



INDEPENDENT AUDITOR'S REPORT

January 20, 2016

To the Supervisory Committee of
Seasons Federal Credit Union

We have audited the accompanying consolidated financial statements of Seasons Federal Credit Union and its subsidiary, which comprise the consolidated statement of financial condition as of September 30, 2015, and the related consolidated statements of operations, comprehensive operations, members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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.

To the Supervisory Committee of
Seasons Federal Credit Union
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Seasons Federal Credit Union and its subsidiary as of September 30, 2015, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements as of September 30, 2014, were audited by Orth, Chakler, Murnane and Company, whose report dated January 8, 2015, expressed an unmodified opinion on those statements.

OCM & Co., CPAs and Advisors
A DoerenMayhew Firm

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Miami, FL

SEASONS FEDERAL CREDIT UNION CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
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ASSETS

	As of September 30,	
	2015	2014
Cash and cash equivalents	\$9,228,356	\$10,385,674
Investments:		
Available-for-sale	8,362,270	12,397,035
Held-to-maturity	4,025	5,101
Other	2,265,070	4,293,470
Loans held-for-sale	565,160	610,999
Loans to members, net of allowance for loan losses	119,315,074	105,713,266
Accrued interest receivable		
Investments	30,554	50,023
Loans	404,650	377,962
Prepaid pension	2,920,197	3,652,598
Prepaid and other assets	5,585,352	4,555,647
Property and equipment, net	3,735,756	3,919,275
NCUSIF deposit	1,303,358	1,251,510
Total assets	\$153,719,822	\$147,212,560

LIABILITIES AND MEMBERS' EQUITY

	As of September 30,	
	2015	2014
LIABILITIES:		
Members' share and savings accounts	\$136,237,739	\$128,751,894
Borrowed funds	5,000,000	5,000,000
Accounts payable and other liabilities	2,294,099	2,236,718
Total liabilities	143,531,838	135,988,612
Commitments and contingent liabilities		
MEMBERS' EQUITY:		
Regular reserve	2,241,414	2,241,414
Undivided earnings	8,804,481	9,319,583
Equity acquired in business combination	1,033,234	1,033,234
Accumulated other comprehensive loss	(1,891,145)	(1,370,283)
Total members' equity	10,187,984	11,223,948
Total liabilities and members' equity	\$153,719,822	\$147,212,560

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

SEASONS FEDERAL CREDIT UNION CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended September 30,	
	2015	2014
INTEREST INCOME:		
Loans to members	\$6,773,367	\$6,537,331
Investments	393,648	431,823
Total interest income	7,167,015	6,969,154
INTEREST EXPENSE:		
Members' share and savings accounts	509,539	485,258
Net interest income	6,657,476	6,483,896
PROVISION FOR LOAN LOSSES	1,359,331	913,797
Net interest income after provision for loan losses	5,298,145	5,570,099
NON-INTEREST INCOME:		
Fees and service charges	1,601,693	1,584,338
Miscellaneous operating income	907,367	867,588
Gain on sale of loans	328,828	490,674
Total non-interest income	2,837,888	2,942,600
Net income before non-interest expense	8,136,033	8,512,699
NON-INTEREST EXPENSE:		
Compensation and employee benefits	3,711,533	3,606,897
Office operations and occupancy costs	3,310,261	3,188,249
Other expenses	1,629,341	1,509,898
Total non-interest expense	8,651,135	8,305,044
Net (loss)/income	(\$515,102)	\$207,655

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

SEASONS FEDERAL CREDIT UNION CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS

	For the years ended September 30,	
	2015	2014
NET (LOSS)/INCOME	(\$515,102)	\$207,655
OTHER COMPREHENSIVE (LOSS)/INCOME:		
Net unrealized gain on investments classified as available-for-sale	314,544	243,784
Net unrealized loss on defined benefit plan	(859,349)	(183,322)
Reclassification adjustment for defined benefit plan loss recognized in net (loss)/income	23,943	13,166
Other comprehensive (loss)/income	(520,862)	73,628
Comprehensive (loss)/income	(\$1,035,964)	\$281,283

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

SEASONS FEDERAL CREDIT UNION CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
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**For the years ended
September 30, 2015 and 2014**

	Regular Reserve	Undivided Earnings	Equity Acquired in Business Combination	Accumulated Other Comprehensive Loss	Total
Balance, September 30, 2013	\$2,241,414	\$9,111,928	\$—	(\$1,443,911)	\$9,909,431
Net income	—	207,655	—	—	207,655
Other comprehensive income	—	—	—	73,628	73,628
Equity acquired in business combination	—	—	1,033,234	—	1,033,234
Balance, September 30, 2014	2,241,414	9,319,583	1,033,234	(1,370,283)	11,223,948
Net loss	—	(515,102)	—	—	(515,102)
Other comprehensive loss	—	—	—	(520,862)	(520,862)
Balance, September 30, 2015	\$2,241,414	\$8,804,481	\$1,033,234	(\$1,891,145)	\$10,187,984

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

SEASONS FEDERAL CREDIT UNION CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/income	(\$515,102)	\$207,655
Adjustments:		
Provision for loan losses	1,359,331	913,797
Depreciation and amortization	412,528	402,595
Amortization of investment premiums/discounts, net	199,100	94,433
Fair value adjustments of mortgage servicing rights	249,964	206,719
Capitalization of mortgage servicing rights	(108,466)	(131,142)
Gain on sale of loans	(220,362)	(359,532)
Changes in operating assets and liabilities:		
Loans held for sale	266,201	1,319,062
Accrued interest receivable	(7,219)	(5,844)
Prepaid and other assets	(1,171,203)	(505,553)
Accounts payable and other liabilities	57,381	134,828
Change in prepaid pension	(103,005)	101,897
Net cash provided by operating activities	419,148	2,378,915
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale investments	—	(2,132,526)
Proceeds from maturities and repayments of available-for-sale investments	4,150,209	771,428
Proceeds from maturities and repayments of held-to-maturity investments	1,076	977
Net change in other investments	2,028,400	(169,000)
Proceeds from loans held for sale	959,522	—
Net change in loans, net of charge-offs	(16,334,559)	(7,046,620)
Recoveries on loans charged off	413,898	66,881
Cash and cash equivalents acquired in business combination	—	1,089,062
Expenditures for property and equipment	(229,009)	(153,177)
Change in NCUSIF deposit	(51,848)	(26,634)
Net cash used in investing activities	(9,062,311)	(7,599,609)

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

SEASONS FEDERAL CREDIT UNION CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash Flows: (continued)

	For the years ended September 30,	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in members' share and savings accounts	7,485,845	2,953,292
New borrowings	5,000,000	5,000,000
Repayment of borrowings	(5,000,000)	—
Net cash provided by financing activities	7,485,845	7,953,292
Net change in cash and cash equivalents	(1,157,318)	2,732,598
Cash and cash equivalents at beginning of year	10,385,674	7,653,076
Cash and cash equivalents at end of year	\$9,228,356	\$10,385,674
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	\$509,334	\$485,020
SCHEDULE OF NON-CASH TRANSACTIONS:		
Other comprehensive (loss)/income	(\$520,862)	\$73,628

As of October 1, 2013, the fair values of non-cash and cash equivalent assets acquired and liabilities assumed in the merger with Middlesex Healthcare Federal Credit Union (MHFCU) were approximately \$7,088,000 and \$7,144,000 respectively.

