,148	106	71,254
Automobile	3,991	23	4,014
Unsecured	3,606	33	3,639
Secured	699	-	699
Student loans	62,353	37	62,390
Audiology	760	5	765
Vacation ownership	43,526	-	43,526
Commercial:			
Taxi participation	78,368	-	78,368
Commercial participation	10,852	-	10,852
Total	$ 635,948	$ 3,830	$ 639,778

Note 4: Loans Receivable (continued)

December 31, 2013	Performing	Nonperforming	Total
First mortgages	$ 279,669	$ 3,077	$ 282,746
Second mortgages:			
Home secured	3,812	104	3,916
RealtyLine	42,681	37	42,718
Consumer:			
Credit card	50,249	3	50,252
Automobile	7,712	53	7,765
Unsecured	4,969	3	4,972
Secured	776	-	776
Student loans	44,947	-	44,947
Vacation ownership	135,413	-	135,413
Commercial:			
Taxi participation	80,241	-	80,241
Commercial participation	6,946	-	6,946
Total	$ 657,415	$ 3,277	$ 660,692

The delinquent vacation ownership loans are considered performing due to the credit enhancement feature.

In addition to loans that are on nonaccrual and 90 days past due and accruing, the Credit Union considers loans less than 90 days delinquent for which there is reasonable doubt of collecting the scheduled principal and interest payments as non-performing loans.

There were no repossessed assets at December 31, 2014 and 2013. At December 31, 2014 and 2013, there were $511 (net of $14 valuation allowance) and $882, respectively, in other real estate owned, which are reported in other assets.

Notes to the Consolidated Financial Statements
December 31, 2014 and 2013 *(dollars in thousands)*

Note 5: Loan Servicing

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans serviced for others was $108,026 and $99,622 at December 31, 2014 and 2013, respectively.

Servicing fees totaled $253 and $237 for the years ended December 31, 2014 and 2013, respectively.

The following summarizes the activity pertaining to mortgage servicing rights and the related valuation allowance:

	2014	2013
Mortgage servicing rights:		
Balance, beginning of the year	$ 904	$ 513
Additions	206	355
Change in valuation allowance	(105)	347
Amortization of mortgage servicing rights	(98)	(311)
Balance, end of year	$ 907	$ 904

	2014	2013
Valuation allowance:		
Balance, beginning of the year	$ -	$ 347
Additions expensed	105	-
Reductions credited to operations	-	(347)
Balance, end of year	$ 105	$ -

The fair value of servicing rights was $907 and $967 at December 31, 2014 and 2013, respectively. Mortgage servicing rights are reported in other assets in the accompanying statement of financial condition. The fair value of servicing rights at year end 2014 was determined using a weighted-average discount rate of 9.08% and a weighted-average prepayment speed of 10 CPR. The fair value of servicing rights at year end 2013 was determined using a weighted-average discount rate of 11.15% and a weighted-average prepayment speed of 7 CPR.

Notes to the Consolidated Financial Statements
December 31, 2014 and 2013 *(dollars in thousands)*

Note 6: Leasehold Improvements and Equipment

Leasehold improvements and equipment as of December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Computer equipment and software	$ 12,936	$ 11,495
Furniture and equipment	3,816	3,017
Leasehold improvements	5,229	2,604
Equipment not yet placed in service	1,606	4,745
	23,587	21,861
Less: accumulated depreciation and amortization	16,473	15,365
Leasehold improvements and equipment, net	$ 7,114	$ 6,496

Summary of equipment not yet placed in service:

	Service Date	Amount
Core system conversion	May 2015	$ 1,568
Good Sam branch buildout	February 2015	35
Kraftown/Northfield renovation	April 2015	3

Depreciation and amortization expense was $1,143 and $1,117 for the years ended December 31, 2014 and 2013, respectively.

Note 7: Members' Share Accounts and Dividends

Members' share accounts as of December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Share draft accounts, including non-interest bearing deposits of $26,191 in 2014 and $25,411 in 2013	$ 112,708	$ 112,430
Regular share accounts	244,282	177,834
Money management accounts	152,151	186,525
IRA share accounts	5,714	6,220
Share and IRA certificates	233,125	207,828
Total	$ 747,980	$ 690,837

The aggregate amounts of members' share and share certificate accounts over $250 were $146,991 and $128,550 at December 31, 2014 and 2013, respectively.

