Prosperous together

2018 Annual Report

Malcolm Baldrige
National Quality Award
2014 Award Recipient

ELEVATIONS
CREDIT UNION

It matters where you bank.

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Letter from the Board Chair

Nancy Herbert

Dear Members,

Our entire Board is grateful for your membership and support of Elevations Credit Union. As you will see in this report, we had tremendous success in 2018 together, as our credit union had record highs in membership, net worth, assets, loans outstanding and deposits. These quantitative measures are impressive, and the qualitative steps that contributed to these results are detailed in this annual report.

In 2018, our entire team focused on improving your experience banking with us, and we used your feedback to help identify these opportunities. This important work will continue throughout 2019 and beyond to help us provide amazing experiences that create raving fans!

Improving your experience, or member loyalty, is a key element of our strategic plan. It's directly related to the other two elements of our plan: creating a high-performance culture and financial sustainability. With a highly engaged staff, we can better create amazing experiences for our members. With a loyal base of members, we can attain financial sustainability, which in turn helps us to invest back in our members, workforce and community.

One method we use to advance our strategy is leveraging the Baldrige Excellence Framework, which we refer to as our performance excellence journey. The Malcolm Baldrige National Quality Award is the only formal U.S. Presidential recognition for performance excellence of both public and private domestic organizations. In 2014, we were recognized with this award, and we are working toward consideration for this honor again when we are next eligible in 2020. However, the award itself isn't our ultimate goal. The true measure of our success is continuously improving on the service we provide to our membership and community.

By banking with a local, member-owned, not-for-profit financial institution, your money stays right here in our Colorado communities, strengthening this place we call home. That's what it means to be truly prosperо**us** together. Thank you again for your membership at Elevations. It has been an honor to serve you as Chair of the Board of Directors.

Sincerely,

Nancy Herbert
Chair of the Board of Directors

Letter from the President & CEO
Gerry Agnes

Dear Members,

From all of us at Elevations Credit Union, thank you for your membership. The common thread of this annual report is "Prospero**us** together." This phrase exemplifies our role as a not-for-profit financial institution—one that is deeply committed to our community and creating solutions for a better life for our members.

We made tremendous strides in improving the experience you, our members, have with Elevations Credit Union in 2018. To achieve this, we took a strategic approach across our people, processes and technology. For example, we significantly upgraded technology for our team to equip them to best serve our membership, and we continue to recruit and train for a tech-savvy workforce. We also adopted the Agile methodology of project management to better and more quickly make improvements to the member experience based on feedback we receive.

We had significant achievements throughout all parts of our organization in 2018. In Fort Collins, we celebrated the official grand opening of our new branch in Midtown, and we are excited to commence construction on our branch in Old Town in 2019. We're proud to be a part of the Northern Colorado community and look forward to building on our commitment for years to come.

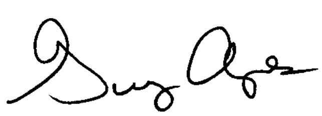
To the south, we opened a mortgage and wealth management office at our new facility at 1 Environmental Way in Broomfield, allowing us to better serve our members in the Denver Metro area. Our mortgage and wealth management teams continue to be market leaders known for exceptional, personalized service.

The year was marked by many other key accomplishments. Following the successful 2017 launch of our new suite of business banking products and services, we significantly grew our business banking membership over the last year, and we expect this trend to continue in 2019 and beyond.

We enhanced our executive team in 2019 with two new leaders. Our new Chief People Officer, Tammy Taylor, fosters our organization's culture, including a focus on diversity and inclusion. Our new Senior Vice President of Digital Experience, Danielle Quatrochi, leads our team to deliver exceptional digital experiences for our members. Also, Ray Lindley was promoted to Chief Operating Officer, responsible for directing all aspects of our consumer, mortgage and business lending programs plus wealth management and our retail delivery channels.

We are here to make a favorable difference in our members' lives and our community. That's what it means to be prospero**us** together. Thank you for another amazing year.

Very truly yours,



Gerry Agnes
President and Chief Executive Officer


Talk about the perfect metaphor for a COMMUNITY supporting one another.
We're only truly prosperous together.
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YEAR IN REVIEW

Prosperous together

As a local not-for-profit financial institution that is literally for the community by the community, and deeply invested in one another, our mission is to help our community prosper. That's what we do every day, throughout the lives of our members and whenever our community needs us to step up.

Prosperou**s** together is a new message that helps express our commitment to our members and community—from TV ads to our website to Instagram posts to financial seminars to the way our staff volunteer in the community, and so much more. In addition to helping build brand awareness and preference, this message helps us live out our purpose and values every day.

After all, we are here to serve our membership and continue to enhance our service quality, product offerings and solutions, branch locations and much more. We also believe in acting in the best interest of our membership. For instance, during the partial government shutdown that started in late 2018, we proudly offered no-interest loans and skip-a-payment options to furloughed government employees.

We believe in providing financial solutions, expert advice and education so that our members can achieve their goals. In addition to our knowledgeable experts who provide advice to our members every day digitally, on the phone and in our branches, we delivered 120 free public educational seminars reaching 1,900 attendees in 2018.

We are also ranked the No. 1 credit union in Colorado for reaching the most students in classrooms with financial literacy presentations by the National Youth Involvement Board, conducting 91 presentations to 3,407 K-12 students during the 2017-18 school year. We were recognized with the Desjardins Award at the state level for excellence in youth financial education in 2018.

We are proud to support our community in many other ways. In 2018, Elevations employees gave more than 2,500 hours of Volunteer Time Off. Plus, Elevations gave over $214,500 in 2018 for Front Range community events and sponsorships. None of this is possible without you—our members and community. Thank you for your support in 2018.

Find out more about how we're prosperous together at elevationscu.com/prosperous

Partnership with Elevations Foundation

Elevations Credit Union is proud to support Elevations Foundation, an independent 501(c)3 non-profit organization that has provided over $1.5 million in community resources since its inception in 2010. The Foundation awards scholarships to local graduating high school seniors for higher education and community grants to local non-profit organizations.

In May, Elevations Foundation awarded an all-time high of $84,000 in scholarships to 2018 graduates of Adams 12, Boulder Valley, Colorado Early Colleges, Jefferson County, Poudre, St. Vrain Valley and Thompson School Districts.

In November, the Foundation awarded $69,500 to 20 grantees serving communities from Fort Collins to Westminster. This year's Elevations Foundation grant giving had the largest number of grant recipients within a single year in the Foundation's history.

Also in 2018, Phil Ferrante-Roseberry joined Elevations Foundation as its first Executive Director.

Our Commitment to Fort Collins

In 2018, we significantly strengthened our commitment to Fort Collins on our long-term path to support the Northern Colorado community:

- We celebrated the grand opening of our Fort Collins Midtown branch at 2025 S College Ave. in February. This included a donation of $2,500 total to local organizations Healing Warriors Program and Project Smile, which accrued for every visitor and new member account opened at the branch through the end of March.
- In October, we donated $20,000 to Big Green with the help of our members and the community at two events at Jessup Farm: Elevations Harvest Fest and Elevations Farm to Table Dinner with Green River Ordinance. The donation will help build Learning Gardens in four schools in the Poudre School District.
- We're progressing on our Old Town Fort Collins branch at 221 E Mountain Ave. to transform the property to meet the needs of this vibrant city.
- We established a Northern Colorado Advisory Board to offer recommendations and feedback.
- We were selected by the City of Fort Collins to provide financial services to City employees as a value-added employee benefit.
- We're the No. 2 mortgage lender in Larimer County.
- We've been recognized two years in a row as one of the Best Credit Unions in NOCO Style Magazine's "Best Of" awards.
- Our Commitment to Fort Collins marketing campaign helps drive awareness and reach prospective members. This campaign earned the 2018 CUNA Diamond Best of Show, the highest honor in the industry for marketing excellence.

Continuous Improvement

We marked many more successes in 2018.

- We continue to be recognized as one of the best, earning "Best Bank/Financial Institution" and "Best Mortgage Lender" recognition by readers of local publications across the Front Range.
- We moved our headquarters to our newly remodeled Diagonal Branch in Boulder. We also made great progress on our new facility at 1 Environmental Way in Broomfield, including a mortgage office on the ground floor, and will complete the finishing touches in the first half of 2019.
- Our mortgage team continues to provide top-notch service. We are the No. 1 credit union mortgage lender in Colorado and No. 10 nationally; we hold the No. 1 mortgage market position in Boulder County and Broomfield County, and the No. 2 position in Larimer County.
- Our wealth management team continues to provide expert financial advice and had its 7th record-breaking year in a row with an all-time high in assets under management.
- Following the launch of our new suite of business banking products and services in 2017, we have grown to serve over 5,000 business members.
- We partnered with the Colorado Energy Office to launch the Colorado Residential Upgrade (RENU) Loan, a statewide program aimed at financing energy efficiency and renewable energy projects.
- We improved our digital banking offerings, including a new card alerts tool, a new money management tool, and a new look for online banking that can easily be accessed across desktop, tablet and mobile devices.

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What does it mean to be truly HOME?
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Letter from the CFO & Treasurer

Michael Calcote & Eric Jones

We are pleased to report Elevations generated strong financial performance again in 2018. The following table compares our performance to our credit union peers on key industry metrics:

	ELEVATIONS	PEER GROUP MEDIAN
Return on Equity[1]	7%	11%
Loan Growth	8%	10%
First Mortgages Sold ($ millions)	$901	$295
Deposit Growth	7%	6%
Delinquency Ratio	0.1%	0.5%
Efficiency (Costs/Revenues)[1, 2]	85%	76%

1 Our return on equity and efficiency ratio are currently adverse relative to our peer group due primarily to significant investments we've recently made to enhance our members' convenience and experience (e.g., improved technology, expanded offering of business banking services, additional branch in Fort Collins). Longer term, we anticipate the returns generated on these investments will improve these metrics to levels similar to that of our peer credit unions.

2 The efficiency ratio measures the extent to which a dollar of revenue is offset by costs (so the lower the ratio, the better).

We generated strong growth in loans, deposits and membership during 2018:

- **The portfolio balance of our loans to members grew by $107 million. This included $48 million of growth in our business loans, representing a 52 percent increase.**
- **We originated over $1 billion in mortgage loans, more than any other credit union in Colorado.**
- **Total deposits grew by $116 million.**
- **We gained over 7,000 members and now have more than 137,000 credit union members.**
- **We generated earnings of $15.4 million.**

We remain financially strong and well positioned to provide solutions for your financial needs. Our capital position ended 2018 at 10.5 percent, well above the minimum threshold of 7 percent to be deemed well capitalized by the National Credit Union Association. Our credit performance remains healthy, with a delinquency ratio of only 0.14 percent at the end of 2018.