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

<p style="text-align: center;">SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</p>
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***NOTE 1: SIGNIFICANT
ACCOUNTING POLICIES***

ORGANIZATION AND NATURE OF OPERATIONS

Seasons Federal Credit Union (the Credit Union) is a cooperative association organized in accordance with the provisions of the Federal Credit Union Act for the purpose of promoting thrift among, and creating a source of credit for, its members. Participation in the Credit Union is limited to those individuals that qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws.

CONSOLIDATED FINANCIAL STATEMENTS/USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses for the period then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses and the fair value of financial instruments. The significant accounting principles and policies used in the preparation of these consolidated financial statements, together with certain related information, are summarized below.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and amounts due from banks and corporate credit unions. Amounts due from banks and corporate credit unions may, at times, exceed federally insured limits.

PRINCIPLES OF CONSOLIDATION

As of and for the year ended September 30, 2015 the financial statements were consolidated with the Credit Union's wholly owned Credit Union Service Organization (CUSO), Solstice Insurance Agency, a division of Seasons Federal Credit Union. All significant intercompany accounts and transactions have been eliminated.

INVESTMENTS

Investments are classified into the following categories: available-for-sale, held-to-maturity and other. Investment securities classified as available-for-sale are measured at fair value as of the consolidated statement of financial condition date. Unrealized gains and losses on investments classified as available-for-sale are reported as a separate component of members' equity. Investments classified as held-to-maturity are measured at amortized cost. This classification is based upon the Credit Union's intent and ability to hold these investment securities to full maturity. The Credit Union has elected to classify certain cash and cash equivalents as other investments. This election is available to the Credit Union according to the terms of the Statement of Cash Flows Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Realized gains and losses on disposition, if any, are computed using the specific identification method. Investments are adjusted for the amortization of premiums and accretion of discounts as an adjustment to interest income on investments over the term of the investment by a method which approximates the interest method.

<p style="text-align: center;">SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</p>
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Note 1: (continued)

FEDERAL HOME LOAN BANK (FHLB) STOCK

As a member of the FHLB, the Credit Union is required to invest in stock of the FHLB. The Credit Union's minimum stock investment is based on a formula developed by the FHLB that considers the Credit Union's total assets and outstanding advances from the FHLB. The FHLB stock is carried at cost within other investments and its disposition is restricted. No ready market exists for the FHLB stock, and it has no quoted fair value.

LOANS HELD FOR SALE

Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or estimated fair value in the aggregate. These loans are sold within a short period of time, and as a result, cost is assumed to approximate fair value. All sales are made without recourse.

LOANS TO MEMBERS AND ALLOWANCE FOR LOAN LOSSES

Loans are stated at the amount of unpaid principal, net of an allowance for loan losses (ALL) and deferred loan origination fees and costs. The ALL is increased by a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). The ALL is maintained at a level considered adequate to provide for incurred loan losses in the loan portfolio by applying a historical loan loss rate to loan pools which have similar risk characteristics. Management's periodic evaluation of the adequacy of the ALL also considers such factors as changes in the nature and volume of the loan portfolio, review of specific problem loans, and current economic conditions that may affect the borrower's ability to repay.

Interest on loans to members is recognized over the terms of the loans and is calculated on principal amounts outstanding. The accrual of interest is discontinued when a loan reaches 90 days delinquent or when management believes that collection of interest is doubtful. Generally, loan fees charged to members are recognized in income when received and direct loan origination costs on loans are recognized in expense when incurred. This is not materially different from the expenses that would have been recognized under the provisions of the Nonrefundable Fees and Other Costs Topic of the FASB ASC. However, certain loan origination fees and costs are deferred and amortized as an adjustment of loan yield over the estimated life of the loan using a method that approximates the interest method. Credit card fees and costs are recognized in income and expense when incurred.

ALL METHODOLOGY

Management has an established methodology to determine the adequacy of the ALL that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the ALL, the Credit Union has segmented certain loans in the portfolio by product type. Loans are divided into Real Estate and Consumer segments. The Credit Union also disaggregates these segments into classes based on the associated risks within those segments. Real estate loans are divided into three classes: Home equity line of credit, Second mortgage, and First mortgage. Consumer loans are divided into four classes: Used auto, Unsecured, New auto, and Other secured. Each class of loans requires significant judgment to determine the estimation method that fits the credit risk characteristics of its portfolio segment. The Credit Union uses internally developed models in the process. Management must use judgment in establishing additional input metrics for the modeling processes.

<p style="text-align: center;">SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</p>
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Note 1: (continued)

The models and assumptions used to determine the ALL are independently validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented. The following is a summary of the methodology used by management to determine the balance of the ALL for each segment or class of loans.

REAL ESTATE PORTFOLIO SEGMENT ALL METHODOLOGY

For real estate loans not identified as impaired, the Credit Union determines the ALL on a collective basis utilizing historical and forecasted losses to represent the best estimate of inherent losses at the measurement date. Loans are pooled generally by loan types with similar risk characteristics. As of September 30, 2015, the historical loss time frame for each class was 12 months. As of September 30, 2014, the historical loss time frame for each class was a weighted 36 month approach.

The real estate and ALL model primarily uses historic delinquency and default experience, loss severity, home price trends, unemployment trends, and other key economic variables that may influence the frequency and severity of losses for each class of loan within the real estate segment. The real estate ALL also includes an amount for the estimated losses on individually evaluated impaired loans.

CONSUMER PORTFOLIO SEGMENT ALL METHODOLOGY

For consumer loans not identified as impaired, the Credit Union determines the ALL on a collective basis utilizing historical and forecasted losses to represent the best estimate of inherent losses at the measurement date. Loans are pooled generally by loan types with similar risk characteristics. As of September 30, 2015, the historical loss time frame for each class was 12 months. As of September 30, 2014, the historical loss time frame for each class was a weighted 36 month approach.

The consumer ALL model primarily uses historic delinquency and default experience, loss severity, unemployment trends, and other key economic variables that may influence the frequency and severity of losses for each class of loan within the consumer segment. The consumer ALL also includes an amount for the estimated losses on individually evaluated impaired loans.