Scheduled maturities of share and IRA certificates at December 31, 2014 are as follows:

Years Ending December 31:	Amount
2015	$ 161,744
2016	55,439
2017	8,583
2018	4,887
2019	2,472
Total	$ 233,125

Dividend expense on members' share accounts for the years ended December 31, 2014 and 2013 is summarized as follows:

	2014	2013
Share draft accounts	$ 196	$ 169
Regular share accounts	1,614	1,192
Money management accounts	651	711
IRA share accounts	15	19
Share and IRA certificates	2,382	1,962
Total	$ 4,858	$ 4,053

December 31, 2014 and 2013 (dollars in thousands)

Note 8: Lines of Credit

The Credit Union has a line of credit agreement with Alloya Corporate Federal Credit Union, which provides for maximum borrowings of $6,510 each of the years 2014 and 2013. The line of credit agreement has no scheduled maturity date and has a variable interest rate, which was 1.99% at December 31, 2014. Borrowings under the line of credit are secured by substantially all of the Credit Union's assets. There was $5,000 and $0 outstanding at year end 2014 and 2013, respectively. The Credit Union also has a line of credit with a correspondent bank which provides for maximum borrowings of $10,000 in 2014. This line of credit has no scheduled maturity date and has a variable interest rate. Borrowings under the line are secured by investments pledged at time of borrowing. There was no amount outstanding at year end 2014 and 2013, respectively.

Note 9: Federal Home Loan Bank of New York Borrowings and Stock

The Credit Union is a member of the Federal Home Loan Bank of New York ("FHLB"). At December 31, 2014, the Credit Union has the capacity to borrow up to a certain percentage of the value of its qualified collateral, as defined in the FHLB Statement of Credit Policy. In accordance with an agreement with the FHLB, the qualified collateral must be free and clear of liens, pledges and encumbrances.

At December 31, 2014, outstanding advances from the FHLB aggregated $42,000 with fixed interest rates ranging from .36% to 4.89%, averaging .97%. At December 31, 2013, outstanding advances from the FHLB aggregated $12,000 at fixed interest rates ranging from 3.80% to 4.89%, averaging 4.05%. Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances, except for $5,000 that has a call feature which can be exercised by the Credit Union. The advances were collaterized by $123,402 and $143,952 of first mortgage loans under a lien arrangement at year end 2014 and 2013, respectively. Based on this collateral and the Credit Union's holdings of FHLB stock, the Credit Union is eligible to borrow an additional $63,378 and $61,050 at year end 2014 and 2013, respectively.

Payments over the next five years are as follows:

Years Ending December 31:	Amount
2015	$ 35,000
2016	-
2017	-
2018	2,000
2019	-
Thereafter	5,000
Total	$ 42,000

The Credit Union is required to maintain an investment in capital stock of the FHLB in an amount equal to a percentage of its outstanding mortgage related assets.

Note 10: Related Party Transactions

The Credit Union entered into lease agreements with Kraft Foods Inc. for office space for certain service center locations. Rent expense included in office operations related to these leases was $99 and $131 for the years ended December 31, 2014 and 2013, respectively.

Loans to directors, committee members and executive officers amounted to approximately $3,919 and $3,937 as of December 31, 2014 and 2013, respectively.

Share accounts of directors, committee members and executive officers totaled approximately $2,687 and $2,493 as of December 31, 2014 and 2013, respectively.

Note 11: Commitments and Contingencies

Lease commitments:
The Credit Union is obligated under operating leases on property used for its administrative office, service centers and certain office equipment. The total minimum rental commitments for noncancelable operating leases as of December 31, 2014 are as follows:

Years Ending December 31:	Amount
2015	$ 659
2016	597
2017	543
2018	505
2019	517
Thereafter	5,547
Total	$ 8,368

Rental expense included in office occupancy costs was $856 and $1,259 for the years ended December 31, 2014 and 2013, respectively.

