POLISH & SLAVIC FEDERAL CREDIT UNION
Brooklyn, New York

FINANCIAL STATEMENTS
September 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Supervisory Committee
Polish & Slavic Federal Credit Union
Brooklyn, New York

Report on Financial Statements

We have audited the accompanying statements of financial condition of Polish & Slavic Federal Credit Union (the Credit Union) as of September 30, 2018 and 2017, and the related statements of income, comprehensive (loss) income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors and Supervisory Committee
Polish & Slavic Federal Credit Union

Opinion

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 14, 2018

FINANCIAL STATEMENTS

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
September 30, 2018 and 2017
(In Thousands)

	2018	2017
ASSETS		
Cash and cash equivalents	$ 55,827	$ 57,173
Securities available-for-sale	702,558	683,061
Other investments	6,682	6,359
Loans receivable, net	1,101,807	1,039,391
Accrued interest receivable	5,025	4,618
Premises and equipment, net	27,178	28,264
National Credit Union Share Insurance Fund deposit	16,144	15,317
Other assets	5,314	6,503
TOTAL ASSETS	$ 1,920,535	$ 1,840,686
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' shares	$ 1,737,139	$ 1,631,445
Borrowed funds	–	25,000
Accrued expenses and other liabilities	11,784	11,485
Total liabilities	1,748,923	1,667,930
MEMBERS' EQUITY		
Regular reserves	20,562	20,562
Undivided earnings	172,178	157,123
Accumulated other comprehensive loss	(21,128)	(4,929)
Total members' equity	171,612	172,756
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 1,920,535	$ 1,840,686

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

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF INCOME
Years Ended September 30, 2018 and 2017
(In Thousands)

	2018	2017
INTEREST INCOME		
Loans	$ 44,558	$ 40,476
Investments and cash equivalents	16,305	13,066
Total interest income	60,863	53,542
INTEREST EXPENSE		
Members' shares	6,228	4,618
Borrowed funds	753	1,004
Total interest expense	6,981	5,622
NET INTEREST INCOME	53,882	47,920
PROVISION FOR LOAN LOSSES	173	(287)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	53,709	48,207
NON-INTEREST INCOME		
Service charges, fees, and commissions	7,620	7,242
Share insurance fund equity distribution	1,123	–
Other	398	1,141
Total non-interest income	9,141	8,383
NON-INTEREST EXPENSE		
Salaries and benefits	25,198	23,281
Operations	8,385	7,852
Occupancy	5,232	4,855
Marketing	1,782	1,818
Loan servicing	1,702	1,775
Professional and outside services	1,230	1,190
Other	4,266	4,340
Total non-interest expense	47,795	45,111
NET INCOME	$ 15,055	$ 11,479

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

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
Years Ended September 30, 2018 and 2017
(In Thousands)

	2018	2017
Net income	$ 15,055	$ 11,479
Other comprehensive loss:		
Net unrealized holding loss on securities available-for-sale arising during the year	(16,197)	(10,221)
Reclassification adjustment for net gains on securities available-for sale included in net income	(2)	–
Total other comprehensive loss	(16,199)	(10,221)
TOTAL COMPREHENSIVE (LOSS) INCOME	$ (1,144)	$ 1,258

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

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
Years Ended September 30, 2018 and 2017
(In Thousands)

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive (Loss) Income	Total Members' Equity
BALANCE, SEPTEMBER 30, 2016	$ 20,562	$ 145,644	$ 5,292	$ 171,498
Net income	–	11,479	–	11,479
Other comprehensive loss	–	–	(10,221)	(10,221)
BALANCE, SEPTEMBER 30, 2017	20,562	157,123	(4,929)	172,756
Net income	–	15,055	–	15,055
Other comprehensive loss	–	–	(16,199)	(16,199)
BALANCE, SEPTEMBER 30, 2018	$ 20,562	$ 172,178	$ (21,128)	$ 171,612