<p style="text-align: center;">SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</p>
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Note 1: (continued)

LOAN CHARGE-OFF POLICIES

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

Consumer:

- A non-performing loan that is more than 180 days past due;
- Management judges the asset to be uncollectible;
- Where additional collection efforts are non-productive regardless of the number of days delinquent;
- A "skip" where the Credit Union has had no contact for 90 days;
- An estimated loan loss, where the Credit Union has repossessed, but not yet sold, collateral on hand;
- A loan of a deceased person where the loss is determined;

Real Estate:

- A foreclosed real estate loan upon the determination of the amount of the estimated loan loss. The loss is estimated by calculating the difference between the loan balance and a reasonable estimate of the fair market value of the collateral less liquidation costs.

MORTGAGE SERVICING RIGHTS

Mortgage servicing assets are recognized at fair value as separate assets when rights are acquired through the sale of financial assets. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. Capitalized servicing rights are reported in prepaid and other assets and are accounted for at fair value, with changes in fair value recorded in current earnings. Service fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal.

PREPAID PENSION

The Credit Union maintains a defined benefit pension plan covering all eligible employees of the Credit Union. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The plan is substantially over funded and the prepaid pension plan asset represents plan assets that exceed the liabilities due to participants in the plan. The plan assets are valued by the plan's actuary based on various actuarial assumptions. Removing the excess assets from the plan may be subject to tax.

<p style="text-align: center;">SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</p>
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Note 1: (continued)

PROPERTY AND EQUIPMENT

Land is carried at cost. Property and equipment are carried at cost less accumulated depreciation. Buildings and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NCUSIF DEPOSIT

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union. 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.

MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

BORROWED FUNDS

The Credit Union has borrowed funds outstanding from the FHLB. These borrowings are secured by pledges of qualified collateral, as defined in the FHLB Statement of Credit Policy.

MEMBERS' EQUITY

The Credit Union is required to maintain a statutory reserve (regular reserve) in accordance with the Federal Credit Union Act. This statutory reserve represents a regulatory restriction and is not available for the payment of interest.

FEDERAL AND STATE TAX EXEMPTION

The Credit Union is exempt from most federal, state, and local taxes under the provisions of the Internal Revenue Code and state tax laws. The Income Taxes Topic of the FASB ASC clarifies accounting for uncertainty in income taxes reported in the consolidated financial statements. The interpretation provides criteria for assessment of individual tax positions and a process for recognition and measurement of uncertain tax positions. Tax positions are evaluated on whether they meet the "more likely than not" standard for sustainability on examination by tax authorities. Federal credit unions are tax-exempt under Internal Revenue Code sections 501(c)(14)(a) and 501(c)(1)(a)(I). As such, the Credit Union has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. Additionally, no interest or penalties have been recorded in the accompanying consolidated financial statements related to uncertain tax positions.

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 1: (continued)

SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 20, 2016, the date the consolidated financial statements were available to be issued. Management has not identified any items requiring recognition or disclosure.

NOTE 2: INVESTMENTS

The amortized cost and estimated fair value of investments are as follows:

	As of September 30, 2015			
<u>Available-for-sale:</u>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	\$5,425,901	\$64,028	(\$16,690)	\$5,473,239
Asset-backed securities	1,684,269	—	(42,343)	1,641,926
Federal agency collateralized mortgage obligations	801,913	—	(10,743)	791,170
Private-issue collateralized mortgage obligations	534,965	—	(79,030)	455,935
	\$8,447,048	\$64,028	(\$148,806)	\$8,362,270

	As of September 30, 2014			
<u>Available-for-sale:</u>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	\$8,938,840	\$5,363	(\$218,464)	\$8,725,739
Asset-backed securities	1,963,571	—	(52,818)	1,910,753
Federal agency collateralized mortgage obligations	1,250,505	6,551	(37,966)	1,219,090
Private-issue collateralized mortgage obligations	643,441	—	(101,988)	541,453
	\$12,796,357	\$11,914	(\$411,236)	\$12,397,035

	As of September 30, 2015			
<u>Held-to-maturity:</u>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	\$4,025	\$43	\$—	\$4,068

	As of September 30, 2014			
<u>Held-to-maturity:</u>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	\$5,101	\$56	\$—	\$5,157

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 2: (continued)

All available-for-sale and held-to-maturity investments receive principal and interest payments based on the payments received on the loans underlying the investments. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay certain obligations without call or prepayment penalties.

Other investments:

	As of September 30,	
	2015	2014
Certificates of deposit	\$1,789,000	\$3,925,000
FHLB stock	289,100	261,500
CUSO	100,000	100,000
Alloya Corporate Federal Credit Union - Capital	86,970	6,970
	\$2,265,070	\$4,293,470

The following tables show the gross unrealized losses and fair value of investments, aggregated by length of time individual securities have been in a continuous unrealized loss position.

As of September 30, 2015

	<i>Available-for-sale</i>					
	<i>Less than 12 Months</i>		<i>12 Months or Longer</i>		<i>Total</i>	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed securities	\$3,413,462	(\$16,690)	\$—	\$—	\$3,413,462	(\$16,690)
Asset-backed securities	—	—	1,641,926	(42,343)	1,641,926	(42,343)
Federal agency collateralized mortgage obligations	—	—	791,170	(10,743)	791,170	(10,743)
Private-issue collateralized mortgage obligations	—	—	455,935	(79,030)	455,935	(79,030)
	\$3,413,462	(\$16,690)	\$2,889,031	(\$132,116)	\$6,302,493	(\$148,806)

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 2: (continued)

As of September 30, 2014

Available-for-sale

	<u>Less than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed securities	\$1,051,093	(\$16,862)	\$6,616,116	(\$201,602)	\$7,667,209	(\$218,464)
Asset-backed securities	—	—	1,910,753	(52,818)	1,910,753	(52,818)
Federal agency collateralized mortgage obligations	—	—	879,490	(37,966)	879,490	(37,966)
Private-issue collateralized mortgage obligations	—	—	541,453	(101,988)	541,453	(101,988)
	<u>\$1,051,093</u>	<u>(\$16,862)</u>	<u>\$9,947,812</u>	<u>(\$394,374)</u>	<u>\$10,998,905</u>	<u>(\$411,236)</u>

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because the principal balances of these securities are guaranteed by the U.S. Government. Management has the ability and intent to hold these securities to recovery of fair value, which may be maturity.

The principal balances of private issue collateralized mortgage obligations are not guaranteed. Unrealized losses on these securities are periodically evaluated for other-than-temporary impairment (OTTI). As of September 30, 2015, OTTI on private-issue collateralized mortgage obligations was immaterial for recognition.