Rental expense included in office operations was $41 and $40 for the years ended December 31, 2014 and 2013, respectively.

In 2013, a lease termination fee of $546 was recorded in office occupancy expense.

Note 12: Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

Financial instruments with off-balance sheet risk:
The Credit Union is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members. These financial instruments include commitments to extend credit, home equity and overdraft lines of credit, and credit card. They involve, to varying degrees, elements of credit risk in excess of the amount recognized in the statement of financial condition. The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, home equity and overdraft lines of credit, credit card and vacation ownership loan commitments is represented by the contractual amount of those instruments, should the contract be fully drawn upon, the member default, and the value of any existing collateral become worthless. The Credit Union uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Management believes that the Credit Union controls the credit risk of these financial instruments through credit approvals, credit limits, monitoring procedures and the receipt of collateral as deemed necessary.

Commitments to extend credit and lines of 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 some of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on Management's credit evaluation of the party. Collateral held is generally residential real estate and automobiles. Credit card commitments and personal and overdraft protection lines of credit are generally unsecured.

A summary the Credit Union's credit commitments at December 31, 2014 and 2013 is as follows:

	2014		2013	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to extend credit	$ 29,442	$ -	$ 11,652	$ -
Unused lines of credit	-	255,545	-	209,666
	$ 29,442	$ 255,545	$ 11,652	$ 209,666

Concentrations of credit risk:

A summary of the Credit Union's concentration by institution at December 31, 2014 and 2013 is as follows:

	2014	2013
Alloya Corporate Federal Credit Union	$ 2,497	$ 2,974
M&T Bank	$ 9,935	$ 12,902

Notes to the Consolidated Financial Statements
December 31, 2014 and 2013 *(dollars in thousands)*

Note 12: Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk (continued)

Concentration by geographic location
The Credit Union has a significant concentration of loans to members residing in New York and Illinois. Although the Credit Union has a diversified loan portfolio, a substantial portion of its members' abilities to honor their contracts is dependent upon the effect of these local economies on the Credit Union's field of membership. See also Note 4 for concentration by loan type.

Concentration by significant employer
The Credit Union has a significant concentration of loans to members employed by Kraft Foods Group, Inc., Mondelēz International, Altria Group, Inc. and their subsidiaries. Although the Credit Union has a diverse loan portfolio, a substantial portion of its members' abilities to honor their contracts is dependent upon the employment stability at these companies.

Vacation Ownership Interests
The Credit Union finances vacation ownership interests through its relationship with several vacation ownership companies. The concentration of the vacation ownership interests with each vacation ownership company are as follows at December 31, 2014: 37% with Diamond, 19% with Bluegreen, 17% with Tradewinds, 9% with Studio Homes Savannah, 7% with Hyatt, 5% with Great Destinations, and the remaining 6% among smaller vacation ownership companies.

Note 13: Pension Plans and Postretirement Benefit Plan

Defined Contribution Plan:
The Credit Union sponsors a 401(k) savings plan (the "Plan") that covers substantially all employees who have completed one month of service. Under the terms of the Plan, participants can contribute a percentage of their compensation, subject to federal limitations. In 2014 and 2013, the Credit Union made matching contributions of 50% up to 6% of participant compensation after one year of employee service. Participants are immediately vested in their contributions and the earnings thereon and become fully vested in Credit Union contributions and the earnings thereon after completing three years of service. The Credit Union contributed $202 and $183 for the years ended December 31, 2014 and 2013, respectively.

Deferred Compensation Plan:
The Credit Union maintains a non-contributory deferred compensation 457(b) plan to cover all executive officers. Under the Plan, participants may voluntarily defer a portion of their salary. The Credit Union pays each participant, or their beneficiary, the amount of salary deferred plus earnings, beginning with the individual's termination of service. A liability is accrued for the obligation under this Plan. At December 2014 and 2013, deferrals and the associated liability under the Plan was $81 and $25.