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

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2018 and 2017
(In Thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 15,055	$ 11,479
Adjustments to reconcile net income to net cash provided by operating activities:		
Net premium amortization on securities available-for sale	5,424	7,008
Provision for loan losses	173	(287)
Provision for other real estate owned losses	143	23
Depreciation and amortization of premises and equipment	2,672	2,684
Net gain on sales of loans held-for-sale	–	(23)
Net gain on sales of securities available-for-sale	(2)	–
Net gain on sales of other real estate owned	(41)	(28)
Net loss on disposals of premises and equipment	1	16
Originations of loans held-for-sale, net of principal payments	–	(3,193)
Proceeds from sales of loans held-for-sale	–	3,238
Increase in accrued interest receivable	(407)	(273)
Decrease in other assets	90	457
Increase in accrued expenses and other liabilities	299	1,772
Net cash provided by operating activities	23,407	22,873
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available-for-sale	(192,905)	(204,025)
Proceeds from maturities of securities available-for-sale	149,282	179,356
Proceeds from sales of securities available-for-sale	2,505	–
Net (increase) decrease in other investments	(323)	38
Originations of loans receivable, net of principal payments	(62,825)	(71,887)
Increase in the National Credit Union Share Insurance Fund deposit	(827)	(902)
Net purchases of premises and equipment	(1,587)	(1,598)
Proceeds from sales of other real estate owned	1,233	716
Net cash used by investing activities	(105,447)	(98,302)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' shares	105,694	68,935
Repayments of borrowed funds	(25,000)	–
Net cash provided by financing activities	80,694	68,935
DECREASE IN CASH AND CASH EQUIVALENTS	(1,346)	(6,494)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	57,173	63,667
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 55,827	$ 57,173
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 6,758	$ 5,643
Transfers from loans receivable, net to other real estate owned	$ 236	$ 1,173

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Polish & Slavic Federal Credit Union (the "Credit Union") is a cooperative association holding a corporate charter under the provisions of the Federal Credit Union Act. Participation in the Credit Union is limited to those who qualify for membership as defined in the Credit Union's Charter and Bylaws.

Subsequent Events: The Credit Union has considered the impact on its financial statements of events occurring subsequent to September 30, 2018 and through December 14, 2018, the date the financial statements were available to be issued.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the fair value of financial instruments.

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

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

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

Other Investments: The Credit Union, as a member of the Federal Home Loan Bank of New York ("FHLBNY") and the National Credit Union Administration ("NCUA") Central Liquidity Facility, is required to maintain an investment in the capital stock of each of these entities. In addition, as a capitalized member of Alloya Corporate Federal Credit Union ("Alloya"), the Credit Union is required to maintain an investment in Perpetual Contributed Capital Shares II issued by Alloya. No ready market exists for these investments and they do not have quoted market values. FHLBNY stock and the Alloya Perpetual Contributed Capital Shares II are carried at cost and reviewed for impairment based on the ultimate recoverability of the cost basis of the investments. NCUA Central Liquidity Facility stock is carried at cost and backed by the full faith and credit of the U.S. government.

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

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

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

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

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

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

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

Other Real Estate Owned: Other real estate owned acquired through loan foreclosure or in lieu of foreclosure is held for sale and is initially recorded at fair value less estimated costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Other real estate owned is included in Other assets on the Statements of Financial Condition. Revenues and expenses from operations, changes in the valuation allowance, write-downs subsequent to foreclosure, and realized gains and losses upon sales of properties are reflected in non-interest income and non-interest expense as appropriate.

Other real estate owned at September 30, 2018 amounted to $188,000 and consisted of a commercial real estate property. Other real estate owned at September 30, 2017 amounted to $1,299,000 and consisted of residential real estate properties. At September 30, 2018 and 2017, the recorded investment in consumer mortgage loans collateralized by residential real estate properties that were in the process of foreclosure amounted to $1,925,000 and $3,287,000, respectively.