We've provided the complete financial report for you to review. We'd like to thank Elevations' Audit and Risk Committee for their diligence in working with Doeren Mayhew CPAs and Advisors as our auditor.

Our goal is to build deep, meaningful relationships with our members. This year's financial successes only help to build on our promise to you. We appreciate the trust you have placed in Elevations as your financial institution, and we look forward to continuing to serve you in 2019 and beyond.

Sincerely,

Michael Calcote

Michael Calcote, Chief Financial Officer

Eric Jones, Treasurer, Board of Directors

Audit and Risk Committee

Eric Jones / Chair

The Audit and Risk Committee's responsibility is to provide oversight of the financial reporting process, the system of internal controls, compliance with laws and regulations, and enterprise risk management.

The Audit and Risk Committee is comprised of a subset of the Board of Directors.

The members of the Audit and Risk Committee are:

Eric Jones
Chair

Don Cheyne
Vice Chair

Todd Gleeson
Committee Member

Jim Menghi
Committee Member

The Audit and Risk Committee retained Doeren Mayhew CPAs and Advisors to perform the annual audit of the Credit Union's financial statements as of December 31, 2018. The firm issued an unmodified opinion at the conclusion of their audit. The Audit and Risk Committee is unaware of any matter that would be considered a material weakness or significant deficiency in the internal controls over financial reporting.

The Audit and Risk Committee is satisfied that the accounting records accurately reflect Elevations Credit Union's financial condition and that its operations are handled in accordance with Board policies and Credit Union procedures.


It's not about what you buy. It's about what you BUY INTO.
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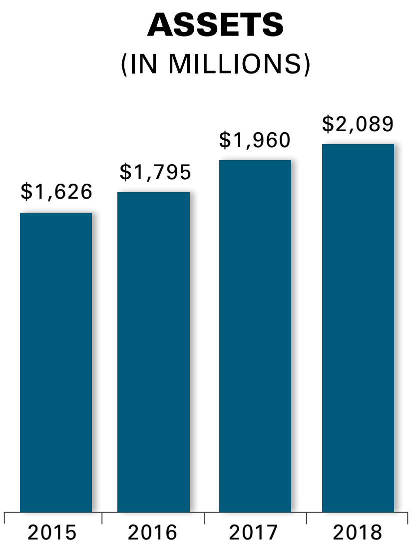
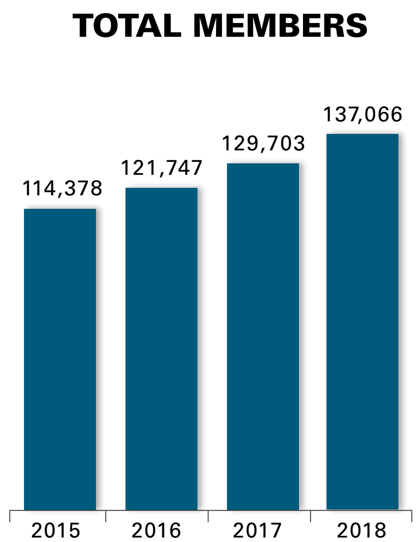
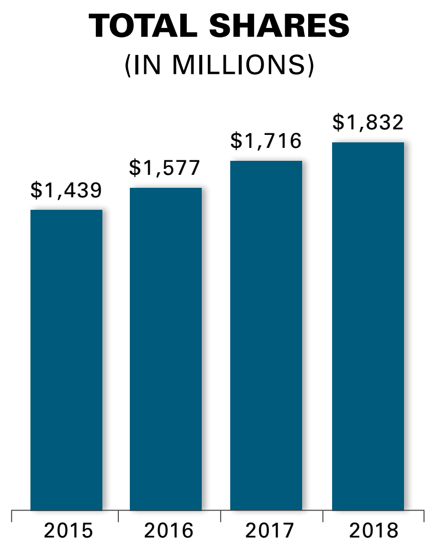
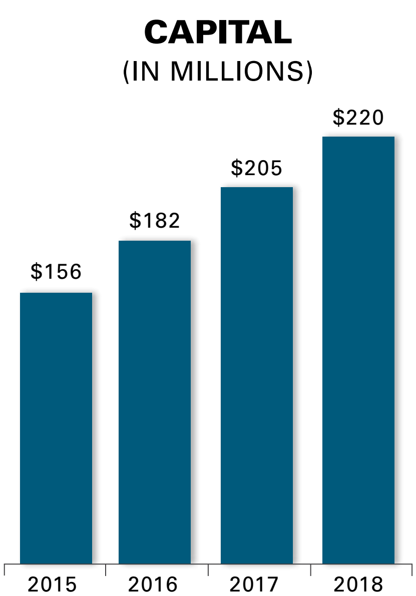
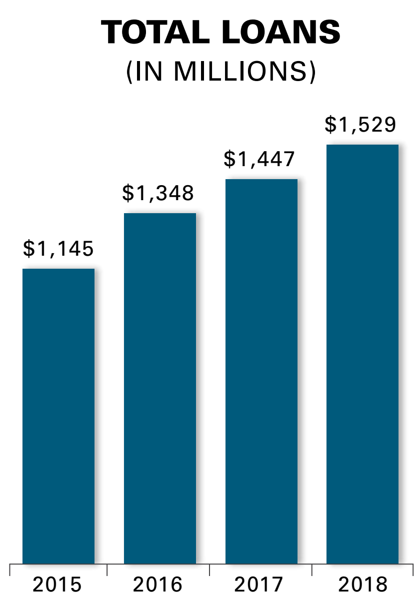
2018 FINANCIAL HIGHLIGHTS

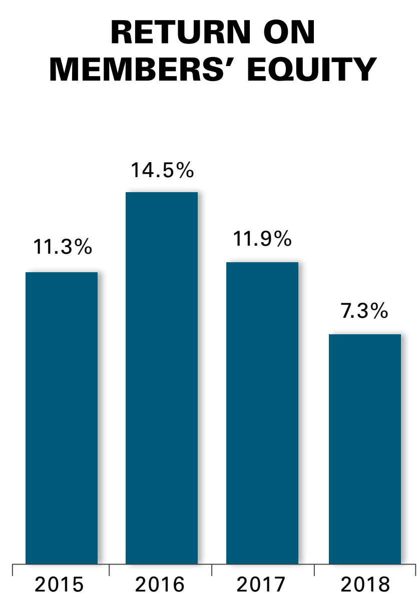












Financial Statements

ELEVATIONS CREDIT UNION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2018 AND 2017

Assets	2018	2017
Cash and cash equivalents	$211,480,435	$214,110,971
Investments:		
Available-for-sale	197,808,021	169,775,292
Loans held for sale	24,201,668	48,721,063
Loans to members, net of allowance for loan losses	1,505,170,191	1,398,020,342
Accrued interest receivable	6,168,940	5,344,082
Property and equipment	67,017,340	49,119,104
Mortgage servicing rights	26,312,586	24,473,091
Life insurance policies	11,561,088	11,282,926
Prepaid and other assets	22,866,150	24,149,449
NCUSIF deposit	16,400,037	15,305,553
Total assets	$2,088,986,456	$1,960,301,873
Liabilities and Members' Equity		
Liabilities:		
Members' shares and savings accounts	$1,831,860,449	$1,716,207,035
Accrued expenses and other liabilities	37,138,184	38,875,245
Total liabilities	1,868,998,633	1,755,082,280
Commitments and contingent liabilities		
Members' equity:		
Regular reserve	11,879,721	11,879,721
Undivided earnings	197,712,323	182,286,487
Equity acquired through business combination	11,249,648	11,249,648
Accumulated other comprehensive loss	(853,869)	(196,263)
Total members' equity	219,987,823	205,219,593
Total liabilities and members' equity	$2,088,986,456	$1,960,301,873

ELEVATIONS CREDIT UNION

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Interest income:		
Loans to members	$68,267,822	$59,241,723
Investment securities	7,354,772	5,025,417
Total interest income	75,622,594	64,267,140
Interest expense:		
Members' shares and savings accounts	3,089,938	2,834,781
Net interest income	72,532,656	61,432,359
Provision for loan losses	3,777,347	1,994,235
Net interest income after provision for loan losses	68,755,309	59,438,124
Non-interest income:		
Gain on sale of loans, net	20,021,377	22,471,914
Interchange income	13,321,666	12,062,293
Fees and service charges	7,683,221	7,173,310
Wealth management income	3,014,432	2,713,639
Miscellaneous operating income	2,611,672	4,519,742
Mortgage servicing income, net	2,147,429	1,865,876
Total non-interest income	48,799,797	50,806,774
Non-interest expenses:		
Compensation and benefits	58,097,254	50,151,601
Office operations	18,057,728	14,910,630
Loan servicing expense	8,041,075	6,943,869
Office occupancy	6,688,766	4,745,953
Education and promotion	5,438,519	4,936,347
Professional and outside services	5,005,081	3,267,890
Miscellaneous operating expenses	800,847	970,421
Total non-interest expenses	102,129,270	85,926,711
Net income	$15,425,836	$24,318,187

ELEVATIONS CREDIT UNION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Net income	$15,425,836	$24,318,187
Other comprehensive loss:		
Available-for-sale investments:		
Net unrealized losses on investments classified as available-for-sale	(657,606)	(730,104)
Reclassification adjustment for net investment gains and losses included in net income	—	—
Other comprehensive loss	(657,606)	(730,104)
Comprehensive income	$14,768,230	$23,588,083

ELEVATIONS CREDIT UNION

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Regular Reserve	Undivided Earnings	Equity Acquired Through Business Combination	Accumulated Other Comprehensive Income/(Loss)	Total
Balance, December 31, 2016	$11,879,721	$157,968,300	$11,249,648	$533,841	$181,631,510
Net income	—	24,318,187	—	—	24,318,187
Other comprehensive loss	—	—	—	(730,104)	(730,104)
Balance, December 31, 2017	11,879,721	182,286,487	11,249,648	(196,263)	205,219,593
Net income	—	15,425,836	—	—	15,425,836
Other comprehensive loss	—	—	—	(657,606)	(657,606)
Balance, December 31, 2018	$11,879,721	$197,712,323	$11,249,648	($853,869)	$219,987,823

ELEVATIONS CREDIT UNION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Net income	$15,425,836	$24,318,187
Adjustments to net cash provided from operating activities:		
Provision for loan losses	3,777,347	1,994,235
Depreciation and amortization	4,107,932	3,125,533
Amortization of investment premiums/discounts	1,860,677	2,016,076
Gain on sale of loans, net	(11,570,999)	(13,577,102)
Capitalization of mortgage servicing rights	(8,450,378)	(8,894,812)
Amortization of mortgage servicing rights	6,610,883	5,636,272
Increase in life insurance policies	(278,162)	(284,921)
Changes in operating assets and liabilities:		
Loans held for sale	36,090,394	28,361,402
Accrued interest receivable	(824,858)	(662,937)
Prepaid and other assets	1,283,299	(1,751,034)
Accrued expenses and other liabilities	(1,737,061)	2,272,297
Total adjustments	30,869,074	18,235,009
Net cash provided from operating activities	46,294,910	42,553,196

ELEVATIONS CREDIT UNION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Cash Flows (Continued)

	2018	2017
Cash flows from investing activities:		
Proceeds from maturities, calls and repayments of available-for-sale investments	53,992,166	52,366,630
Purchase of available-for-sale investments	(84,543,178)	(22,722,843)
Net change in loans to members	(110,927,196)	(115,834,706)
Expenditures for property and equipment	(22,006,168)	(28,148,324)
Increase in NCUSIF deposit	(1,094,484)	(1,625,326)
Net cash used in investing activities	(164,578,860)	(115,964,569)
Cash flows from financing activities:		
Net change in members' shares and savings accounts	115,653,414	139,151,862
Net cash provided from financing activities	115,653,414	139,151,862
Net change in cash and cash equivalents	(2,630,536)	65,740,489
Cash and cash equivalents - beginning	214,110,971	148,370,482
Cash and cash equivalents - ending	$211,480,435	$214,110,971

Supplemental Information

Interest paid	$3,089,938	$2,834,781

ELEVATIONS CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 1 - Nature of Business and Significant Accounting Policies

Organization

Elevations Credit Union (the Credit Union) is a state-chartered credit union organized in accordance with the provisions of the Colorado 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 who qualify for membership. The field of membership is defined by the Credit Union's Charter and Bylaws.