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: LOANS TO MEMBERS

The composition of loans to members is as follows:

	As of September 30,	
	2015	2014
Real Estate:		
Home equity line of credit	\$24,487,548	\$24,414,582
Second mortgage	14,991,910	12,989,535
First mortgage	5,397,241	6,748,568
Total real estate	44,876,699	44,152,685
Consumer:		
Used auto	41,574,437	33,942,939
Unsecured	15,857,006	15,945,331
New auto	16,678,870	11,300,345
Other secured	337,967	354,810
Total consumer	74,448,280	61,543,425
Total loans	119,324,979	105,696,110
Net deferred loan origination fees/costs	1,110,268	743,161
	120,435,247	106,439,271
Less ALL	(1,120,173)	(726,005)
	\$119,315,074	\$105,713,266

A summary of the activity in the ALL by portfolio segment is as follows:

	For the years ended		
	September 30, 2015 and 2014		
	Real Estate	Consumer	Total
Balance, September 30, 2013	\$249,010	\$415,953	\$664,963
Provision for loan losses	94,938	818,859	913,797
Recoveries	9,675	57,206	66,881
Loans charged off	(139,099)	(780,537)	(919,636)
Balance, September 30, 2014	214,524	511,481	726,005
Provision for loan losses	417,869	941,462	1,359,331
Recoveries	155,662	258,236	413,898
Loans charged off	(399,928)	(979,133)	(1,379,061)
Balance, September 30, 2015	\$388,127	\$732,046	\$1,120,173

	As of September 30, 2015		
	Real Estate	Consumer	Total
Ending balance	\$388,127	\$732,046	\$1,120,173
Individually evaluated for impairment	\$65,000	\$34,531	\$99,531
Collectively evaluated for impairment	\$323,127	\$697,515	\$1,020,642

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 3: (continued)

	As of September 30, 2014		
	Real Estate	Consumer	Total
Ending balance	\$214,524	\$511,481	\$726,005
Individually evaluated for impairment	\$34,227	\$31,770	\$65,997
Collectively evaluated for impairment	\$180,297	\$479,711	\$660,008

A summary of the recorded investment in loans by portfolio segment is as follows:

	As of September 30, 2015		
	Real Estate	Consumer	Total
Ending balance	\$45,100,927	\$75,334,320	\$120,435,247
Individually evaluated for impairment	\$797,555	\$734,727	\$1,532,282
Collectively evaluated for impairment	\$44,303,372	\$74,599,593	\$118,902,965

	As of September 30, 2014		
	Real Estate	Consumer	Total
Ending balance	\$44,386,262	\$62,053,009	\$106,439,271
Individually evaluated for impairment	\$489,987	\$306,881	\$796,868
Collectively evaluated for impairment	\$43,896,275	\$61,746,128	\$105,642,403

IMPAIRED LOANS

A loan is impaired when it is probable, based on current information and events, that the Credit Union will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. When management identifies a loan as impaired, the impairment is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases management uses the current fair value of the collateral, less selling costs, when foreclosure is probable, instead of discounted cash flows. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an ALL estimate or a charge-off to the ALL. The following tables include the recorded investment and unpaid principal balances for loans that are individually evaluated for impairment with the associated ALL amount, if applicable.

Payments received on impaired loans are recorded as a reduction of principal or as interest income depending on management's assessment of the ultimate collectability of the loan principal. Generally, interest income on an impaired loans is recorded over the terms of the loans and is calculated on principal amounts outstanding. Interest income recorded on impaired loans for all periods presented was recorded on a cash basis.

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 3: (continued)

The tables below summarize key information for impaired loans:

	As of September 30, 2015		
	Recorded Investment	Unpaid Principal Balance	Specific Allowance
<u>With no related allowance:</u>			
Real Estate:			
Second mortgage	\$229,919	\$229,919	\$—
Consumer:			
Used auto	\$296,025	\$296,025	\$—
Unsecured	\$18,839	\$18,839	\$—
New auto	\$142,103	\$142,103	\$—
<u>With an allowance recorded:</u>			
Real Estate:			
Second mortgage	\$567,636	\$567,636	\$65,000
Consumer:			
Used auto	\$141,165	\$141,165	\$13,175
Unsecured	\$136,595	\$136,595	\$21,356
Totals:			
Real Estate	\$797,555	\$797,555	\$65,000
Consumer	734,727	734,727	34,531
	\$1,532,282	\$1,532,282	\$99,531
As of September 30, 2014			
	Recorded Investment	Unpaid Principal Balance	Specific Allowance
<u>With no related allowance:</u>			
Real Estate:			
Second mortgage	\$271,194	\$271,194	\$—
Consumer:			
Used auto	\$99,253	\$99,253	\$—
Unsecured	\$19,505	\$19,505	\$—
New auto	\$4,795	\$4,795	\$—
<u>With an allowance recorded:</u>			
Real Estate:			
Second mortgage	\$218,793	\$218,793	\$34,227
Consumer:			
Used auto	\$76,311	\$76,311	\$8,923
Unsecured	\$95,276	\$95,276	\$22,360
New auto	\$11,741	\$11,741	\$487
Totals:			
Real Estate	\$489,987	\$489,987	\$34,227
Consumer	306,881	306,881	31,770
	\$796,868	\$796,868	\$65,997

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 3: (continued)

The tables below provide an age analysis of past due loans by class:

As of September 30, 2015						
	Days Delinquent			Total Delinquent Loans	Total Current Loans	Total Loans
	30 - 59	60 - 89	90 or more			
Real Estate:						
Home equity line of credit	\$116,933	\$—	\$240,425	\$357,358	\$24,305,025	\$24,662,383
Second mortgage	40,101	—	39,622	79,723	14,988,535	15,068,258
First mortgage	—	—	—	—	5,370,286	5,370,286
Total	157,034	—	280,047	437,081	44,663,846	45,100,927
Consumer:						
Used auto	819,181	251,156	307,185	1,377,522	40,641,137	42,018,659
Unsecured	139,570	58,247	274,691	472,508	15,382,094	15,854,602
New auto	34,252	59,925	—	94,177	17,028,915	17,123,092
Other secured	—	—	—	—	337,967	337,967
Total	993,003	369,328	581,876	1,944,207	73,390,113	75,334,320
Grand Total	\$1,150,037	\$369,328	\$861,923	\$2,381,288	\$118,053,959	\$120,435,247

As of September 30, 2014						
	Days Delinquent			Total Delinquent Loans	Total Current Loans	Total Loans
	30 - 59	60 - 89	90 or more			
Real Estate:						
Home equity line of credit	\$49,846	\$—	\$249,186	\$299,032	\$24,295,402	\$24,594,434
Second mortgage	71,371	531,122	531,001	1,133,494	11,939,560	13,073,054
First mortgage	—	—	—	—	6,718,774	6,718,774
Total	121,217	531,122	780,187	1,432,526	42,953,736	44,386,262
Consumer:						
Used auto	705,694	233,313	267,261	1,206,268	32,991,838	34,198,106
Unsecured	262,067	115,572	208,139	585,778	15,358,803	15,944,581
New auto	94,182	83,571	—	177,753	11,377,759	11,555,512
Other secured	—	—	—	—	354,810	354,810
Total	1,061,943	432,456	475,400	1,969,799	60,083,210	62,053,009
Grand Total	\$1,183,160	\$963,578	\$1,255,587	\$3,402,325	\$103,036,946	\$106,439,271

The Credit Union places loans on non-accrual status when the loan reaches 90 days past due or when the collection of interest or principal becomes uncertain. Loans on which the accrual of interest has been discontinued or reduced approximated \$862,000 and \$1,256,000 as of September 30, 2015 and 2014. There were no loans 90 days or more past due and still accruing interest as of September 30, 2015 and 2014.