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

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

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

In October 2017, the NCUA closed the Temporary Corporate Credit Union Stabilization Fund and transferred the remaining funds into the NCUSIF. The transfer of funds increased the equity level of the NCUSIF above the normal operating equity ratio threshold which was raised to 1.39% of insured shares. In February 2018, a dividend of $736 million from the NCUSIF was announced by the NCUA to lower the equity level to the normal operating ratio. The Credit Union accounted for its pro rata share of the dividend distribution by recognizing revenue of $1,123,000 in 2018 which is included in Non-Interest Income on the Statements of Income.

Members' Shares: Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union.

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

Marketing Costs: Marketing costs are expensed as incurred.

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

Comprehensive Income: Accounting principles generally require revenue, expenses, gains and losses to be included in net income. Certain changes in assets, such as unrealized gains and losses on securities available-for-sale, are reported as a separate component of members' equity in the Statements of Financial Condition.

New Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial condition and disclosing key information about leasing arrangements. The ASU is effective for the Credit Union for the fiscal year beginning after December 15, 2019. The ASU is not expected to have a material impact on the Credit Union's financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The main objective of the ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASU replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to form credit loss estimates. The ASU is effective for the Credit Union for the fiscal year beginning after December 15, 2021. The Credit Union is currently evaluating the impact of ASU 2016-13 on its financial statements.

NOTE 2 – SECURITIES AVAILABLE-FOR-SALE

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2018				
U.S. government-sponsored enterprise securities	$ 55,294	$ –	$ (609)	$ 54,685
Residential mortgage-backed securities	668,392	779	(21,298)	647,873
Total securities available-for-sale	$ 723,686	$ 779	$ (21,907)	$ 702,558
September 30, 2017				
U.S. government-sponsored enterprise securities	$ 38,460	$ 4	$ (626)	$ 37,838
Residential mortgage-backed securities	649,530	2,577	(6,884)	645,223
Total securities available-for-sale	$ 687,990	$ 2,581	$ (7,510)	$ 683,061

All of the residential mortgage-backed securities outstanding at September 30, 2018 and 2017 were issued by either a U.S. government agency or U.S. government-sponsored enterprise.

At September 30, 2018, securities available-for-sale with a fair value of $141,839,000 were pledged as collateral to secure potential borrowings. At September 30, 2017, securities available-for-sale with a fair value of $159,327,000 were pledged as collateral to secure actual and potential borrowings.

Information pertaining to securities available-for-sale with gross unrealized losses at September 30, 2018 and 2017, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows (in thousands):

	Less Than Twelve Months		Twelve Months or More		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
September 30, 2018						
U.S. government-sponsored enterprise securities	$ 275	$ 34,772	$ 334	$ 19,913	$ 609	$ 54,685
Residential mortgage-backed securities	4,883	261,236	16,415	328,437	21,298	589,673
Total	$ 5,158	$ 296,008	$ 16,749	$ 348,350	$ 21,907	$ 644,358
September 30, 2017						
U.S. government-sponsored enterprise securities	$ 51	$ 7,415	$ 575	$ 15,670	$ 626	$ 23,085
Residential mortgage-backed securities	3,352	319,438	3,532	141,887	6,884	461,325
Total	$ 3,403	$ 326,853	$ 4,107	$ 157,557	$ 7,510	$ 484,410

At September 30, 2018, there were 336 securities with unrealized losses. The Credit Union does not have the intent to sell any such securities and has determined that it will not be required to sell any such securities prior to the recovery of the amortized cost basis and that no credit impairment exists for any of the securities.

Gross realized gains and losses on sales of securities available-for-sale during the year ended September 30, 2018 were $34,000 and $32,000, respectively. There were no sales of securities available-for-sale during the year ended September 30, 2017.

The amortized cost and fair value of securities available-for-sale by contractual maturity at September 30, 2018 follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 4,000	$ 3,965
Due after one year through five years	21,593	21,290
Due after five years through ten years	29,701	29,430
Residential mortgage-backed securities	668,392	647,873
Total securities available-for-sale	$ 723,686	$ 702,558

Actual maturities of U.S. government-sponsored enterprise securities may differ from contractual maturities because issuers have the right to call the securities. Residential mortgage-backed securities are shown separately in the table above as they are not due at a single maturity date.