Principles of Consolidation

The consolidated financial statements include the accounts of the Credit Union and the significant accounts of its wholly owned subsidiary, One Environmental, LLC. In 2017, One Environmental, LLC was used as a holding company for the Credit Union's new administration property. In September 2018, One Environmental, LLC was dissolved. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 dates of the consolidated financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change include 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.

Concentrations of Credit Risk

A significant amount of the Credit Union's business activity is with members who work or reside in the Boulder, Colorado area. Therefore, the Credit Union may be exposed to credit risk by the economic climate of the overall geographical region in which borrowers reside. Additionally, the Credit Union maintains a large concentration of residential and commercial real estate secured loans. As of December 31, 2018, approximately 82% of the loan portfolio was secured by residential and commercial real estate located in the Boulder, Colorado area.

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

Comprehensive Income/(Loss)

Accounting principles generally require the recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive income/(loss). Other comprehensive income/(loss) is limited to the changes in unrealized gains/(losses) on available-for-sale investments. When available-for-sale investments are sold, the gain or loss realized on the sale is reclassified from accumulated other comprehensive income/(loss) to the gain or loss on sale of investments reported in the consolidated statements of income.

Cash and Cash Equivalents

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

Investments

Available-for-sale: Government and government agency mortgage-backed securities, collateralized mortgage obligations, small business administration (SBA)-backed securities and private-label collateralized mortgage obligations are classified available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value in the consolidated statements of financial condition.

Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in other comprehensive income/(loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment (OTTI) losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

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

Loans Held for Sale

Mortgage 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. Typically, at the time of loan sale, representations and warranties are given regarding the validity and accuracy of the loan and loan documents that if breached would require the loan to be repurchased.

Loans to Members

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

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

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

Loan fees and certain direct loan origination costs are deferred, and the net cost is recognized as an adjustment to interest income over the average life of the loans.

Allowance for Loan Losses

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

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

Allowance for Loan Losses (Continued)

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

For purposes of determining the allowance, the Credit Union has segmented certain loans in the portfolio by type. Loans are classified into the following segments: Real Estate, Consumer and Member Business. The Credit Union further disaggregates these segments into classes based on the associated risks within those segments. Real Estate loans are divided into two classes: First mortgage and Second mortgage. Consumer loans are divided into two classes: Auto and Other-primarily unsecured. Member Business loans are divided into two classes: Real estate and Other.

For purposes of determining the allowance, the Credit Union uses three distinct steps (historical loss rate, known losses, and environmental factors). In the first step, a historical loss rate calculation is completed on the loan portfolio using a 12 month historical loss rate for consumer and second mortgage loans and a 36 month historical loss rate for first mortgage loans where applicable (all major loan types except member business loans). The Credit Union has segmented all loans in the portfolio by product type and credit grade to apply independent loss rates. Each class of loans requires significant judgment to determine the estimation method that fits the credit risk characteristics of its portfolio segment. The second step in the allowance calculation is the known loss review, which is comprised of an impairment review on all loans showing signs of trouble including: delinquency, bankruptcy, modifications, litigation, etc. Differing treatments are applied to certain loans based on these categories, the type of loan involved, and the Credit Union's past experience in similar situations. This known loss process allows the Credit Union to identify potential losses on loans that have already shown signs of weakness but have not yet been charged off. The third and final section of the Credit Union's allowance process is the environmental factors adjustment. This adjustment is based on a full analysis of the entire loan portfolio completed in joint effort with an external vendor in order to determine current loan to value (CLTV) ratios, current FICO, FICO migration and the appropriate loan risk weighting. The environmental factors adjustment also considers the unemployment rates of local counties within this calculation.

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

Allowance for Loan Losses (Continued)

Consumer and Real Estate Segment Allowance Methodology

For loans not individually evaluated for impairment, the Credit Union determines the allowance on a collective basis utilizing historical losses adjusted for current factors. This actual loss experience is adjusted for known loss and economic factors based on the risks present for each portfolio segment or class of loans.

Member Business Segment Allowance Methodology

All member business loans are reviewed for delinquency on a regular basis. If determined to be impaired, specific allowances are provided for member business loans based on an analysis of the payment history, financial condition of the borrower, collateral, and guarantees as well as current economic trends.

Member business loans not identified as impaired are pooled by risk grade and a loss percentage is applied to each grade level. A loss rate of 1% is used on all loans not risk rated, based on a regional study of member business loan loss rates by the Office of Thrift Supervision (OTS).

Impaired Loans

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

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

Allowance for Loan Losses (Continued)

Troubled Debt Restructurings

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

Consumer and Real Estate Credit Quality Indicators

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

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

Member Business Credit Quality Indicators

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

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

Allowance for Loan Losses (Continued)

Member Business Credit Quality Indicators (Continued)

AAA (Excellent)
Definition: Excellent credits are excellent quality loans of excellent strength, which conform to the loan policy and normal underwriting standards (or have clear written justification for exception) and have or are expected to perform as agreed. Dependent on mitigating factors, excellent rated credits will generally possess the following:

- 1.45 or higher debt coverage ratio.
- 1.0 or higher debt to tangible net worth ratio.
- The collateral is excellent quality, and the loan to value is 60% of policy maximum.
- Average FICO score of 750.

AA (Strong)
Definition: Strong credits are satisfactory loans of better than average strength, which conform to the loan policy and normal underwriting standards (or have clear written justification for exception) and have or are expected to perform as agreed. Dependent on mitigating factors, strong rated credits will generally possess the following:

- 1.40 or higher debt coverage ratio.
- 2.0 or higher debt to tangible net worth ratio.
- The collateral is excellent quality, and the loan to value is 70% of policy maximum.
- Average FICO score of 700.

A (Good)
Definition: Good credits are loans with a sound primary source of repayment, which conform to the loan policy and normal underwriting standards (or have clear written justification for exception) and have or are expected to perform as agreed. Dependent on mitigating factors, good rated credits will generally possess the following:

- 1.35 or higher debt coverage ratio.
- 3.0 or higher debt to tangible net worth ratio.
- The collateral is good quality, and the loan to value is 80% of policy maximum.
- Average FICO score of 685.

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

Allowance for Loan Losses (Continued)

Member Business Credit Quality Indicators (Continued)

BBB (Satisfactory)
Definition: Satisfactory credits are loans that demonstrate the capacity to perform according to terms, which conform to the loan policy and normal underwriting standards (or have clear written justification for exception) and have or are expected to perform as agreed. Dependent on mitigating factors, satisfactory rated credits will generally possess the following:

- 1.30 or higher debt coverage ratio.
- 4.0 or higher debt to tangible net worth ratio.
- The collateral is acceptable quality, and the loan to value is 90% of policy maximum.
- Average FICO score of 670.

BB (Pass-Watch)
Definition: Pass-watch credits are loans considered a passing credit, however require additional monitoring of identifiable potential weaknesses to facilitate the Credit Union's prompt reaction to adverse trends which may affect collection. This category consists of loans that have modest deficiencies in loan documentation or minor deviations from prudent lending structure. They indicate adverse trends in the borrower's cash flow, debt-servicing capacity and balance sheet or in collateral value or market conditions that may, in the future, affect the repayment of the credit. Credits may have some vulnerability to changing economic or industry conditions, but low probability of serious deterioration. Credits that may be potentially lacking in margin or liquidity, but these deficiencies are minor and not expected to affect repayment.

Discussion: Pass-watch credits are loans with potential weaknesses and/or correctable deficiencies that are considered to add only minimal risk to the credit at this time. If left unchecked or if a negative trend develops or continues, criticism of the loan could result.

A pass-watch grade could result from the deviation from sound lending principles and in particular from the Credit Union loan policy without clear written justification for the exception. Adverse trends in the borrower's condition and/or debt servicing capabilities are cause for a pass-watch grade, if it appears the deficiency is temporary in nature and adds minimal risk to the timely repayment of the credit. Once again, the loan payments should remain current for the pass-watch grade to be appropriate. Seasoned loans, with a loan payment history and continued expectation of timely payments that have a marginal debt servicing ratio may warrant a pass-watch status. Deviation from sound lending practices or the loan policy can take many forms.

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

Allowance for Loan Losses (Continued)

Member Business Credit Quality Indicators (Continued)

- Failure to obtain current financial information as required by policy.
- Failure to obtain a current or satisfactory appraisal.
- Failure to structure the loan properly so that it coincides with the purpose of the loan and the source of repayment.
- Lack of proper documentation.
- Failure to properly underwrite the loan.
- Failure to monitor the loan properly.

Dependent on mitigating factors, pass-watch rated credits will generally possess the following:

- 1.25 debt coverage ratio.
- 5.0 debt to tangible net worth ratio.
- The collateral meets the minimum loan to value percentage.
- Average FICO score of 660.

B (Special Mention)
Definition: A Special mention asset has potential weaknesses that deserve close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Loans in this category have problems that could be remedied by management.

Discussion: Special mention loans contain a potential weakness that could jeopardize repayment as originally agreed. This category consists of loans that represent undue or unwarranted credit risk and static credits in need of a defined repayment plan. The primary source of repayment has weaknesses and may be jeopardized, and it is evident that the risk has increased beyond the level normally found in passing credits. The special mention classification should normally be used on a temporary basis, six months or less, for loans that are in transition (moving from pass-watch to substandard or substandard to pass-watch). Some action or event should occur in the near future to support either upgrading or require down grading of the credit. Loans consistently past due for more than thirty (30) days should be considered for this category.