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 3: (continued)

TROUBLED DEBT RESTRUCTURING

The Credit Union's loan portfolio also includes certain loans that have been modified in a Troubled Debt Restructuring (TDR), where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Credit Union's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions.

When the Credit Union modifies a collateral dependent loan, management uses the current fair value of the collateral, less selling costs, to determine the net realizable value of the collateral. If management determines that the value of the modified loan is less than the recorded investment in the loan, impairment is recognized by segment or class of loan, as applicable, through the ALL.

The following tables include TDRs approved during the period and TDRs that were approved within the previous year and subsequently defaulted in the current reporting period. The Credit Union defines a TDR as subsequently defaulted when the TDR is 90 days past due.

The following tables present TDR activity by class of loans:

	For the year ended September 30, 2015	
	TDRs originated during the year	TDRs which subsequently defaulted
Real Estate:		
Second mortgage	\$407,344	\$—
Consumer:		
Used auto	800,801	—
Unsecured	330,721	—
Total	\$1,538,866	\$—

	For the year ended September 30, 2014	
	TDRs originated during the year	TDRs which subsequently defaulted
Real Estate:		
Second mortgage	\$47,090	\$—
Consumer:		
Used auto	347,437	—
Unsecured	40,145	—
Total	\$434,672	\$—

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 3: (continued)

REAL ESTATE AND CONSUMER CREDIT QUALITY INDICATORS

The use of payment history and delinquency status to grade loans permits management to estimate a portion of credit risk. Delinquency is reviewed each month, at which time management analyzes the amount of delinquency, as well as other external statistics and factors, to track loan performance. Higher amounts of delinquency that have been outstanding for longer periods of time generally have a high risk factor associated. The delinquency tables above provide the delinquent loan breakdown of real estate and consumer loans as of September 30, 2015 and 2014.

NOTE 4: PROPERTY AND EQUIPMENT

A summary of the Credit Union's property and equipment is as follows:

	As of September 30,	
	2015	2014
Land	\$127,391	\$127,391
Buildings	3,363,754	3,334,101
Furniture and equipment	2,926,547	2,672,151
Leasehold improvements	1,590,191	1,581,015
	<u>8,007,883</u>	<u>7,714,658</u>
Less accumulated depreciation and amortization	<u>(4,272,127)</u>	<u>(3,795,383)</u>
	<u><u>\$3,735,756</u></u>	<u><u>\$3,919,275</u></u>

**NOTE 5: MEMBERS' SHARE,
SAVINGS AND DEPOSIT ACCOUNTS**

Members' share and savings accounts are summarized as follows:

	As of September 30,	
	2015	2014
Share drafts	\$29,699,953	\$27,561,292
Regular shares	59,781,530	56,511,613
Money market accounts	15,400,747	15,604,064
IRA shares	2,404,524	1,912,920
Share and IRA certificates	28,950,985	27,162,005
	<u>\$136,237,739</u>	<u>\$128,751,894</u>

The aggregate balance of members' time deposit accounts in denominations that meet or exceed \$250,000 was approximately \$1,027,000 and \$510,000 as of September 30, 2015 and 2014.

SHARE INSURANCE

Members' share and savings accounts are insured by the NCUSIF to a maximum of \$250,000 for each member. Additionally, Individual Retirement Accounts are separately insured by the NCUSIF up to a maximum of \$250,000.

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 5: (continued)

Scheduled maturities of share and IRA certificates are as follows:

	As of September 30, 2015
Within 1 year	\$17,771,849
1 to 2 years	6,253,165
2 to 3 years	2,996,790
3 to 4 years	1,770,358
4 to 5 years	158,823
	\$28,950,985

NOTE 6: BORROWED FUNDS

The Credit Union is a member of the FHLB and it has an open-end loan agreement with the FHLB under which the Credit Union may borrow funds. Borrowings require a security interest in certain mortgage collateral and securities held in safekeeping at the FHLB. The following advances were outstanding under this line-of-credit agreement:

	As of September 30,	
	2015	2014
Notes payable to the Federal Home Loan Bank:		
Fixed rate at 1.09%, due 9/18/2020	\$5,000,000	\$—
Fixed rate at 0.17%, due 10/22/2014	—	5,000,000
	\$5,000,000	\$5,000,000

The maturity of borrowed funds is as follows:

	As of September 30, 2015
5 years and over	\$5,000,000

**NOTE 7: COMMITMENTS AND
CONTINGENT LIABILITIES**

LINES OF CREDIT:

As of September 30, 2015, the Credit Union maintained an unused line of credit of approximately \$1,410,000 with Alloya Federal Credit Union. The terms of the agreement require the pledging of all presently owned and later acquired unencumbered assets as security for obligations under this line-of-credit agreement.

The Credit Union is also a member of the FHLB of Boston. As of September 30, 2015, the Credit Union had access to a pre-approved secured line of credit with the capacity to borrow up to a certain percentage of the value of its eligible 1-4 family first mortgage loans and securities held in safekeeping, as defined in the FHLB Statement of Credit Policy. The carrying value of collateral pledged as of September 30, 2015 was approximately \$11,936,000. The available borrowing capacity as of September 30, 2015 was approximately \$4,019,000.

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 7: (continued)

LEASE COMMITMENTS:

The Credit Union leases office space. The minimum noncancellable lease obligations approximate the following as of September 30, 2015:

Year ending September 30,	Amount
2016	\$169,000
2017	136,000
2018	147,000
2019	90,000
2020	90,000
Thereafter	423,000
	<u>\$1,055,000</u>

Rental expense under operating leases was approximately \$222,000 and \$214,000 for the years ended September 30, 2015 and 2014, respectively.