NOTE 3 – OTHER INVESTMENTS

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

	September 30, 2018	September 30, 2017
FHLBNY stock	$ 2,010	$ 1,918
NCUA Central Liquidity Facility stock	4,422	4,191
Alloya Perpetual Contributed Capital Shares II	250	250
Total other investments	$ 6,682	$ 6,359

NOTE 4 – LOANS RECEIVABLE, NET

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

	September 30, 2018	September 30, 2017
Residential real estate:		
First mortgage	$ 578,016	$ 545,742
Home equity and second mortgage	101,992	93,289
Commercial real estate	327,340	316,343
Consumer:		
Unsecured credit card	31,858	29,448
Other unsecured	12,624	13,388
Secured	48,722	39,939
Business:		
Unsecured credit card	795	853
Other unsecured	1,252	1,339
Secured	199	181
Total loans receivable	1,102,798	1,040,522
Allowance for loan losses	(991)	(1,131)
Loans receivable, net	$ 1,101,807	$ 1,039,391

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

	Residential Real Estate	Commercial Real Estate	Consumer	Business	Total
Year Ended September 30, 2018					
Beginning balance	$ 387	$ 52	$ 604	$ 88	$ 1,131
Charge-offs	(1)	–	(763)	(68)	(832)
Recoveries	236	73	196	14	519
Provision	(280)	(123)	556	20	173
Ending balance	$ 342	$ 2	$ 593	$ 54	$ 991

	Residential Real Estate	Commercial Real Estate	Consumer	Business	Total
Year Ended September 30, 2017					
Beginning balance	$ 949	$ 56	$ 616	$ 51	$ 1,672
Charge-offs	(103)	(7)	(809)	(100)	(1,019)
Recoveries	147	384	224	10	765
Provision	(606)	(381)	573	127	(287)
Ending balance	$ 387	$ 52	$ 604	$ 88	$ 1,131

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

	Residential Real Estate	Commercial Real Estate	Consumer	Business	Total
September 30, 2018					
Allowance for Loan Losses:					
Individually evaluated for impairment	$ 92	$ 2	$ 8	$ –	$ 102
Collectively evaluated for impairment	250	–	585	54	889
Total	$ 342	$ 2	$ 593	$ 54	$ 991
Loans Receivable:					
Individually evaluated for impairment	$ 8,606	$ 892	$ 57	$ –	$ 9,555
Collectively evaluated for impairment	671,402	326,448	93,147	2,246	1,093,243
Total	$ 680,008	$ 327,340	$ 93,204	$ 2,246	$ 1,102,798

	Residential Real Estate	Commercial Real Estate	Consumer	Business	Total
September 30, 2017					
Allowance for Loan Losses:					
Individually evaluated for impairment	$ 136	$ 2	$ 9	$ –	$ 147
Collectively evaluated for impairment	251	50	595	88	984
Total	$ 387	$ 52	$ 604	$ 88	$ 1,131
Loans Receivable:					
Individually evaluated for impairment	$ 10,751	$ 2,677	$ 56	$ –	$ 13,484
Collectively evaluated for impairment	628,280	313,666	82,719	2,373	1,027,038
Total	$ 639,031	$ 316,343	$ 82,775	$ 2,373	$ 1,040,522

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

	Payment Activity		
	Performing	Non-Performing	Total
		(In Thousands)	
September 30, 2018			
Residential real estate:			
First mortgage	$ 574,443	$ 3,573	$ 578,016
Home equity and second mortgage	101,468	524	101,992
Commercial real estate	326,959	381	327,340
Consumer:			
Unsecured credit card	31,754	104	31,858
Other unsecured	12,623	1	12,624
Secured	48,722	-	48,722
Business:			
Unsecured credit card	795	-	795
Other unsecured	1,252	-	1,252
Secured	199	-	199
Total	$ 1,098,215	$ 4,583	$ 1,102,798