A special mention grade may be appropriate when deficiencies described above or those listed below exist:

- Adverse trends in the borrower's financial condition and/or a debt-servicing ratio that is affecting the borrower's ability to repay the loan.
- Requests for renewals without planned reductions in principal.

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

Allowance for Loan Losses (Continued)

Member Business Credit Quality Indicators (Continued)

- Litigation against the borrower or guarantor that may, in the future, have material adverse consequences. Judgments, tax liens and derogatory credit reports are flags that often indicate a borrower's loans should be criticized.
- Loans with a current delinquency and a history of frequent delinquencies in excess of thirty (30) days as to required principal or interest payments.

Dependent on mitigating factors, special mention rated credits will generally possess the following:

- 1.25 debt coverage ratio.
- 5.0 debt to tangible net worth ratio.
- The collateral meets the minimum loan to value percentage.
- Guarantor's FICO score drops below 660.

CCC (Substandard)
Definition: Substandard loans are inadequately protected by current sound worth and paying capacity of the borrower or of the collateral pledged. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Substandard loans are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

The focal point in determining whether an asset is substandard is the well-defined weaknesses. The existence of one or more of the following could be indicative of a substandard (or worse) asset, depending upon the severity and duration of the problem(s):

- Inadequate debt servicing ability (generally, debt servicing ratio is less than 1.0), particularly if indicative of a continuing negative trend or a consistent past pattern.
- Current delinquency and a history of significant delinquency. In particular, a loan that is ninety (90) days or more past due should generally be a substandard asset unless there is clear written justification to the contrary.
- Loans secured by collateral declining in value and inadequately protected by appropriate margins, especially if income earned from the collateral or the sale of the collateral is the primary source of repayment.

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

Allowance for Loan Losses (Continued)

Member Business Credit Quality Indicators (Continued)

- Repeated failures to make required principal reductions or numerous renewals with the payment of interest only.
- May have some vulnerability to changing economic or industry conditions, but low probability of serious deterioration.
- Fully drawn lines of credit with no recent record of significant principal reductions.
- Workout/consolidation loans. These loans indicate a previous and possibly continuing "well-defined" weakness.
- Misrepresentations by the borrower or an uncooperative borrower who is unable or unwilling to respond to the Credit Union's request for information or to act on the Credit Union's request to strengthen the credit.

CC (Doubtful)
Definition: An asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly questionable and improbable. Possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

Discussion: Fundamentally, doubtful loans are loans where it is highly unlikely that the Credit Union will collect in full all of the principal and interest due under the terms of the loan. Doubtful loans should be on non-accrual for this reason. Doubtful loans are loans where repayment of the debt is highly dependent upon the eventual sale of the collateral, whether this is by the Credit Union through repossession or foreclosure, or by the member. Doubtful should not be a classification that is used for an indefinite period of time. In most cases, loans should not remain doubtful for a period exceeding twelve (12) months without there being either some significant pay-down in the credit as a result of efforts by the borrower or the Credit Union, or a charge-down in the balance by the Credit Union to reflect a more appropriate value for the asset. If a loan is doubtful, the Credit Union should take aggressive action to strengthen its position and minimize its loss.

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

Allowance for Loan Losses (Continued)

Member Business Credit Quality Indicators (Continued)

Loans to borrowers who are unable or unwilling to correct a "hole" in the collateral within a twelve (12) month period should in most cases be charged down such that the loan balance does not exceed 100% of the fair value of the collateral.

C (Loss)
Definition: Assets classified loss are considered uncollectible and of such little value that the continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. Loans should be charged off in the period in which they are deemed uncollectible.

Not Graded
No grade assigned.

Loan Charge-off Policies

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

Management will present non-performing loans with the following guidelines to the Board of Directors for charge-off approval:

- Unsecured loans under a bankruptcy status will be listed on the proposed charge-offs;
- A loan deemed uncollectible, where additional collection efforts are non-productive regardless of the number of days delinquent;
- Bankruptcy cram downs will be listed on the proposed charge-offs the month following the confirmation of the plan. This will typically be a partial charge-off for the cram down amount;
- A deficiency balance resulting from the repossession and sale of collateral will be proposed for charge-off the month following the collateral sale;
- A loan of a deceased person where the loss is determined;

ELEVATIONS CREDIT UNION

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

Allowance for Loan Losses (Continued)

Loan Charge-off Policies (Continued)

- Real estate loans will be proposed for charge-off the month following the determination of insufficient equity to proceed with foreclosure or redemption, receipt of short sale funds, or if the property is foreclosed on;
- All other loans that are not currently in a bankruptcy, repossession, foreclosure status, or have an active payment arrangement will be reviewed after 60 days delinquent by Loss Mitigation and the recommendations will be sent to the VP of Credit Risk Management for approval;
- Any loan greater than 6 months delinquent will be added to the exception list/report and reviewed monthly.

Property and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method based upon the useful lives of the related 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. Maintenance, repairs, and minor alterations are charged to current operations as expenditures occur and major improvements are capitalized.

Federal Home Loan Bank (FHLB) Stock

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

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

Mortgage Servicing Rights

Mortgage servicing assets are recognized 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 amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost.

Life Insurance Policies

The Credit Union holds life insurance policies purchased on the lives of key members of management, including certain former executives. In the event of death of one of these individuals, the Credit Union, as beneficiary of the policies, would receive a specified cash payment equal to the face value of the policy. Such policies are recorded at their cash surrender value, or the amount that can be currently realized as of the balance sheet date. The change in cash surrender value is an adjustment of premiums paid in determining the net expense or income recognized under the contracts for the year and is included in noninterest income in the consolidated statements of income.

NCUSIF Deposit

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

Members' Shares and Savings Accounts

Members' shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in annual elections of the Board of Directors. Irrespective of the number of shares owned, no member has more than one vote.

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

Members' Shares and Savings Accounts (Continued)

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

Regular Reserve

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

Income Taxes

The Credit Union is exempt from most federal, state, and local income taxes under the provisions of the Internal Revenue Code and state tax laws. The Income Taxes Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codifications (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 upon examination by tax authorities. The Credit Union is a state-chartered credit union as defined in Internal Revenue Code (IRC) Section 501(c)(14). As such, the Credit Union is exempt from federal taxation of income derived from the performance of activities directly related to its exempt purposes. However, IRC Section 511 imposes a tax on the unrelated business income (UBI) derived by state-chartered credit unions.

Beginning in March 2008, the Internal Revenue Service (IRS) released Technical Advice Memorandums (TAMs) to specific state-chartered credit unions specifying the revenue sources subject to unrelated business income tax (UBIT). UBI may also be subject to tax in certain states. Management has assessed the Credit Union's activities and any potential federal or state income tax liability and determined that the Credit Union has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. Additionally, no interest and penalties have been recorded in the accompanying consolidated financial statements related to uncertain tax positions. Currently, the 2017, 2016, and 2015 federal income tax returns are open for examination by the IRS. The filing years open for examination by the state, if applicable, may be equal to, greater than or less than the years open for examination by the IRS.

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

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses. The FASB's CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized. The ASU will be effective for credit unions on January 1, 2022. Early application is permitted for annual periods beginning January 1, 2019.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which is intended to increase transparency and comparability of accounting for lease transactions. This ASU will require lessees to recognize most leases on the balance sheet as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective for credit unions for fiscal years beginning after December 15, 2019 with an option to early adopt. The Credit Union is evaluating whether to early adopt and the effect this ASU will have on its consolidated financial statements, regulatory capital and related disclosures.

Subsequent Events

Management has evaluated subsequent events through March 28, 2019, the date the consolidated financial statements were available to be issued. No significant such events or transactions were identified.

Note 2 - Investments

The following table presents the amortized cost and estimated fair value of investments as of December 31, 2018:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Mortgage-backed securities	$133,598,635	$464,971	($631,809)	$133,431,797
SBA-backed securities	33,669,611	65	(570,193)	33,099,483
Collateralized mortgage obligations	30,738,961	219,744	(464,597)	30,494,108
Private-issue collateralized mortgage obligations	654,683	127,950	—	782,633
Total	$198,661,890	$812,730	($1,666,599)	$197,808,021

The following table presents the amortized cost and estimated fair value of investments as of December 31, 2017:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Mortgage-backed securities	$98,353,425	$522,824	($406,021)	$98,470,228
SBA-backed securities	44,558,728	20,292	(323,545)	44,255,475
Collateralized mortgage obligations	25,702,888	50,489	(309,598)	25,443,779
Private-issue collateralized mortgage obligations	1,356,514	249,296	—	1,605,810
Total	$169,971,555	$842,901	($1,039,164)	$169,775,292

Note 2 - Investments (Continued)

As of December 31, 2018, the Credit Union's available-for-sale portfolio consisted entirely of mortgage-backed securities, SBA-backed securities and collateralized mortgage obligations. These securities return principal based on payments received on the underlying mortgages or assets. These securities have expected weighted average lives ranging from zero to twelve years. However, return of principal may differ from expectation based on fluctuations in market interest rates, delinquency, foreclosures and the underlying collateral values. Additionally, borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Information pertaining to investments with gross unrealized losses as of December 31, 2018, aggregated by investment category and length of time that individual investments have been in a continuous loss position follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale:						
Mortgage-backed securities	$29,772,313	($119,596)	$44,867,867	($512,213)	$74,640,180	($631,809)
SBA-backed securities	5,957,628	(34,567)	27,051,675	(535,626)	33,009,303	(570,193)
Collateralized mortgage obligations	425,805	(2,501)	18,290,583	(462,096)	18,716,388	(464,597)
Total	$36,155,746	($156,664)	$90,210,125	($1,509,935)	$126,365,871	($1,666,599)

Note 2 - Investments (Continued)

Information pertaining to investments with gross unrealized losses as of December 31, 2017, aggregated by investment category and length of time that individual investments have been in a continuous loss position follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale:						
Mortgage-backed securities	$36,572,560	($193,665)	$19,286,828	($212,356)	$55,859,388	($406,021)
SBA-backed securities	17,464,769	(45,336)	15,796,406	(278,209)	33,261,175	(323,545)
Collateralized mortgage obligations	2,471,343	(13,385)	10,384,452	(296,213)	12,855,795	(309,598)
Total	$56,508,672	($252,386)	$45,467,686	($786,778)	$101,976,358	($1,039,164)

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because the implicit guarantee of the principal balances of these securities by the U.S. Government and its Agencies. The decline in fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline. Management has the ability and intent to hold these securities through to recovery of fair value, which may be maturity. Unrealized losses on private-issue collateralized mortgage obligations are evaluated annually for other than temporary impairment (OTTI).