Deferred Bonus Plan:
The Credit Union maintains a non-cash deferred compensation 457(f). Under the Plan, executive officers defer 66% of their incentive payment. The total amount is vested in three years. The amount will be forfeited if the office leaves the Credit Union prior to the vesting date. A liability is accrued for the obligation under this Plan. The balance as of December 31, 2014 was $701 and the balance as of December 31, 2013 was $578. The expense for 2014 and 2013 was $386 and $458.

December 31, 2014 and 2013 (dollars in thousands)

Note 13: Pension Plans and Postretirement Benefit Plan (continued)

Defined Benefit Pension Plan:
The Credit Union sponsors a non-contributory defined benefit pension plan (the "Plan") covering all full-time employees. Participants become eligible for the Plan after completing one-half year of service. Participants become 100% vested after three years of service. Benefits are based on years of service and level of compensation during specified years of employment.

The following table sets forth the Plan's funded status and amounts recognized in the Credit Union's statement of financial condition as of December 31, 2014 and 2013 using a measurement date of December 31, 2014 and 2013:

	2014	2013
Benefit obligation	$ (6,375)	$ (4,290)
Plan assets at fair value	5,821	5,671
Funded status	(554)	1,381
Prepaid pension cost recognized in the financial statements	(554)	1,381
Accumulated benefit obligation	$ (5,381)	$ (3,136)

The amount recognized in accumulated other comprehensive loss consisted of the following components at December 31, 2014 and 2013:

	2014	2013
Net loss	$ 2,602	$ 991
Prior service cost	268	345
Total	$ 2,870	$ 1,336

The estimated net loss and prior service cost that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is $163 and $78.

Other information for the Credit Union's defined benefit pension plan is as follows for the years ended December 31, 2014 and 2013:

	2014	2013
Net periodic benefit cost	$ 402	$ 454
Employer contribution	-	-
Benefits paid	$ 84	$ 662

Note 13: Pension Plans and Postretirement Benefit Plan (continued)

Weighted-average assumptions used by the Credit Union to determine the pension benefit obligations consisted of the following as of December 31, 2014 and 2013:

	2014	2013
Discount rate	4.00%	4.75%
Rate of increase in compensation	2.50%	3.25%

Weighted-average assumptions used by the Credit Union to determine the net benefit cost consisted of the following for December 31, 2014 and 2013:

	2014	2013
Discount rate	4.00%	4.75%
Rate of increase in compensation	2.50%	3.25%
Expected long-term rate of return on assets	7.50%	7.50%

Future benefit payments and contributions:
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years Ending December 31:	Amount
2015	356
2016	232
2017	271
2018	285
2019	284
Years 2020-2024	2,392

The Credit Union does not expect to contribute to the pension plan in 2015.

December 31, 2014 and 2013 (dollars in thousands)

Note 13: Pension Plans and Postretirement Benefit Plan (continued)

Asset allocation and investment goals:
The Credit Union's pension plan weighted-average asset allocations at December 31, 2014 and 2013, by asset category are as follows:

	2014	2013
Asset Category:		
Collective investment fund	100%	-
Money market mutual fund	-	1%
Equity mutual funds	-	59%
Bond mutual funds	-	40%
	100%	100%

As of December 31, 2014, plan assets are invested in a collective investment trust fund managed by Cuna Mutual Group. The appropriate strategic asset allocation is governed by the Trustee Plan Portfolio Investment Policy Statement.

The investment objective is to provide a moderate return over a full market cycle with commensurate risk. The fund investments primarily in professional managed mutual funds and collective investment trusts, which in turn invest in equity and fixed income securities.

The investment goal is to achieve investment results that minimize contributions as a percentage of payroll by providing a total return over a five-year period equal to the actuarially assumed target, which was 8%. This is to be achieved at the lowest possible portfolio risk level.

The long-term rate of return on assets assumption was determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio. When these overall return expectations are applied to the plan's target allocation, the expected rate of return is determined to be 7.50%.

The plan is prohibited from investing in the following investments: precious metals, venture capital, short sales, purchases of letter, stock, private placements, or direct payments, leveraged transactions, commodities transactions, puts, calls, straddles, or other option strategies or purchases or real estate, with the exception of REITS.