	Payment Activity		
	Performing	Non-Performing	Total
	(In Thousands)		
September 30, 2017			
Residential real estate:			
First mortgage	$ 541,943	$ 3,799	$ 545,742
Home equity and second mortgage	92,739	550	93,289
Commercial real estate	314,304	2,039	316,343
Consumer:			
Unsecured credit card	29,356	92	29,448
Other unsecured	13,287	101	13,388
Secured	39,939	-	39,939
Business:			
Unsecured credit card	845	8	853
Other unsecured	1,339	-	1,339
Secured	181	-	181
Total	$ 1,033,933	$ 6,589	$ 1,040,522

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

	30 – 59 Days	60 – 89 Days	90 Days or Greater	Total Past Due	Current	Total
September 30, 2018						
Residential real estate:						
First mortgage	$ –	$ 905	$ 3,122	$ 4,027	$ 573,989	$ 578,016
Home equity and second mortgage	359	14	491	864	101,128	101,992
Commercial real estate	–	5	381	386	326,954	327,340
Consumer:						
Unsecured credit card	213	75	104	392	31,466	31,858
Other unsecured	51	82	1	134	12,490	12,624
Secured	88	17	–	105	48,617	48,722
Business:						
Unsecured credit card	2	–	–	2	793	795
Other unsecured	2	–	–	2	1,250	1,252
Secured	–	–	–	–	199	199
Total	$ 715	$ 1,098	$ 4,099	$ 5,912	$ 1,096,886	$ 1,102,798

	30 – 59 Days	60 – 89 Days	90 Days or Greater	Total Past Due	Current	Total
September 30, 2017						
Residential real estate:						
First mortgage	$ –	$ 778	$ 3,091	$ 3,869	$ 541,873	$ 545,742
Home equity and second mortgage	302	80	513	895	92,394	93,289
Commercial real estate	–	–	2,039	2,039	314,304	316,343
Consumer:						
Unsecured credit card	134	103	92	329	29,119	29,448
Other unsecured	38	15	101	154	13,234	13,388
Secured	62	2	–	64	39,875	39,939
Business:						
Unsecured credit card	12	2	8	22	831	853
Other unsecured	1	–	–	1	1,338	1,339
Secured	–	–	–	–	181	181
Total	$ 549	$ 980	$ 5,844	$ 7,373	$1,033,149	$1,040,522

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

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

	September 30, 2018	September 30, 2017
Residential real estate:		
First mortgage	$ 3,573	$ 3,799
Home equity and second mortgage	524	550
Commercial real estate	381	2,039
Consumer:		
Unsecured credit card	104	92
Other unsecured	1	101
Secured	-	-
Business:		
Unsecured credit card	-	8
Other unsecured	-	-
Secured	-	-
Total	$ 4,583	$ 6,589

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

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Year Ended September 30, 2018			
Consumer:			
Other unsecured	1	$ 15	$ 15
Year Ended September 30, 2017			
Residential real estate:			
First mortgage	1	$ 376	$ 376
Commercial real estate			
Consumer:	1	572	572
Secured	1	15	15

During the years ended September 30, 2018 and 2017, there were no loans modified in a TDR that had a payment default within twelve months of modification.

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

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
September 30, 2018					
With no related allowance:					
Residential real estate:					
First mortgage	$ 4,069	$ 4,670	$ –	$ 5,139	$ 331
Home equity and second mortgage	409	409	–	512	24
Commercial real estate	334	334	–	1,086	610
Consumer:					
Unsecured credit card	–	–	–	–	–
Other unsecured	–	–	–	–	–
Secured	3	3	–	5	–
Business:					
Unsecured credit card	–	–	–	–	–
Other unsecured	–	–	–	–	–
Secured	–	–	–	–	–
With a related allowance:					
Residential real estate:					
First mortgage	4,110	4,224	78	4,180	215
Home equity and second mortgage	18	18	14	18	–
Commercial real estate	558	558	2	562	28
Consumer:					
Unsecured credit card	–	–	–	–	–
Other unsecured	54	54	8	45	3
Secured	–	–	–	–	–
Business:					
Unsecured credit card	–	–	–	–	–
Other unsecured	–	–	–	–	–
Secured	–	–	–	–	–
Total impaired loans	$ 9,555	$ 10,270	$ 102	$ 11,547	$ 1,211