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DECEMBER 31, 2018 AND 2017

Note 3 - Loans to Members

The composition of loans to members as of December 31, 2018 and 2017 is as follows:

	2018	**2017**
Real Estate:		
First mortgage	$733,237,142	$690,961,046
Second mortgage	361,214,712	340,054,893
	1,094,451,854	1,031,015,939
Consumer:		
Auto	152,131,598	156,301,387
Other-primarily unsecured	107,817,522	105,334,977
	259,949,120	261,636,364
Member Business:		
Real estate	144,513,173	96,995,217
Other	4,959,712	4,507,074
	149,472,885	101,502,291
Total unpaid principal balance	1,503,873,859	1,394,154,594
Net deferred loan origination fees/costs	7,270,538	8,533,946
Total recorded investment	1,511,144,397	1,402,688,540
Less: Allowance for loan losses	(5,974,206)	(4,668,198)
Loans to members, net	$1,505,170,191	$1,398,020,342

Note 3 - Loans to Members (Continued)

Allowance for Loan Losses

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the year ended December 31, 2018:

	Real Estate	Consumer	Commercial	Total
Allowance for loan losses:				
Beginning allowance	$758,499	$3,189,934	$719,765	$4,668,198
Charge-offs	(29,538)	(3,344,173)	(2,524)	(3,376,235)
Recoveries	45,503	859,393	—	904,896
Provision for loan losses	426,897	3,012,077	338,373	3,777,347
Ending allowance	$1,201,361	$3,717,231	$1,055,614	$5,974,206
Ending balance individually evaluated for impairment	$—	$827,842	$—	$827,842
Ending balance collectively evaluated for impairment	1,201,361	2,889,389	1,055,614	5,146,364
Ending allowance	$1,201,361	$3,717,231	$1,055,614	$5,974,206

The following table presents a summary of the recorded investment in loans by portfolio segment as of December 31, 2018:

	Real Estate	Consumer	Commercial	Total
Loans :				
Ending balance individually evaluated for impairment	$885,123	$1,257,988	$—	$2,143,111
Ending balance collectively evaluated for impairment	1,100,608,539	259,691,713	148,701,034	1,509,001,286
Total loans	$1,101,493,662	$260,949,701	$148,701,034	$1,511,144,397

Note 3 - Loans to Members (Continued)

Allowance for Loan Losses (Continued)

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the year ended December 31, 2017:

	Real Estate	Consumer	Commercial	Total
Allowance for loan losses:				
Beginning allowance	$788,847	$3,198,733	$490,523	$4,478,103
Charge-offs	—	(2,706,043)	(1,448)	(2,707,491)
Recoveries	89,902	813,449	—	903,351
Provision for loan losses	(120,250)	1,883,795	230,690	1,994,235
Ending allowance	$758,499	$3,189,934	$719,765	$4,668,198
Ending balance individually evaluated for impairment	$68,288	$461,901	$—	$530,189
Ending balance collectively evaluated for impairment	690,211	2,728,033	719,765	4,138,009
Ending allowance	$758,499	$3,189,934	$719,765	$4,668,198

The following table presents a summary of the recorded investment in loans by portfolio segment as of December 31, 2017:

	Real Estate	Consumer	Commercial	Total
Loans:				
Ending balance individually evaluated for impairment	$3,245,689	$1,039,371	$—	$4,285,060
Ending balance collectively evaluated for impairment	1,035,362,422	262,077,118	100,963,940	1,398,403,480
Total loans	$1,038,608,111	$263,116,489	$100,963,940	$1,402,688,540

Note 3 - Loans to Members (Continued)

Impaired Loans

The table below summarizes key information for impaired loans as of and for the year ended December 31, 2018:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With no allowance recorded:				
Real Estate:				
First mortgage	$434,459	$431,688	$—	$437,486
Second mortgage	$450,664	$447,780	$—	$449,382
With an allowance recorded:				
Consumer:				
Auto	$470,906	$469,100	$240,126	$485,134
Other-primarily unsecured	$787,082	$784,064	$587,716	$767,389
Totals by loan segment:				
Real Estate	$885,123	$879,468	$—	$886,868
Consumer	1,257,988	1,253,164	827,842	1,252,523
Total	$2,143,111	$2,132,632	$827,842	$2,139,391

Note 3 - Loans to Members (Continued)

Impaired Loans (Continued)

The table below summarizes key information for impaired loans as of and for the year ended December 31, 2017:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With no allowance recorded:				
Real Estate:				
First mortgage	$1,013,033	$1,005,636	$—	$1,010,700
Second mortgage	$682,695	$677,711	$—	$677,031
Consumer:				
Auto	$255,052	$253,617	$—	$267,390
Other-primarily unsecured	$153,637	$152,772	$—	$164,374
With an allowance recorded:				
Real Estate:				
First mortgage	$1,549,961	$1,538,644	$68,288	$1,551,765
Consumer:				
Auto	$523,832	$520,885	$355,652	$543,280
Other-primarily unsecured	$106,850	$106,249	$106,249	$105,374
Totals by loan segment:				
Real Estate	$3,245,689	$3,221,991	$68,288	$3,239,496
Consumer	1,039,371	1,033,523	461,901	1,080,418
Total	$4,285,060	$4,255,514	$530,189	$4,319,914

Note 3 - Loans to Members (Continued)

Age Analysis of Past Due Loans

The following table presents the aging of the recorded investment in past due loans and loans on non-accrual as of December 31, 2018:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total loans
Real Estate:						
First mortgage	$3,515,461	$431,688	$—	$3,947,149	$734,611,997	$738,559,146
Second mortgage	1,824,116	281,007	166,773	2,271,896	360,662,620	362,934,516
	5,339,577	712,695	166,773	6,219,045	1,095,274,617	1,101,493,662
Consumer:						
Auto	2,143,438	96,242	372,859	2,612,539	150,065,093	152,677,632
Other-primarily unsecured	505,245	308,462	475,601	1,289,308	106,982,761	108,272,069
	2,648,683	404,704	848,460	3,901,847	257,047,854	260,949,701
Member Business:						
Real estate	—	—	—	—	143,741,322	143,741,322
Other	4,898	75	—	4,973	4,954,739	4,959,712
	4,898	75	—	4,973	148,696,061	148,701,034
Total	$7,993,158	$1,117,474	$1,015,233	$10,125,865	$1,501,018,532	$1,511,144,397

Loans on which the accrual of interest has been discontinued or reduced approximated $1,015,000 as of December 31, 2018. There were no loans 90 days or more past due and still accruing interest as of December 31, 2018.

Note 3 - Loans to Members (Continued)

Age Analysis of Past Due Loans (Continued)

The following table presents the aging of the recorded investment in past due loans and loans on non-accrual as of December 31, 2017:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Real Estate:						
First mortgage	$2,715,058	$673,001	$1,871,280	$5,259,339	$691,386,394	$696,645,733
Second mortgage	762,198	554,421	123,290	1,439,909	340,522,469	341,962,378
	3,477,256	1,227,422	1,994,570	6,699,248	1,031,908,863	1,038,608,111
Consumer:						
Auto	1,385,622	343,786	430,716	2,160,124	155,005,203	157,165,327
Other-primarily unsecured	403,501	205,454	53,567	662,522	105,288,640	105,951,162
	1,789,123	549,240	484,283	2,822,646	260,293,843	263,116,489
Member Business:						
Real estate	—	—	—	—	96,456,866	96,456,866
Other	—	—	—	—	4,507,074	4,507,074
	—	—	—	—	100,963,940	100,963,940
Total	$5,266,379	$1,776,662	$2,478,853	$9,521,894	$1,393,166,646	$1,402,688,540

Loans on which the accrual of interest has been discontinued or reduced approximated $2,479,000 as of December 31, 2017. There were no loans 90 days or more past due and still accruing interest as of December 31, 2017.

Note 3 - Loans to Members (Continued)

Consumer and Real Estate Credit Quality

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

The following table presents the recorded investment based on performance indication as of December 31, 2018 and 2017:

	As of December 31, 2018		As of December 31, 2017	
	Performing Loans	Nonperforming Loans	Performing Loans	Nonperforming Loans
Real Estate:				
First mortgage	$738,559,146	$—	$694,774,453	$1,871,280
Second mortgage	362,767,743	166,773	341,839,088	123,290
	1,101,326,889	166,773	1,036,613,541	1,994,570
Consumer:				
Auto	152,304,773	372,859	156,734,611	430,716
Other-primarily unsecured	107,796,468	475,601	105,897,595	53,567
	260,101,241	848,460	262,632,206	484,283
Total	$1,361,428,130	$1,015,233	$1,299,245,747	$2,478,853

Note 3 - Loans to Members (Continued)

Member Business Credit Quality

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

The following table presents the recorded investment for member business loans based on risk rating as of December 31, 2018:

	Real Estate	Other	Total
Credit grade:			
AAA-Excellent	$9,988,709	$203,676	$10,192,385
AA-Strong	35,312,948	1,555,579	36,868,527
A-Good	88,647,783	1,524,819	90,172,602
BBB-Satisfactory	3,027,603	25,649	3,053,252
BB-Pass Watch	113,311	—	113,311
Not graded	6,650,968	1,649,989	8,300,957
Total	$143,741,322	$4,959,712	$148,701,034

The following table presents the recorded investment for member business loans based on risk rating as of December 31, 2017:

	Real Estate	Other	Total
Credit grade:			
AAA-Excellent	$2,059,596	$—	$2,059,596
AA-Strong	31,166,771	1,131,993	32,298,764
A-Good	55,250,187	2,239,762	57,489,949
BBB-Satisfactory	3,054,256	—	3,054,256
BB-Pass Watch	512,399	—	512,399
Not graded	4,413,657	1,135,319	5,548,976
Total	$96,456,866	$4,507,074	$100,963,940

Note 4 - Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and amortization, and are summarized as of December 31, 2018 and 2017 by major classification as follows:

	2018	2017
Land and improvements	$12,484,845	$12,484,845
Building and improvements	37,908,500	31,963,525
Furniture and equipment	34,067,026	31,543,782
Leasehold improvements	5,388,120	5,513,702
Work in process	13,315,272	3,148,064
	103,163,763	84,653,918
Less accumulated depreciation and amortization	(36,146,423)	(35,534,814)
	$67,017,340	$49,119,104

Depreciation and amortization charged to expense was approximately $4,108,000 and $3,126,000 for the years ended December 31, 2018 and 2017, respectively.