MISCELLANEOUS LITIGATION:

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

**NOTE 8: OFF-BALANCE-SHEET RISK AND
CONCENTRATIONS OF CREDIT RISK**

OFF-BALANCE-SHEET RISK

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated statement of financial condition. Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of September 30, 2015, the total unfunded commitments under such lines of credit approximated \$26,014,000. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

CONCENTRATIONS OF CREDIT RISK

The loan portfolio is well diversified and the Credit Union does not have any significant concentration of credit risk, except unsecured loans, which by their nature, increase the risk of loss compared to those loans that are collateralized.

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9: LOAN SERVICING

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances and the related custodial escrow balances in connection with the servicing of these loans approximated the following:

	As of September 30,	
	2015	2014
Loan portfolio serviced for:		
Federal Home Loan Mortgage Corporation (FHLMC)	\$105,023,000	\$107,289,000
Federal Home Loan Bank (FHLB)	4,699,000	5,967,000
	\$109,722,000	\$113,256,000
	As of September 30,	
	2015	2014
Custodial escrow balances:		
FHLMC	\$1,149,000	\$1,080,000
FHLB	59,000	63,000
	\$1,208,000	\$1,143,000

NOTE 10: MORTGAGE SERVICING RIGHTS

The Credit Union capitalized servicing rights relating to certain mortgage loans sold during the years ended September 30, 2015 and 2014. The components of capitalized mortgage servicing rights, included in prepaid and other assets were as follows:

	For the years ended	
	2015	2014
Mortgage servicing rights:		
Balance, beginning of year	\$1,067,483	\$1,143,060
Additions	108,466	131,142
Fair value adjustments	(249,964)	(206,719)
Balance, end of year	\$925,985	\$1,067,483

As of September 30, 2015 and 2014, the fair value of servicing rights was determined by an independent third party using market value discount rates and prepayment speeds based on the specific characteristics of each pool of loans.

	As of September 30,	
	2015	2014
Loan portfolio serviced for:		
FNMA		
Discount rates	9.2% -11.2%	8.3% -10.3%
Prepayment speeds	7.02% - 20.64%	6.36% - 42.00%
FHLB		
Discount rates	9.2% -11.2%	8.3% -10.3%
Prepayment speeds	9.18% -16.14%	7.56% -11.52%

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11: REGULATORY CAPITAL

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory-and possibly additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the Credit Union’s consolidated financial statements. Under capital adequacy 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 table below) of net worth (as defined in *NCUA’s Regulations*) to total assets (as defined in *NCUA’s Regulations*). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered “complex” under the regulatory framework. The Credit Union’s RBNWR as of September 30, 2015 and 2014 was 5.27% and 5.66%. The minimum requirement to be considered complex under the regulatory framework is 6.00%. Management believes, as of September 30, 2015 and 2014, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of September 30, 2015, the most recent call reporting period, the NCUA categorized the Credit Union as “*well capitalized*” under the regulatory framework for prompt corrective action. To be categorized as “*well capitalized*” the Credit Union must maintain a minimum net worth ratio of 7.00% of assets. For regulatory purposes, the Credit Union is required to add the retained earnings of Middlesex Healthcare Federal Credit Union (MHFCU) at the time of merger to its retained earnings to calculate the regulatory net worth ratio. MHFCU’s retained earnings at the time of merger was \$1,033,234.

The Credit Union’s actual and required capital amounts and ratios are as follows:

	As of September 30, 2015		As of September 30, 2014	
	Amount	Ratio/ Requirement	Amount	Ratio/ Requirements
Actual regulatory net worth	\$12,079,129	7.86%	\$12,594,231	8.56%
Amount needed to be classified as “adequately capitalized”	\$9,223,189	6.00%	\$8,832,754	6.00%
Amount needed to be classified as “well capitalized”	\$10,760,388	7.00%	\$10,304,879	7.00%

Because the RBNWR is less than the net worth ratio, the Credit Union retains its original category. Furthermore, in performing its calculation of total assets, the Credit Union used the quarter end option, as permitted by regulation. There are no conditions or events since that notification that management believes have changed the Credit Union’s category.

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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**NOTE 12: CHANGES IN ACCUMULATED
OTHER COMPREHENSIVE LOSS**

The following table presents the changes in accumulated other comprehensive loss by component:

	For the year ended September 30, 2015		
	Unrealized loss on Available-for-Sale Securities	Defined Benefit Pension Plan Items	Total
Balance, September 30, 2014	(\$399,322)	(\$970,961)	(\$1,370,283)
Other comprehensive income/(loss) before reclassifications	314,544	(859,349)	(\$544,805)
Amounts reclassified from other comprehensive loss	—	23,943	\$23,943
Net other comprehensive income/(loss)	314,544	(835,406)	(520,862)
Balance, September 30, 2015	(\$84,778)	(\$1,806,367)	(\$1,891,145)

The following table provides the reclassifications out of accumulated other comprehensive loss by component:

For the Year Ended September 30, 2015		
Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Statement Where Net Income is Presented
Amortization of actuarial loss for defined benefit pension plan	\$23,232	Compensation and employee benefits expense
Amortization of transition obligation for defined benefit pension plan	711	Compensation and employee benefits expense
Total reclassification	\$23,943	

Amortization of defined benefit pension plan loss and amortization of transition obligation cost are included in the computation of net periodic benefit cost. **(See Note 14)**

<p style="text-align: center;">SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</p>
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***NOTE 13: FAIR VALUES OF
FINANCIAL INSTRUMENTS***

The Fair Value Measurements and Disclosures Topic of the FASB ASC provides a framework for measuring fair value that requires an entity to derive fair value from 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 within its principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability. To increase consistency and comparability in fair value measurements and related disclosures, a three-level hierarchy prioritizes the inputs to valuation techniques used to measure fair value with the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3) as further described below:

Level 1

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

Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are inactive; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Level 3 inputs are unobservable inputs for the asset or liability which reflect the Credit Union's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Assumptions about risk include risk inherent in a particular valuation technique used to measure fair value, typically pricing models and/or discounted cash flow methodologies.

The methodologies and associated inputs used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Credit Union believes its valuation methods and associated inputs are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Certain assets and liabilities may be required to be measured at fair value on a non-recurring basis. These non-recurring fair value measurements usually result from the application of lower of cost or market accounting or the write-down of individual assets due to impairment.

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 13: (continued)

RECURRING BASIS

AVAILABLE-FOR-SALE SECURITIES

The Credit Union receives pricing for available-for-sale securities from a third-party pricing service. These securities are classified within Level 2 of the fair value hierarchy. The following is a description of the valuation methodologies used for these securities:

Mortgage and asset-backed securities - are valued based on quoted market prices on similar assets in the marketplace and the vintage of the underlying collateral.

Federal agency and private-issue collateralized mortgage obligations - are valued based on quoted market prices on similar assets in the marketplace and the vintage of the underlying collateral.