September 30, 2017	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance:					
Residential real estate:					
First mortgage	$ 4,492	$ 5,569	$ –	$ 5,664	$ 237
Home equity and second mortgage	535	535	–	513	6
Commercial real estate	2,111	2,238	–	2,266	7
Consumer:					
Unsecured credit card	–	–	–	–	–
Other unsecured	1	1	–	6	1
Secured	8	8	–	12	1
Business:					
Unsecured credit card	–	–	–	–	–
Other unsecured	–	–	–	–	–
Secured	–	–	–	–	–
With a related allowance:					
Residential real estate:					
First mortgage	5,705	5,821	122	5,735	285
Home equity and second mortgage	18	18	14	18	–
Commercial real estate	567	567	2	403	25
Consumer:					
Unsecured credit card	–	–	–	–	–
Other unsecured	47	47	9	51	1
Secured	–	–	–	–	–
Business:					
Unsecured credit card	–	–	–	–	–
Other unsecured	–	–	–	–	–
Secured	–	–	–	–	–
Total impaired loans	$ 13,484	$ 14,804	$ 147	$ 14,668	$ 563

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

NOTE 5 – LOAN SERVICING

Loans serviced for others by the Credit Union are not included in the accompanying Statements of Financial Condition. The unpaid principal balances of first mortgage loans serviced for others were $57,050,000 and $64,246,000 at September 30, 2018 and 2017, respectively.

The following table summarizes activity pertaining to mortgage servicing rights (in thousands):

	Years Ended September 30, 2018	2017
Balance at beginning of year	$ 603	$ 598
Additions	–	22
Changes in fair value	(16)	(17)
Balance at end of year	$ 587	$ 603

NOTE 6 – PREMISES AND EQUIPMENT, NET

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

	September 30, 2018	2017
Land	$ 4,637	$ 4,637
Buildings	33,191	33,019
Leasehold improvements	5,529	4,972
Furniture and equipment	20,379	20,077
Total premises and equipment	63,736	62,705
Accumulated depreciation and amortization	(36,558)	(34,441)
Premises and equipment, net	$ 27,178	$ 28,264

NOTE 7 – MEMBERS' SHARES

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

	September 30, 2018	2017
Regular share accounts	$ 960,045	$ 967,290
Share draft accounts	279,375	258,300
Money market accounts	27,806	31,217
Individual retirement account ("IRA") shares	100,708	104,725
Share and IRA certificates	369,205	269,913
Total members' shares	$ 1,737,139	$ 1,631,445

Scheduled maturities of share and IRA certificates as of September 30, 2018 are as follows (in thousands):

Years Ending September 30,	
2019	$ 159,223
2020	69,644
2021	55,507
2022	23,214
2023	61,617
Total share and IRA certificates	$ 369,205

The aggregate amounts of share and IRA certificates in denominations of $250,000 or more at September

30, 2018 and 2017 were $10,015,000 and $10,856,000, respectively.

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

NOTE 8 – BORROWED FUNDS

There were no borrowings outstanding at September 30, 2018. Borrowings from Alloya at September 30, 2017 were as follows (dollars in thousands):

Maturity Date	Rate	Amount
January 4, 2018	4.00 %	$ 15,000
January 23, 2018	3.29	10,000
Total borrowed funds		$ 25,000

NOTE 9 –COMMITMENTS AND CONTINGENCIES

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

	September 30,	
	2018	2017
Commitments to grant real estate loans	$ 11,824	$ 24,886
Unfunded commitments under lines of credit:		
Real estate equity	119,115	103,574
Credit card	113,056	100,853
Other	23,462	23,464
Total unfunded commitments to extend credit	$ 267,457	$ 252,777

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

Future minimum rent commitments under non-cancelable operating leases for premises at September 30, 2018 are as follows (in thousands):

Years Ending September 30,	
2019	$ 1,066
2020	977
2021	732
2022	633
2023	400
Thereafter	1,166
Total future minimum lease payments	$ 4,974

Rent expense for the years ended September 30, 2018 and 2017 for premises leased under operating leases totaled $1,444,000 and $1,371,000, respectively.