Note 5 - Members' Shares and Savings Accounts

Members' shares and savings accounts are summarized as follows as of December 31, 2018 and 2017:

	2018	2017
Share drafts accounts	$571,782,932	$516,747,339
Share accounts	612,650,376	556,900,248
Money market accounts	507,015,389	498,231,670
Individual retirement accounts	19,048,426	16,819,824
Share and IRA certificates	121,363,326	127,507,954
	$1,831,860,449	$1,716,207,035

Note 5 - Members' Shares and Savings Accounts (Continued)

As of December 31, 2018, scheduled maturities of share and IRA certificates are as follows:

	2018
Within one year	$69,487,560
1 to 2 years	18,187,866
2 to 3 years	16,690,871
3 to 4 years	9,493,247
4 to 5 years	7,503,782
	$121,363,326

The aggregate amount of members' time deposit accounts in denominations of $250,000 or more as of December 31, 2018 was approximately $6,572,000.

Note 6 - Employee Benefits

Defined Contribution 401(k) Plan

All employees of the Credit Union are eligible to participate in a 401(k) retirement savings plan upon attaining the age of 18. Each pay period, eligible participants may make salary deferred contributions to the plan and the Credit Union matches a portion of the contributions. All contributions from the employee and the Credit Union are always 100% vested. The Credit Union's contributions to the plan approximated $1,343,000 and $1,178,000 for the years ended December 31, 2018 and 2017, respectively.

Deferred Compensation

The Credit Union has a 457(b) non-qualified deferred compensation plan for certain members of senior management. The Credit Union does not contribute to this plan. The deferred compensation amounts are shown as both assets and liabilities in the Credit Union's consolidated statements of financial condition and are available to creditors in the event of the Credit Union's liquidation. The balance of the deferred compensation under this plan was approximately $2,201,000 and $2,067,000 as of December 31, 2018 and 2017, respectively.

Note 6 - Employee Benefits (Continued)

Deferred Compensation (Continued)

The Credit Union has also entered into 457(f) deferred compensation agreements with certain senior executives. The Credit Union has invested in certain investments and whole life insurance policies in order to partially defray the cost of these agreements. The Credit Union is the owner of the investments and policies, and a liability is separately established for the intended obligation to the executives. The assets under this arrangement were approximately $11,561,000 and $11,283,000 as of December 31, 2018 and 2017, respectively. The liability under this arrangement was approximately $2,896,000 and $1,979,000 as of December 31, 2018 and 2017, 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 repaid the loan amount plus accrued interest and the balance of the insurance benefit will be paid to the executive's designated beneficiary. The total loan balance under this agreement was classified within prepaid and other assets in the consolidated statements of financial condition and approximated $1,831,000 as of December 31, 2018 and 2017.

Note 7 - Borrowed Funds

Lines of Credit

As a member of the FHLB, the Credit Union has access to a pre-approved secured line of credit with the capacity to borrow up to a certain percentage of its eligible collateral, as defined in the FHLB Statement of Credit Policy. The interest rate terms under this line-of-credit agreement are variable. The aggregate unused line of credit under this agreement was approximately $795,808,000 and $775,653,000 as of December 31, 2018 and 2017, respectively.

The Credit Union has access to the Federal Reserve Bank of Kansas City's Discount Window. Under the terms of this secured line-of-credit agreement, the Credit Union has the ability to borrow up to a certain percentage of the balance of its pledged eligible investment securities. Borrowing capacity was approximately $79,913,000 and $110,631,000 as of December 31, 2018 and 2017, respectively. The interest rate terms under this line-of-credit agreement are variable. There were no borrowings outstanding as of December 31, 2018 or 2017.

Note 8 - Commitments and Contingent Liabilities

Lease Commitments

The Credit Union leases several branch locations. The minimum noncancellable lease obligations approximate the following as of December 31, 2018:

Year ending December 31,	Amount
2019	$749,000
2020	628,000
2021	363,000
2022	147,000
	$1,887,000

Net rent expense under operating leases, included in expenses, was approximately $1,217,000 and $1,101,000 for the years ended December 31, 2018 and 2017, respectively.

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 statements 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 December 31, 2018, the total unfunded commitments under such lines of credit was approximately $970,000,000. 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.

Note 9 - 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 Regulations*) to total assets (as defined in *NCUA Regulations*). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR as of December 31, 2018 and 2017 was 5.77% and 5.50%, respectively. The minimum requirement to be considered complex under the regulatory framework is 6.00%. Management believes, as of December 31, 2018 and 2017, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2018, the most recent call reporting period, the NCUA categorized the Credit Union as *"well capitalized"* under the regulatory framework for prompt corrective action. To be categorized as *"well capitalized"* the Credit Union must maintain a minimum net worth ratio of 7.00% of assets. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

As a result of the business combinations with SVVCU and LPCU during the years ended December 31, 2011 and 2010, respectively, the Credit Union's regulatory net worth ratio and GAAP/USA net worth ratio will not equal. For regulatory purposes, the Credit Union is required to add the net worth of SVVCU and LPCU at the time of the mergers to its actual net worth to calculate the regulatory net worth ratio. SVVCU's net worth at the time of merger was $8,284,165. LPCU's net worth at the time of merger was $1,330,692.

Note 9 - Regulatory Capital (Continued)

The Credit Union's actual and required net worth amounts and ratios are as follows:

	As of December 31, 2018		As of December 31, 2017	
	Amount	Ratio/ Requirement	Amount	Ratio/ Requirement
Actual net worth	$219,206,901	10.49%	$203,781,065	10.39%
Amount needed to be classified as "well capitalized"	$146,229,052	7.00%	$117,618,112	7.00%
Amount needed to be classified as "adequately capitalized"	$125,339,187	6.00%	$137,221,131	6.00%

Because the RBNWR 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 option, as permitted by regulation.

Note 10 - Fair Values Measurements

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

Basis of Fair Value Measurements

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

Level 2 - Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Note 10 - Fair Values Measurements (Continued)

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

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized as follows:

	Assets at Fair Value as of December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale:				
Mortgage-backed securities	$—	$133,431,797	$—	$133,431,797
SBA-backed securities	—	33,099,483	—	33,099,483
Collateralized mortgage obligations	—	30,494,108	—	30,494,108
Private-issue collateralized mortgage obligations	—	782,633	—	782,633
	$—	$197,808,021	$—	$197,808,021

	Assets at Fair Value as of December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale:				
Mortgage-backed securities	$—	$98,470,228	$—	$98,470,228
SBA-backed securities	—	44,255,475	—	44,255,475
Collateralized mortgage obligations	—	25,443,779	—	25,443,779
Private-issue collateralized mortgage obligations	—	1,605,810	—	1,605,810
	$—	$169,775,292	$—	$169,775,292

Note 10 - Fair Values Measurements (Continued)

Assets Measured at Fair Value on a Non-Recurring Basis

Impaired Loans

Loans for which the Credit Union has measured impairment are generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair value consists of the recorded investment less the valuation allowance and/or charge-offs.

Assets measured at fair value on a non-recurring basis are summarized as follows:

	Assets at Fair Value as of December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Impaired loans	$—	$—	$430,146	$430,146

	Assets at Fair Value as of December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Impaired loans	$—	$—	$1,650,454	$1,650,454

Note 11 - Loan Servicing

Mortgage 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 December 31, 2018 and 2017.

	2018	2017
Mortgage loan portfolio serviced for:		
Federal National Mortgage Association	$2,423,857,000	$2,119,488,000
Federal Home Loan Mortgage Corporation	1,170,142,000	1,060,199,000
Other	146,490,000	90,243,000
Total loans serviced	$3,740,489,000	$3,269,930,000
Custodial escrow balances	$35,123,000	$30,438,000

Servicing fee income related to these portfolios was approximately $8,744,000 and $7,488,000 for the years ended December 31, 2018 and 2017, respectively. The subservicing expense related to these portfolios was approximately $1,665,000 and $1,499,000 for the years ended December 31, 2018 and 2017, respectively.

The following table presents mortgage servicing rights activity and fair value as of and for the years ended December 31, 2018 and 2017:

	2018	2017
Mortgage servicing rights:		
Balance, beginning of year	$24,473,091	$21,214,551
Capitalization	8,450,378	8,894,812
Amortization	(6,610,883)	(5,636,272)
	26,312,586	24,473,091
Market value adjustment	—	—
Balance, end of year	$26,312,586	$24,473,091

	2018	2017
Fair value of mortgage servicing rights	$40,771,000	$30,410,000

The fair value of servicing rights was determined by an independent third party using market value discount rates ranging from 10.5% to 14% and 13% to 15% as of December 31, 2018 and 2017 and prepayment speeds ranging from 4.8% to 16.4% and 6.5% to 24.0% as of December 31, 2018 and 2017, respectively, based on the specific characteristics of each pool of loans.

ELEVATIONS CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 12 - Related Party Transactions

Loans

In the ordinary course of business, the Credit Union grants loans to certain directors and executive officers. Such loans aggregated approximately $5,524,000 and $6,881,000 as of December 31, 2018 and 2017, respectively.

* * * End of Notes * * *

Supplementary Information

ELEVATIONS CREDIT UNION

FHA LENDERS WITH TITLE I AUTHORITY
CONSOLIDATED ADJUSTED NET WORTH COMPUTATION
DECEMBER 31, 2018

Members' equity (net worth), per consolidated statement of financial condition		$219,987,823
Less:	Unacceptable assets -	
	Prepaid and other assets	22,866,150
	Loans to officials	567,655
	Portion of securities in excess of the lower of cost or market	812,730
	Total	24,246,535
Adjusted net worth for HUD requirement purposes		$195,741,288
Minimum net worth required		$1,000,000
Adjusted net worth ABOVE amount required		$194,741,288

ELEVATIONS CREDIT UNION

FHA LENDERS WITH TITLE II AUTHORITY
CONSOLIDATED ADJUSTED NET WORTH COMPUTATION
DECEMBER 31, 2018

Members' equity (net worth), per consolidated statement of financial condition		$219,987,823
Less:	Unacceptable assets -	
	Prepaid and other assets	22,866,150
	Loans to officials	567,655
	Portion of securities in excess of the lower of cost or market	812,730
	Total	24,246,535
Adjusted net worth for HUD requirement purposes		$195,741,288
Minimum net worth required		$1,000,000
Adjusted net worth ABOVE amount required		$194,741,288


PROSPERITY.
Let it grow.
We're only truly prosperous together.
ELEVATIONS
CREDIT UNION
Malcolm Baldrige
National Quality Award
2014 Award Recipient

Board of DIRECTORS

Nancy Herbert

BOARD CHAIR

Nancy Herbert has been a member of the Elevations Board since 2011. She previously served as the chair of the St. Vrain Valley Credit Union Board until its merger with Elevations that same year.

Nancy is the owner of Communication Strategies LLC, where she's an organizational and board development consultant. A former school district administrator and municipal elected official, she has served on more than 24 community boards of directors. Nancy is a candidate for a Ph.D. in organizational development and leadership specializing in innovation and entrepreneurism, and also holds a bachelor's degree in organizational management and a master's degree in education. She resides in Longmont with her husband and enjoys travel to learn about different cultures.