Note 13: Pension Plans and Postretirement Benefit Plan (continued)

Fair value of plan assets:
Fair value is the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Credit Union used the following valuation methods and assumptions to estimate the fair value of assets held by the plan:

Mutual funds: The fair values for the mutual fund investments are determined by quoted market prices.

Collective trusts: Fair values of units of participation in collective trusts are based upon the net asset values of the funds reported by the fund managers as of the plan's financial statement dates and recent transaction prices. Each collective trust provides for daily redemptions by the plan with no advance notice requirements.

The fair value of plan assets at December 31, 2014 and 2013, by asset class, is as follows:

		Fair Value Measurements at December 31, 2014 Using		
	Carrying Value	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets:				
Collective investment fund	$ 5,821	$ -	$ 5,821	$ -
Money Market	-	-	-	-
Equity Mutual Funds	-	-	-	-
Bond Mutual Funds	-	-	-	-
Total Plan Assets	$ 5,821	$ -	$ 5,821	$ -

		Fair Value Measurements at December 31, 2013 Using		
	Carrying Value	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets:				
Money Market	$ 57	$ 57	$ -	$ -
Equity Mutual Funds	3,346	3,346	-	-
Bond Mutual Funds	2,268	2,268	-	-
Total Plan Assets	$ 5,671	$ 5,671	$ -	$ -

December 31, 2014 and 2013 (dollars in thousands)

Note 13: Pension Plans and Postretirement Benefit Plan (continued)

Postretirement benefits:
The Credit Union also provides postretirement healthcare benefits to qualified retirees.

Summary information regarding the Credit Union's plan as of December 31, 2014 and 2013 and is as follows, using a measurement date of December 31, 2014 and 2013:

	2014	2013
Benefit obligation	$ (990)	$ (745)
Plan assets at fair value	-	-
Funded status	$ (990)	$ (745)
Accrued postretirement benefit cost recognized in the financial statements	$ (990)	$ (745)
Accumulated benefit obligation	$ (990)	$ (745)

The amount recognized in accumulated other comprehensive loss consisted of the following components at December 31, 2014 and 2013:

	2014	2013
Net loss (gain)	$ (17)	$ (242)
Prior service cost	-	42
Total	$ (17)	$ (200)

The estimated net loss (gain) and prior service cost that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is $0 and $0.

Other information for the Credit Union's postretirement healthcare plan is as follows for the years ended December 31, 2014 and 2013:

	2014	2013
Benefit cost	$ 75	$ 120
Employer contribution	$ 13	$ 11
Benefits paid	$ (13)	$ (11)

Note 13: Pension Plans and Postretirement Benefit Plan (continued)

Actuarial assumptions employed in the valuation of postretirement healthcare benefits in 2014 and 2013 were:

	2014	2013
Discount rate	4.00%	5.00%
Health care cost trend rate assumed for next year	5.75%	5.75%
Ultimate trend rate	4.75%	4.75%
Years to reach ultimate trend rate	20 years	20 years

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage change in assumed health care cost trend rates would have the following effect:

	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on total of service and interest cost components	$ 4	$ (3)
Effect on postretirement benefit obligation	$ 203	$ (160)

Future benefit payments and contributions:
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years Ending December 31:	Amount
2015	17
2016	19
2017	21
2018	25
2019	27
Years 2020-2024	181

The Credit Union does not expect to contribute to the postretirement healthcare plan in 2015.

During 2013, the Credit Union adopted a benefit plan which provides an executive officer an interest free loan of up to $4,360 in which the proceeds are to be used to purchase life insurance policies on behalf of the executive officer. The insurance policies serve as collateral for the loan. The loan balance as of December 31, 2014 and 2013 was $872 and $400, with an associated expense of $170 and $134 for 2014 and 2013.