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

NOTE 10 – EMPLOYEE BENEFITS

The Credit Union maintains a defined contribution 401(k) plan that permits employees meeting specific age and length of service requirements to make contributions to the plan. The Credit Union makes matching contributions equal to 100% of the employees' contributions up to the first 3% of the employees' salaries and 50% of employees' contributions over 3% through 5% of the employees' salaries. The plan also provides for a discretionary contribution each plan year by the Credit Union. The Credit Union made matching contributions to the 401(k) Plan of $621,000 and $571,000 for the years ended September 30, 2018 and 2017, respectively. The Credit Union made a discretionary contribution of $60,000 to the plan during the year ended September 30, 2018, but did not make a discretionary contribution to the plan during the year ended September 30, 2017.

NOTE 11 – MEMBERS' EQUITY

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

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth to total assets. Further, credit unions over $10,000,000 in assets are also required to calculate a Risk-Based Net Worth ("RBNW") requirement which establishes whether or not the credit union will be considered "complex" under the regulatory framework. The Credit Union's RBNW requirements as of September 30, 2018 and 2017 were 7.09% and 6.34%, respectively. The minimum ratio to be considered "complex" under the regulatory framework is 6.00%. Management believes, as of September 30, 2018 and 2017, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of September 30, 2018, the most recent call reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for PCA. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7.00% of assets and meet any applicable RBNW requirement. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

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

	Actual		To be Adequately Capitalized Under PCA Provisions		To be Well Capitalized Under PCA Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
September 30, 2018						
Net worth	$192,740	10.03%	$115,232	6.00%	$134,437	7.00%
September 30, 2017						
Net worth	$177,685	9.65%	$110,441	6.00%	$128,848	7.00%

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

NOTE 12 – RELATED PARTY TRANSACTIONS

In the normal course of business, the Credit Union extends credit to its directors, supervisory committee members and executive officers. The aggregate loans to related parties totaled $4,042,000 and $4,147,000 at September 30, 2018 and 2017, respectively. Deposits from related parties amounted to $1,627,000 and $1,834,000 at September 30, 2018 and 2017, respectively.

NOTE 13 – FAIR VALUE MEASUREMENTS

As defined in U.S. GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

	Carrying Value			
	Level 1	Level 2	Level 3	Total
September 30, 2018				
Securities available-for-sale:				
U.S. government-sponsored enterprise securities	$ –	$ 54,685	$ –	$ 54,685
Residential mortgage-backed securities	–	647,873	–	647,873
Total securities available-for-sale	–	702,558	–	702,558
Mortgage servicing rights	–	–	587	587
Total	$ –	$ 702,558	$ 587	$ 703,145
September 30, 2017				
Securities available-for-sale:				
U.S. government-sponsored enterprise securities	$ –	$ 37,838	$ –	$ 37,838
Residential mortgage-backed securities	–	645,223	–	645,223
Total securities available-for-sale	–	683,061	–	683,061
Mortgage servicing rights	–	–	603	603
Total	$ –	$ 683,061	$ 603	$ 683,064

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

	Mortgage Servicing Rights	
	September 30,	
	2018	2017
Balance at beginning of year	$ 603	$ 598
Total realized losses included in net income	(16)	(17)
Additions	–	22
Balance at end of year	$ 587	$ 603

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

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

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

	Carrying Value			
	Level 1	**Level 2**	**Level 3**	**Total**
September 30, 2018				
Impaired loans receivable	$ –	$ –	$ 685	$ 685
Other real estate owned	–	–	188	188
Total	$ –	$ –	$ 873	$ 873
September 30, 2017				
Impaired loans receivable	$ –	$ –	$ 1,945	$ 1,945
Other real estate owned	–	–	1,299	1,299
Total	$ –	$ –	$ 3,244	$ 3,244