Kate Brown

BOARD VICE CHAIR

Kate Brown was appointed to the Elevations Board in November 2015 and elected in 2016.

Kate is the Founder and President of Boulder Organic Foods LLC and has been developing the brand Boulder Organic! since 2006. Having grown a consumer brand with help from the local industry, Kate is a member and sponsor of Naturally Boulder, and board member for the Boulder Chamber of Commerce. She also has a passion for education and sits on the advisory boards of the Center for Women's Health Research and the Center for Western Civilization, Thought & Policy, both affiliates of the University of Colorado. Kate earned a master's degree in counseling psychology from Naropa University as well as a bachelor's degree in technical journalism from Colorado State University. A Colorado native, Kate and her family live in Boulder and enjoy the community of natural product entrepreneurs and a variety of activities like hiking, snow sports and running.

Ray Martinez

BOARD SECRETARY

Ray Martinez was appointed to the Elevations Board in August 2014 and elected in April 2015. He also serves as chair of the Governance and Nominating Committee.

Ray is a retired Fort Collins police sergeant, as well as a former three-term mayor of Fort Collins. He most recently served as City Councilmember for District 2 in Fort Collins from 2015 to 2019. He is a U.S. Army veteran, having received the Army Commendation Medal. Ray has dedicated significant time working closely with Hispanic community leaders, youth and athletes to improve the relationship between the community and law enforcement. He co-founded an organization that works directly with at-risk youth to provide them with positive educational and recreational experiences while keeping them active within their neighborhoods and communities. He was a member of the National League of Cities Public Safety and Crime Prevention Committee until 2019 and has been a member of several boards and organizations over the years, including the chair of Colorado's Minority Business Advisory Council under Governor Owens and Governor Ritter, a member of the Colorado Mesa University board of trustees, and a White House appointee on the Defense Advisory Board for Employer Support of the Guard and Reserve. Ray lives in Fort Collins and enjoys writing.

Eric Jones

BOARD TREASURER

Eric Jones was appointed to the Elevations Board in 2007 and elected in 2008. He served as board chair from 2008 to 2011. Eric currently serves as chair of the Audit and Risk Committee and as treasurer of the Elevations Foundation Board of Directors.

Eric is President of Jones Mertsching CPAs, PC, a Colorado-based firm specializing in the credit union industry. He holds a bachelor's degree from the University of Colorado Boulder and was inducted into the Credit Union Executive Society's Volunteer Hall of Fame in December 2011. Eric lives with his wife and two dogs in Evergreen, where he enjoys playing classical piano, skiing, golfing and all Colorado activities including cheering on the CU Buffs.

Natalie Baumgartner

BOARD MEMBER

Natalie Baumgartner was appointed to the Elevations Board in November 2015 and elected in April 2016. She also serves on the Governance and Nominating Committee.

Natalie is the Chief Workforce Scientist at Achievers, an international Employee Recognition and Engagement Platform, where she serves as an engagement thought leader working to translate engagement research into SaaS-based software. Prior to joining Achievers, she co-founded and served as Chief Psychologist at RoundPegg. She has spent over a decade consulting on engagement and corporate culture with C-suite executives, boards of directors and private equity investors. She holds a Ph.D. in clinical psychology from the University of Denver, a master's degree in clinical psychology from UCLA and a bachelor's degree in psychology from the University of Wisconsin-Madison. In addition to her work at Achievers, Natalie serves on the board of the Consulting Psychology Division of the American Psychological Association and is a popular speaker on culture, engagement, mergers and acquisitions, and change management, as well as a TEDx speaker on culture fit. Natalie and her family reside in Boulder.

Carroll Beach

BOARD MEMBER

Carroll Beach was elected to the Elevations Board in 2010 and served as chair from 2011 to 2014. He also serves on the Governance and Nominating Committee.

Carroll retired as president and COO of CO-OP Shared Branching in 2011, following a three-year tenure as president of the Credit Union Service Corporation. He was previously president and CEO of the Colorado Credit Union System for 30 years. Carroll holds a bachelor's degree from the University of Kansas and a master's degree from Emporia State University. He served on boards and committees for the Credit Union National Association, the Association of American Credit Union Leagues – from which he received the "Eagle Award" – and the Credit Union House LLC, for which he was chairman of the board. He also received the "Herb Wegner Lifetime Achievement Award," the most recognized award given in the credit union industry. Carroll lives in Westminster with his wife, and they enjoy spending time with their two children and five grandchildren. Carroll is an avid golfer and also enjoys reading and participating in activities at his church.

Don Cheyne

BOARD MEMBER

Don Cheyne joined the Elevations Board in 2011 following its merger with St. Vrain Valley Credit Union, where he served as a board member for three years. Don also serves as vice chair of the Audit and Risk Committee.

Don has spent his career in manufacturing management and was an owner of Mountain Molding, a Longmont-based plastic injection molding business. After selling the company to Tenere, Inc., Don is now a manufacturing business consultant. He holds a bachelor's degree in electrical and computer engineering and a master's degree in business administration, both from the University of Colorado Boulder. He lives in Broomfield with his wife and daughter, and he enjoys spending his time playing ice hockey and traveling.

Katie Cowan

BOARD MEMBER

Katie Cowan was appointed to the Elevations Board in 2008 and elected in 2009. She also serves on the Governance and Nominating Committee. She served as board chair from 2014 to 2017. Katie has been an Elevations member since 2002 and previously worked as a teller at two Elevations branches. Before joining the board, she served on the Finance and Supervisory Committees at Elevations.

Katie works for Arrow Electronics, a Fortune 500 company headquartered in Centennial. As treasury manager with a focus in global treasury operations, Katie manages and supports treasury functions for Arrow business units worldwide. Before joining Arrow in May 2016, Katie worked in treasury for 10 years at the headquarters of Chipotle Mexican Grill. She holds a bachelor's degree in economics with an emphasis in finance from St. Olaf College and has served on the boards of directors for the St. Olaf Alumni Association and the Colorado Treasury Management Association (now RMAFP). Katie lives in Denver with her husband and daughter, and enjoys running, biking and spending time in the mountains.

Todd Gleeson

BOARD MEMBER

Todd Gleeson joined the Elevations Board in 2012. He has been an Elevations Credit Union member since 1981. Todd also serves as a member of the Audit and Risk Committee.

Todd has been a member of the faculty at the University of Colorado Boulder for more than 30 years and is a professor in the Department of Integrative Physiology. He also served as the university's dean of the College of Arts and Sciences and associate vice chancellor for faculty affairs. Todd holds a Ph.D. in developmental and cell biology from the University of California at Irvine. He lives with his wife in Louisville, where they enjoy live theater and all that the Colorado outdoor recreation scene has to offer.

Jim Menghi

BOARD MEMBER

Jim Menghi was elected to the Elevations Board in 2008. He has been a member of Elevations Credit Union since 1985 and served on the Supervisory Committee 18 years in total, including several times as chair. He currently serves as a member of the Audit and Risk Committee.

Jim was the finance officer of the Joint Office for Science Support with the University Corporation for Atmospheric Research from 2002 until 2016. He holds a bachelor's degree in accounting from the University of Delaware. Jim and his wife live in Frederick and have three grown daughters who bring them much pride and joy. When possible, he runs, bikes and hikes, taking advantage of the great Colorado outdoor lifestyle.

Senior LEADERSHIP TEAM

Gerry Agnes

PRESIDENT & CHIEF EXECUTIVE OFFICER

Gerry joined Elevations as its CEO in 2008. He directs the credit union's strategic objectives, which focus on employee engagement, a loyal membership and superior financial performance. In the midst of the financial crisis of 2008, he led the charge to pursue the Malcolm Baldrige National Quality Award, a highly competitive U.S. Presidential award that recognizes organizations for performance excellence. The Baldrige effort rallied the Elevations team to outperform both in-market competitors and credit unions nationwide, and in 2014, Elevations was named a Baldrige Award recipient by U.S. Secretary of Commerce Penny Pritzker. Also, Gerry was named the 2015 CUES Outstanding Chief Executive, Mountain West Credit Union Association's 2016 Credit Union Professional of the Year, and Boulder Chamber's 2016 Business Person of the Year.

Gerry is a CPA with 34 years of professional experience and held positions as president, COO and CFO at various community financial institutions in California. He holds a bachelor's degree in business administration and accounting from California State Polytechnic University, Pomona. Gerry is a board member and past chair of the Boulder Chamber, and is a board member of Elevations Foundation. Governor Hickenlooper appointed Gerry to Colorado's Financial Services Board in August 2015, on which he continues to serve. In 2019, he was appointed to the Federal Reserve Bank of Kansas City's Community Depository Institutions Advisory Council and the Credit Union National Association's CEO Council Executive Committee.

Brian Holst

GENERAL COUNSEL

As general counsel for Elevations Credit Union and its Board of Directors, Brian leads the credit union's strategic and tactical legal initiatives that create value for its members.

Brian is a uniquely experienced legal and credit union industry veteran. Prior to joining Elevations in 2017, Brian was a partner at Holst, Boettcher & Tehrani LLP, and was engaged in the private practice of law in Colorado for more than 30 years. Brian's legal practice has focused on credit union representation, which has allowed him to develop expertise in the industry, advising and representing many credit unions from around the country in matters pertaining to policy, governance, mergers, regulation, contractual matters, real estate matters, loan enforcement, litigation and arbitration. Brian holds a law degree from Washburn Law School and a bachelor's degree in accounting from Colorado State University. He also serves as a board member of Longmont Meals on Wheels.

Michael Calcote

CHIEF FINANCIAL OFFICER

As chief financial officer, Michael is responsible for ensuring Elevations' long-term financial sustainability. He oversees accounting and finance, strategy and performance, enterprise risk management, operations and corporate real estate.

Prior to joining Elevations in 2010, Michael served as chief financial officer and treasurer for Guaranty Bank, a large, publicly held financial institution headquartered in Austin, Texas. Michael also served for five years as a regulatory examiner and capital markets specialist for the U.S. Office of Thrift Supervision. He holds a bachelor's degree in finance and accounting from Stephen F. Austin State University in Texas and is a Chartered Financial Analyst. Michael serves as treasurer of the Mental Health Partners board of directors

Pete DuPré

CHIEF INFORMATION OFFICER

As chief information officer, Pete is responsible for developing and driving the implementation of Elevations' technology strategy and leading its IT operations and business applications teams.

Prior to joining Elevations in 2017, Pete was CIO, Latin America Region, for First Data Corporation and CIO of JetPay Corporation. Pete also held IT leadership roles at Amazon Web Services, Vantiv and Micro Focus. He received a bachelor's degree in electrical and computer engineering from State University of New York in Buffalo, NY. Pete serves as a board member of Elevations Foundation and of Healing Warriors Program, helping advance the individual well-being of veterans.