MORTGAGE SERVICING RIGHTS (MSRs)

The Credit Union obtains the fair value of the MSRs using a third-party evaluation provider. The provider uses a combination of market and income valuation methodologies. MSRs are classified within Level 3 of the fair value hierarchy, as the valuation is model driven and primarily based on unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, the Credit Union's financial instruments at fair value.

	Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
Available-for-sale securities:				
Mortgage-backed securities	\$—	\$5,473,239	\$—	\$5,473,239
Asset-backed securities	—	1,641,926	—	1,641,926
Federal agency collateralized mortgage obligations	—	791,170	—	791,170
Private-issue collateralized mortgage obligations	—	455,935	—	455,935
MSRs	—	—	925,985	925,985
	\$—	\$8,362,270	\$925,985	\$9,288,255

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 13: (continued)

	Assets at Fair Value as of September 30, 2014			
	Level 1	Level 2	Level 3	Total
Available-for-sale securities:				
Mortgage-backed securities	\$—	\$8,725,739	\$—	\$8,725,739
Asset-backed securities	—	1,910,753	—	1,910,753
Federal agency collateralized mortgage obligations	—	1,219,090	—	1,219,090
Private-issue collateralized mortgage obligations	—	541,453	—	541,453
MSRs	—	—	1,067,483	1,067,483
	\$—	\$12,397,035	\$1,067,483	\$13,464,518

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of amounts that could be realized in a market exchange. The use of different assumptions and estimation methodologies may have a material effect on the estimated fair value amounts.

The following methods and assumptions were used to estimate fair value of each of the financial instruments for which it was practicable to estimate.

CASH AND CASH EQUIVALENTS

The carrying amount is a reasonable estimation of fair value.

INVESTMENTS

Estimated fair values for investments are obtained from quoted market prices where available.

LOANS HELD FOR SALE

Loans intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Because these loans are sold within a short period, cost is assumed to approximate fair value.

LOANS TO MEMBERS

The estimated fair value for variable-rate loans is the current carrying amount. The fair value of fixed-rate loans was estimated by discounting the estimated cash flows using the current rate at which similar loans would be issued. The impact of delinquent loans on the estimation of fair value is not considered to have a material effect and, accordingly, delinquent loans have been disregarded in the valuation methodologies used.

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 13: (continued)

ACCRUED INTEREST RECEIVABLE

The carrying amount is a reasonable estimation of fair value.

MORTGAGE SERVICING RIGHTS

Fair value of mortgage servicing rights is obtained from an independent third party evaluation.

MEMBERS' SHARE AND SAVINGS ACCOUNTS

The estimated fair value of demand deposit accounts is the carrying amount. The fair value of fixed-rate certificates was estimated by discounting the estimated cash flows using the current rate at which similar certificates would be issued.

BORROWED FUNDS

The estimated fair value of borrowed funds was estimated by discounting the estimated cash flows using the current rate at which similar borrowings would be granted.

COMMITMENTS TO EXTEND CREDIT

The Credit Union's unused loan commitments and undisbursed loans have no carrying amount and have been estimated to have no realizable fair value. The Credit Union does not charge fees in connection with these commitments. A majority of the unused loan commitments have historically not been drawn upon.

The carrying value and estimated fair value of the Credit Union's financial instruments are as follows:

	As of September 30,			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Financial assets:</i>				
Cash and cash equivalents	\$9,228,356	\$9,228,356	\$10,385,674	\$10,385,674
<i>Investments:</i>				
Available-for-sale	\$8,362,270	\$8,362,270	\$12,397,035	\$12,397,035
Held-to-maturity	\$4,025	\$4,068	\$5,101	\$5,157
Other	\$2,265,070	\$2,265,070	\$4,293,470	\$4,293,470
Loans held for sale	\$565,160	\$565,160	\$610,999	\$610,999
Loans to members, net of ALL	\$119,315,074	\$125,163,992	\$105,713,266	\$109,691,893
<i>Accrued interest receivable:</i>				
Investments	\$30,554	\$30,554	\$50,023	\$50,023
Loans	\$404,650	\$404,650	\$377,962	\$377,962
Mortgage servicing rights	\$925,985	\$925,985	\$1,067,483	\$1,067,483
<i>Financial liabilities:</i>				
Members' share and savings accounts	\$136,237,739	\$136,779,039	\$128,751,894	\$128,920,557
Borrowed funds	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14: EMPLOYEE BENEFITS

DEFINED BENEFIT PLAN

The Credit Union has a qualified, non-contributory defined benefit pension plan covering substantially all employees. The plan calls for benefits to be paid to employees at retirement based on an actuarial valuation consisting primarily of years of service and compensation.

The following tables set forth the plan's funded status and amounts recognized in the Credit Union's consolidated statements of financial condition:

	As September 30,	2015	2014
Change in benefit obligation:			
Benefit obligation at beginning of year		\$3,455,455	\$2,857,590
Service cost		256,192	278,746
Interest cost		142,793	135,735
Actuarial (gain)/loss		(4,698)	199,253
Benefits paid		(190,713)	(15,869)
Benefit obligation at end of year		\$3,659,029	\$3,455,455
		2015	2014
Accumulated benefit obligation		\$3,239,293	\$3,040,220
		2015	2014
Change in plan assets:			
Plan assets at fair value beginning of year		\$7,108,053	\$6,612,085
Actual (loss)/return on plan assets		(338,114)	545,866
Benefits paid		(190,713)	(15,869)
Other		—	(34,029)
Plan assets at fair value at end of year		\$6,579,226	\$7,108,053
		2015	2014
Funded status:			
Prepaid asset		\$2,920,197	\$3,652,598
		2015	2014
Reconciliation of accumulated other comprehensive loss:			
Unrecognized net actuarial loss		\$1,802,704	\$966,587
Unrecognized transition obligation		3,663	4,374
Accumulated other comprehensive loss		\$1,806,367	\$970,961
		2015	2014
Reconciliation of other comprehensive loss:			
Net actuarial loss		\$859,349	\$183,322
Amortization of net loss		(23,232)	(12,455)
Amortization of transition obligation		(711)	(711)
Accumulated other comprehensive loss		\$835,406	\$170,156

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 14: (continued)

The net periodic benefit cost related to this plan was (\$103,000) and (\$68,000) for the years ended September 30, 2015 and 2014, respectively. The total pension loss recognized in other comprehensive income approximated \$835,000 and \$170,000 for the years ended September 30, 2015 and 2014, respectively. The total amounts recognized in net periodic benefit cost and other comprehensive income combined was approximately \$732,000 and \$102,000 for the years ended September 30, 2015 and 2014, respectively.