December 31, 2014 and 2013 (dollars in thousands)

Note 14: Capital Requirements

The Credit Union is subject to various regulatory capital requirements administered by the National Credit Union Administration (NCUA). Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities and certain off-balance sheet items as calculated under 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 following table) of net worth (as defined) to total assets (as defined). Credit Unions are also required to calculate a risk-based net worth requirement (RBNWR) that establishes whether the Credit Union will not be considered "complex" under the regulatory framework. The Credit Union's RBNW ratio as December 31, 2014 was 5.61%. The minimum ratio to be considered complex under the regulatory framework is 6.00%, therefore the Credit Union is not considered complex at December 31, 2014. Management believes, as of December 31, 2014, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2014 and 2013, the most recent notification from 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 percent of assets or the Credit Union's RBNW ratio, if greater. There are no conditions or events since that notification that Management believes have changed the institution's category.

The Credit Union's actual capital amounts and ratios are also presented in the table.

	Actual		To Be Adequately Capitalized Under Prompt Corrective Action Provision		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2014						
Net Worth	$ 68,811	7.90%	$ 52,231	6.00%	$ 60,937	7.00%
Risk-Based Net Worth	N/A	N/A	N/A	N/A	N/A	N/A
December 31, 2013						
Net Worth	$ 65,450	8.40%	$ 46,734	6.00%	$ 54,523	7.00%
Risk-Based Net Worth	N/A	N/A	N/A	N/A	N/A	N/A

In performing its calculation of total assets, the Credit Union used the quarter-end balances option, as permitted by regulation.

Note 15: Fair Value

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

> Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Credit Union used the following methods and significant assumptions to estimate fair value:

Available for Sale Securities: The fair values for available for sale securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used to in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Loan Servicing Rights: On an annual basis, loan servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. If the carrying amount exceeds fair value, impairment is recorded so that the servicing asset is carried at fair value. The fair value of servicing rights is based on a valuation model that calculates the present value of estimated net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income. The Credit Union is able to compare the valuation model inputs and results to widely available published industry data for reasonableness (Level 2 inputs).

Impaired Loans: The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value. Non real estate collateral may be valued using an appraisal, adjusted or discounted based on Management's historical knowledge and changes in market conditions from the time of the valuation, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a monthly basis for additional impairment and adjusted accordingly.

Note 15: Fair Value (continued)

Appraisals for collateral-dependent loans are performed by certified residential appraisers whose qualifications and licenses have been reviewed and verified by the Credit Union. On an annual basis, the Credit Union compares the actual selling price of the collateral that has been sold to the most recent appraised value to determine what additional adjustments should be made to the appraised value to arrive at the fair value. The most recent analysis performed indicate that a discount of 20% should be applied to properties.

Real Estate Owned (REO): Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals which are updated no less frequently than annually. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Assets and Liabilities Measured on a Recurring Basis:

Assets and liabilities measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements at December 31, 2014 Using		
	Carrying Value	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Mutual Fund - Investment in Deferred Compensation 457(b) Plan	$ 81	$ 81	$ -	$ -
Mutual Fund - Investment in Total Benefit Pre-Funding Program	10,202	10,202	-	-
Equities - Investment in Total Benefit Pre-Funding Program	6,360	6,360	-	-
Government-Sponsored Entities – Mortgage-Backed Securities-Residential	12,894	-	12,894	-
Government-Sponsored Entities – Collateralized Mortgage Obligations	8,084	-	8,084	-
Government-Sponsored Entities – Home Equity Conversion Mortgages	13,898	-	13,898	-
Municipal Bonds	5,544	-	5,544	-
US Treasury	9,989	-	9,989	-

Notes to the Consolidated Financial Statements
December 31, 2014 and 2013 *(dollars in thousands)*

Note 15: Fair Value (continued)

		Fair Value Measurements at December 31, 2013 Using		
	Carrying Value	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Mutual Fund - Investment in Deferred Compensation 457(b) Plan	$ 25	$ 25	$ -	$ -
Mutual Fund - Investment in Total Benefit Pre-Funding Program	10,552	10,552	-	-
Equities - Investment in Total Benefit Pre-Funding Program	5,082	5,082	-	-
Government-Sponsored Entities – Mortgage-Backed Securities-Residential	18,170	-	18,170	-
Government-Sponsored Entities – Collateralized Mortgage Obligations	11,578	-	11,578	-
Government-Sponsored Entities – Home Equity Conversion Mortgages	13,977	-	13,977	-
Municipal Bonds	5,469	-	5,469	-