Susan Green

CHIEF MARKETING OFFICER

Susan directs the credit union's marketing and community development strategy and execution. This includes market and member research, product management, public relations, community partnerships, events, seminars and campaigns designed to build brand awareness and demand for Elevations' products. During her tenure, Elevations has won numerous awards for marketing excellence and has been recognized for best practices in digital marketing, including social media.

Before joining Elevations in 2011, Susan held various marketing leadership positions, primarily in the IT industry. She received a bachelor's degree in journalism from the University of Colorado Boulder, a master's of business administration from Ohio University, and has completed executive education at Harvard Business School and the UCLA Anderson School of Management. Susan serves on the board of Growe Foundation, providing garden-based learning programs for local elementary schools.

Ray Lindley

CHIEF OPERATING OFFICER

As chief operating officer, Ray directs all aspects of the credit union's consumer, mortgage and business lending programs plus wealth management. He oversees Elevations' retail delivery channels—including all branches and the contact center. He has been instrumental in making Elevations the No. 1 credit union mortgage lender in Colorado and the No. 1 mortgage lender in Boulder and Broomfield counties.

Ray held leadership roles with Washington Mutual and Chase before joining Elevations in 2013. A graduate of Northwest Nazarene University, he holds a bachelor's degree in accounting and a master's of business administration in economics. In 2016, he graduated from the CUES Institute of Executive Leadership as a Certified Credit Union Executive. Ray serves on the executive committee of the CUNA Lending Council, a group that supports and develops the lending practices of credit unions across the country. He also serves as a board member of the Broomfield Chamber of Commerce.

Tammy Taylor

CHIEF PEOPLE OFFICER

As chief people officer, Tammy leads the "people" strategy for Elevations Credit Union. She is responsible for aligning the current and future workforce to meet the business objectives of Elevations through leadership, talent, communication, workforce analytics and rewards. She plays an important role in shaping the organization's culture and is an ambassador for employee engagement, diversity and inclusion.

Before joining Elevations in 2018, Tammy had over 20 years of experience in the Denver area spanning strategy, employer brand, operations, product development and talent. She has served in leadership roles in the healthcare, utilities and telecom industries. She holds a bachelor's degree from The College of Human Ecology at Cornell University, an institution that prides itself on exploring the complex relationships between human beings and their natural, social and built environments. Tammy is certified as a Senior Professional in Human Resources (SPHR). She also serves as a board member of Elevations Foundation.

Gary Kindle

SVP OF OPERATIONS

Gary leads Elevations' operations department. With his team, he manages the credit union's functions and services, including payments, imaging, cards, mortgage servicing, vendor management, ATMs and record retention. Gary's aim is to make sure processes run smoothly for both members and employees at all times.

Prior to joining Elevations in 2011, Gary held various leadership roles with First National of Nebraska. He is a graduate of Northern State University and the BAI Graduate School of Bank Financial Management at Vanderbilt University. Gary served 20 years in the U.S. Army before retiring as a platoon sergeant and ammunition instructor.

Danielle Quatrochi

SVP OF DIGITAL EXPERIENCE

Danielle is responsible for providing strategic leadership for Elevations' digital team and driving the digital transformation of the credit union, including design, development, operations and support. Danielle's goal is to create digital experiences that exceed member expectations and yield business results.

Prior to joining Elevations in 2018, Danielle held marketing and digital leadership positions at Finish Line, MapMyFitness, Room 214 and Nike. A graduate of the University of Washington, she holds a bachelor's degree in communication and sociology. Danielle also serves as a board member of Elevations Foundation.

Pete Reicks

SVP OF ANALYTICS & INNOVATION

Pete is responsible for advancing Elevations' business intelligence capability, championing a culture of innovation and directing deployment of the Baldrige Performance Excellence Program in pursuit of the credit union's BHAG: "Audacious Excellence! P.S. We will win the Baldrige again."

Prior to joining Elevations in 2008, Pete held a variety of analyst and leadership roles at the Federal Reserve Bank of Kansas City. He holds a bachelor's degree in economics and finance from Colorado State University Pueblo and a master's of business administration from Benedictine College. In 2017, he achieved Certified Innovation Executive (CIE) status from the CUES Strategic Innovation Institute. Pete also serves as a member of the Board of Examiners for the Malcolm Baldrige National Quality Award.

Northern Colorado

ADVISORY BOARD

As part of our commitment to Fort Collins, our Northern Colorado Advisory Board offers recommendations and feedback to the Elevations leadership team as we bring our passion for great service and steadfast commitment to the power of localism to Fort Collins. This group of seven community leaders hails from a variety of industries and backgrounds, sharing a common stewardship for the Northern Colorado community.

Denise Juliana

Denise Juliana is a Certified Public Accountant and Partner at firm EideBailly in Fort Collins. Denise provides consulting services to start-ups, closely-held and family businesses, clean energy companies, dealerships and international enterprises. Denise makes connections between clients and what they want to know about their business or tax situation, and between her clientele and others who may help them. Denise makes things as easy as possible—in the working relationship, in understanding a business or tax situation and in any issues that may arise. She treats clients with respect and without judgment.

Denise is a member of the American Institute of Certified Public Accountants and the Colorado Society of Certified Public Accountants. Denise volunteers her time in the Northern Colorado community with Foothills Rotary Club, Women Give, United Way Planned Giving Committee, Give Next and Community Foundation of Northern Colorado.

Peter Kelly

Peter Kelly is Vice President with CBRE's Northern Colorado office, specializing in leasing and sales transactions across multiple property types. His expertise includes site selection, pre-development services and land use entitlement. With 15 years of experience in commercial real estate, Peter generates value for his clients through strategy, problem solving and creation. Planning ahead through each transaction and maintaining the focus of the clients' interests has been the emphasis of his business.

Peter is a Certified Commercial Investment Member, a member of the Northern Colorado Commercial Association of Realtors® and a member of the International Council of Shopping Centers. Peter gives back to the community as a board member of the Larimer County Open Lands Advisory Board, past president of Larimer County Partners mentoring organization, founder and past president of NoCo Active 2030, past director of Larimer Commerce Bank and past president of Fort Collins Youth Lacrosse.

Tim Kenney

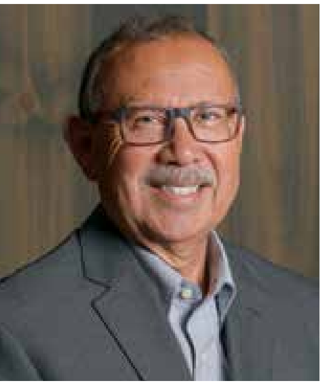
Tim Kenney is the President and Chairman of Ace Hardware of Fort Collins, Inc.

Tim was a career professional in the financial services industry from 1986 to 2015 and has experience in consumer and commercial banking. He started and managed commercial banking and business banking teams in the Midwest, Southwest and Rocky Mountain regions of the U.S. In early 2015, he formed Gerard Management Company to acquire and operate an Ace Hardware location in Fort Collins. Tim has also served as a volunteer, committee member and committee chairman on numerous advisory committees and councils. He is currently active in the following organizations: City of Fort Collins Citizens Advisory Group; North Fort Collins Business Association; South Fort Collins Business Association; Foothills Rotary Club; Rocky Mountain Ace Stores Association; and a board member of the Catholic Board of Directors.

Yvonne Meyers

Yvonne Myers has been employed in various roles at Columbine Health Systems over the past 28 years. Since 1998, Yvonne has served as the Health Systems Director.

Columbine Health Systems has led innovative community and workforce issues under Yvonne's leadership. They were the pilot business working with Bohemian Foundation and the Larimer County Workforce Center to bring a work/life navigator program to their community. Moving from pilot to a sustainable model, they were the first to partner with the WorkLife Partnership in Larimer County. Yvonne is currently a board member of the Fort Collins Area Chamber of Commerce, chair of the PVH and MCR Foundation Board, co-chair of the Northern Colorado Health Sector Partnership, and vice chair of SAINT – Senior Alternatives in Transportation. Over the past 34 years, she has been involved in numerous boards and committees, including the Larimer County Workforce Investment Board, Workforce Committee of the Fort Collins Area Chamber of Commerce and the Northern Colorado Health Sector Partnership.



Andrew Romero

Andrew (Andy) Romero held prominent positions prior to his retirement in 2016, including Finance Director with the High Plains Library District in Greeley, CO, a position he held for 10 years. Prior to that, he worked as the Comptroller with the City of Greeley for 12 years.

Giving back to the community is a priority for Andy. He is a board member and treasurer of Jobs of Hope, a volunteer teaching citizenship classes at the Immigrant & Refugee Center of Northern Colorado, and a member and treasurer of Trinity Episcopal Church. In addition, Andy has used his talents to better the community through the following positions: board member and treasurer of the Northern Colorado Hispanic Chamber of Commerce; board member and treasurer for Northern Colorado Medical Center Foundation; president, treasurer and board member at AIMS Community College Foundation; and president, board member and current member of the Greeley Rotary Club, among other positions.

Andrea Schaefer

Andrea Schaefer has been involved in every aspect of real estate since 2001 and is currently a Broker Associate/Partner at The Group, Inc. For the last 13 years, she has worked with some of the top builders in Northern Colorado, selling in some of the most successful subdivisions.

Andrea's knowledge includes new home sales training and selling, marketing for residential and commercial properties, escrow and assistance to top commercial and residential Realtors®, and investments from kiddie condos to multi-family and single-family investments. Giving back to the community is important to Andrea. She is currently a committee member for Dream Makers, an organization in Northern Colorado that supports older youth aging out of the foster care system. She also serves as a board member of Neighbor 2 Neighbor. Andrea has volunteered in the past as treasurer and board member of Mountain View Rotary Club, a member of The Group, Inc. Scholarship Selection Committee and a member of the Schaefer Family Scholarship Selection Committee.

Molly Skold

Highly regarded as a thoughtful and versatile leader, Molly Skold draws on a deep and diverse bank of marketing, communications, public relations, sales and writing experience to conceptualize and create high-profile, image-centered marketing programs.

Molly lives in Fort Collins and serves as Vice President-Marketing and Communications for East Campus Realty LLC, a Mutual of Omaha subsidiary. She oversees marketing, public relations and communications for Mutual's $365 million Midtown Crossing at Turner Park development. She further supports development success by offering input on residential and retail leasing decisions and by leading the vision of Midtown Crossing's year-round calendar of special events. Molly was recently named Executive Director of Omaha's Midtown 2050 Corporation and is involved with various public/private partnerships, including a comprehensive strategy to accelerate midtown Omaha's progression into a transit-oriented urban community. Prior to joining East Campus Realty, Molly served as marketing director for the $75 million Salvation Army Kroc Center in South Omaha. Molly attended Colorado State University and is a Fort Collins native.

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