	For the years ended September 30,	
	2015	2014
Components of net periodic benefit cost:		
Service cost	\$256,192	\$278,746
Interest cost	142,793	135,735
Expected return on plan assets	(525,933)	(495,906)
Amortization of net loss	23,232	12,455
Amortization of transition obligation	711	711
Net periodic post-retirement benefit cost	(\$103,005)	(\$68,259)

The assumptions used to develop the net periodic pension cost are as follows:

	For the years ended	
	2015	2014
Weighted-average discount rate used to calculate benefit obligations	4.25%	4.25%
Weighted-average rate of compensation increases	2.75%	2.75%
Expected long-term rate of return on plan assets	7.50%	7.50%
Amortization method	Straight-Line	Straight-Line

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Plan year beginning October 1,	Amount
2015	\$201,929
2016	20,397
2017	125,102
2018	212,945
2019	111,668
Thereafter	2,185,710
	\$2,857,751

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 14: (continued)

The following tables set forth the Retirement Pension Plan 103-12 Investment Entity's plan assets allocation by investment category:

	As of	
	September 30, 2015	
	%	Value
Vanguard total bond market index	21.1%	\$1,390,848
Vanguard developed markets portfolio	17.1%	1,123,732
Vanguard institutional index	14.9%	981,620
Vanguard dividend appreciation index	11.0%	726,347
PIMCO all asset fund class	8.0%	524,364
Vanguard intermediate term bond index	5.0%	331,593
DFA Loomis Sayles bond institutional	5.0%	328,303
DFA Emerging markets portfolio	5.0%	326,988
Vanguard mid cap index fund	4.9%	324,356
DFA US small cap portfolio institutional	2.9%	193,429
VAN ECK global hard assets fund	2.9%	188,165
Vanguard REIT index fund	2.0%	132,901
BMO prime money market	0.1%	3,290
Principal cash	0.1%	3,290
	100%	\$6,579,226

	As of	
	September 30, 2014	
	%	Value
Vanguard total bond market index	20.6%	\$1,466,391
Vanguard developed markets portfolio	16.9%	1,200,550
Vanguard institutional index	15.0%	1,069,051
Vanguard dividend appreciation index	11.0%	784,729
PIMCO all asset fund class	7.9%	566,512
Vanguard intermediate term bond index	5.0%	357,535
Vanguard mid cap index fund	5.0%	355,403
DFA Loomis Sayles bond institutional	4.9%	347,584
DFA Emerging markets portfolio	4.9%	349,005
DFA US small cap portfolio institutional	3.0%	211,109
VAN ECK global hard assets fund	3.0%	210,398
Vanguard REIT index fund	2.0%	143,583
BMO prime money market	0.6%	42,649
Principal cash	0.5%	3,554
	100%	\$7,108,053

BASIS USED TO DETERMINE LONG-TERM RATE OF RETURN ON ASSETS

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

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 14: (continued)

DESCRIPTION OF INVESTMENT POLICIES AND STRATEGIES

Target asset allocation is determined by board of trustees who oversee the Retirement Pension Plan 103-12 Investment Entity.

ESTIMATED FUTURE CONTRIBUTIONS

The expected contributions for the period beginning October 1, 2015 are unknown.

The fair value of the Credit Union's pension plan assets by asset class are as follows (the three levels of input used to measure fair value are more fully described in Note 12):

Assets at Fair Value as of September 30, 2015				
	Level 1	Level 2	Level 3	Total
Mutual funds:				
103-12 Investment Entity	\$6,572,646	\$6,580	\$—	\$6,579,226
Assets at Fair Value as of September 30, 2014				
	Level 1	Level 2	Level 3	Total
Mutual funds:				
103-12 Investment Entity	\$7,061,850	\$46,203	\$—	\$7,108,053

DEFERRED COMPENSATION PLANS

The Credit Union has a 457(b) non-qualified deferred compensation plan for a senior executive. The Credit Union does not contribute to this plan. The deferred compensation amounts are shown as both assets and liabilities on the Credit Union's consolidated statement of condition and are available to creditors in the event of the Credit Union's liquidation. The balance of the deferred compensation under this plan is classified as prepaid and other assets and was approximately \$44,000 and \$46,000 as of September 30, 2015 and 2014, respectively.

The Credit Union has entered into a split dollar insurance agreement which is a collateral assignment arrangement between the Credit Union and a senior executive. The agreement involves a method of paying for insurance coverage for the executive by splitting the elements of a life insurance policy. Under the agreement, the executive is the owner of the policy and makes a collateral assignment to the Credit Union in return for a loan equal to the amount of premiums paid on behalf of the executive plus accrued interest at a specified rate. At the time of death, the Credit Union will be paid the loan amount plus accrued interest and the balance of the insurance benefit will be paid to the executive's designated beneficiary. The loan balance under this agreement is classified as prepaid and other assets and was approximately \$1,334,000 and \$1,100,000 as of September 30, 2015 and 2014, respectively.

SAFE HARBOR 401(K) PLAN

The Credit Union employees participate in a Safe Harbor 401(k) plan. All full-time employees of the Credit Union are eligible to participate upon attaining 21 years of age. All part-time employees of the Credit Union are eligible to participate upon completing one year of service and 21 years of age. Employee contributions to the plan are subject to certain limits established by the Internal Revenue Service. Participants are always 100% vested in all their voluntary contributions. The

SEASONS FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 14: (continued)

Credit Union makes a safe harbor matching contribution up to 4% of an employees' compensation each year. Participants are immediately 100% vested in the safe harbor matching contributions. The Credit Union may also make a discretionary matching contribution each year at the discretion of the Board of Directors. The Credit Union's discretionary matching contributions vest in equal percentages (20% per year) beginning with the completion of two years of service and become fully vested at the completion of six years of service. The safe harbor 401(k) pension expense was approximately 84,000 and \$80,000 for the years ended September 30, 2015 and 2014, respectively.

NOTE 15: BUSINESS COMBINATION

As of October 1, 2013, the Credit Union acquired 100 percent of the assets and liabilities of MHFCU through merger. As a result of the acquisition, Seasons Federal Credit Union expects to be better positioned to serve the financial needs of its members. The business combination was a mutual agreement between the Seasons Federal Credit Union and MHFCU in order to better the availability and quality of services for both fields of membership.

The following table summarizes the approximated, adjusted fair value amounts for assets received and liabilities assumed as of the merger date.

	As of October 1, 2013
Cash and cash equivalents	\$1,089,000
Investments	3,986,000
Loans to members	3,023,000
Prepaid and other assets	10,000
NCUSIF deposit	69,000
Total assets acquired through merger	\$8,177,000
Members' shares and savings accounts	\$7,141,000
Accounts payable and other liabilities	3,000
Total liabilities acquired through merger	\$7,144,000
 Total entity value	 \$1,033,000

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