December 31, 2014 and 2013 (dollars in thousands)

Note 15: Fair Value (continued)

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

		Fair Value Measurements at December 31, 2014 Using		
	Carrying Value	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired Loans:				
First mortgages	$ 4,581	$ -	$ -	$ 4,581
REO - residential real estate	511	-	-	511
Mortgage Servicing Rights	907	-	907	-

		Fair Value Measurements at December 31, 2013 Using		
	Carrying Value	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired Loans:				
First mortgages	$ 7,368	$ -	$ -	$ 7,368
REO - residential real estate	882	-	-	882

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2014 and 2013:

2014	Fair Value	Valuation Technique	Unobservable Input	Range
Impaired loans – first mortgages	$ 4,581	Sales comparison approach	Adjustment for differences between comparable sales	10% - 25%
REO – residential real estate	$ 511	Sales comparison approach	Adjustment for differences between comparable sales	13% - 29%

Note 15: Fair Value (continued)

2013	Fair Value	Valuation Technique	Unobservable Input	Range
Impaired loans – first mortgages	$ 7,368	Sales comparison approach	Adjustment for differences between comparable sales	10% - 25%
REO – residential real estate	$ 882	Sales comparison approach	Adjustment for differences between comparable sales	13% - 29%

The following represent impairment charges recognized during the period:

Servicing rights are carried at the lower of cost or fair value. At December 31, 2014, the fair value of the servicing rights was $907, which was lower than the amortized cost of $1,012, resulting in valuation allowance of $105 in 2014. At December 31, 2013, the fair value of servicing rights was $967, which exceeded the amortized cost of $904, resulting in a reversal of the valuation allowance of $347 in 2013.

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of $5,490, with a valuation allowance of $909, resulting in additional provision for loan losses of $850 for 2014. For 2013, impaired loans had a carrying amount of $8,700, with a valuation allowance of $1,332, resulting in additional provision for loan losses of $564 for 2013.

Carrying amount and estimated fair values of financial instruments at December 31, 2014 and 2013 are as follows:

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	$ 34,348	$ 34,348	$ 26,407	$ 26,407
Certificates of deposit	100	100	100	100
Available for sale securities	67,052	67,052	64,853	64,853
Loan held for sale	98,588	104,697	-	-
Loans receivable, net	633,678	636,533	655,442	657,762
Accrued interest receivable	3,807	3,807	3,603	3,603
Investment in FHLB Stock Membership Capital Stock Investments	4,446	N/A	1,346	N/A
Deposit in NCUSIF	5,926	5,926	5,577	5,577
Financial Liabilities:				
Members' share accounts	747,980	748,814	690,837	691,949
Borrowed funds	47,000	46,958	12,000	11,144
Accrued Interest Payable	26	26	76	76

Note 15: Fair Value (continued)

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

Cash and Cash Equivalents
The carrying amounts of cash and short-term instruments approximate fair values.

FHLB Stock
It is not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.

Loans Held for Sale
The fair value of loans held for sale are estimated through discounted cash flow analyses using interest rates currently being offered for loans with similar credit quality and similar credit enhancement provisions as discussed in Note 1.

Loans Receivable, Net
Fair value of loans, excluding loans held for sale, are estimated as follows: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analysis, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Impaired loans are valued at the lower of cost or fair value as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Member Share Accounts
The fair values disclosed for demand share accounts are, by definition, equal to the amount payable on demand at the reporting date (i.e. their carrying amount). Fair values for fixed rate share and IRA certificates of deposit are estimated using discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Borrowed Funds
The carrying amounts of federal funds borrowings generally maturing within 90 days approximate their fair values. The fair values of the Credit Union's long term borrowings are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

Accrued Interest Receivable/Payable
The carrying amounts of accrued interest approximate fair value.

Off-balance Sheet Instruments
Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

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2500 Westchester Avenue, Suite 411 | Purchase, New York 10577 | 800.874.5544 | International: 914.641.3700 | quorumfcu.org