# HERE'S TO A NEW SPIRIT OF LOCALISM.

## 2015 ANNUAL REPORT

ELEVATIONS
CREDIT UNION

Malcolm Baldrige
National Quality Award
2014 Award Recipient

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# LETTER FROM THE BOARD CHAIR

## KATIE LARSON

Dear Members,

I'm honored to serve you and our fellow members as Chair of the Board of Directors. This report highlights an extraordinarily successful year for Elevations Credit Union, and I want to personally thank you for your confidence in Elevations. In 2015, Elevations reached all-time highs in membership, net worth, assets, loans outstanding and shares. This accomplishment is a testament of your loyalty to Elevations, and we're deeply grateful for your continued support.

We added two local business leaders to our Board of Directors last October, expanding the Board from 9 to 11 members. Both Kate Brown and Dr. Natalie Baumgartner bring diverse perspectives and experiences to the Board. Kate is Founder and President of Boulder Organic Foods, LLC. Natalie is Founder and Chief Psychologist at RoundPegg, a culture and engagement software platform for all companies. We look forward to their expertise in helping guide Elevations and you to new heights.

Also, when this report is being delivered to you at our annual meeting, we congratulate Carol Krismann, who is retiring from the Board of Directors. Carol has spent 17 wonderful years volunteering for Elevations Credit Union and the last nine of them as a Director. She has helped guide Elevations through a search for a new CEO, successfully led the credit union through the Great Recession, and positioned Elevations for terrific success in the future. Carol, we thank you for your unwavering support and your continued service on the Elevations Foundation Board of Directors!

Back in April 2009, we declared Elevations' Big Hairy Audacious Goal (BHAG): We will win the Malcolm Baldrige National Quality Award! Not only did Elevations receive the prestigious U.S. presidential award for excellence in April of 2015, but we have continued on our Baldrige journey to improve our service to you and to help other organizations achieve performance excellence.

Last spring, we refined our vision statement: Amazing Experiences. Raving Fans! And, since we achieved our previous BHAG, we defined our next one: Audacious Excellence! P.S. We will win the Baldrige again. Our BHAG has always been about providing excellence to our members, and it continues to focus on you. Our Board looks forward to supporting this goal and the Elevations team as we pursue the next chapter of our quest for excellence.

I'm very grateful for the opportunity to serve you and the entire membership of Elevations. I look forward to building upon our success in 2016 and beyond.

Sincerely,

Katie Larson
Chair of the Board of Directors

# LETTER FROM THE PRESIDENT & CEO

## GERRY AGNES

Dear Members,

On behalf of our entire team at Elevations Credit Union, we thank you for your membership. Our success is a direct result of your trust in and commitment to your cooperatively-owned credit union.

This past year, we were named one of the Best Companies to Work for in Colorado by the Colorado Society for Human Resource Management. Elevations is the best place I've ever worked, and our goal is to make that statement true for each of our employees. Highly engaged employees are critical to provide you with the best financial solutions and world-class service, whether you walk into a branch, call our contact center, or use our digital offerings to meet your financial needs. A high-performing culture also leads to financial sustainability, and you'll see in this report that our 2015 financial results were, quite simply, stellar.

In 2015, we originated over $1 billion in residential first mortgages to help our members call this incredible place we live "home." We continue to be the No. 1 credit union residential mortgage lender in Colorado. Our wealth management team also performed at a record-breaking pace in 2015, finishing the year as one of the largest credit union programs in Colorado.

Key to our future financial sustainability is the ability to serve new members and communities. We expanded our field of membership to include Denver, Jefferson and Weld counties in early 2015. To the north, we continued to grow our team in Fort Collins, and we're thrilled and grateful to be part of this community. In December, we purchased a site on South College Avenue, where we will build our second branch in Fort Collins, and we are actively seeking a third location to open in 2017.

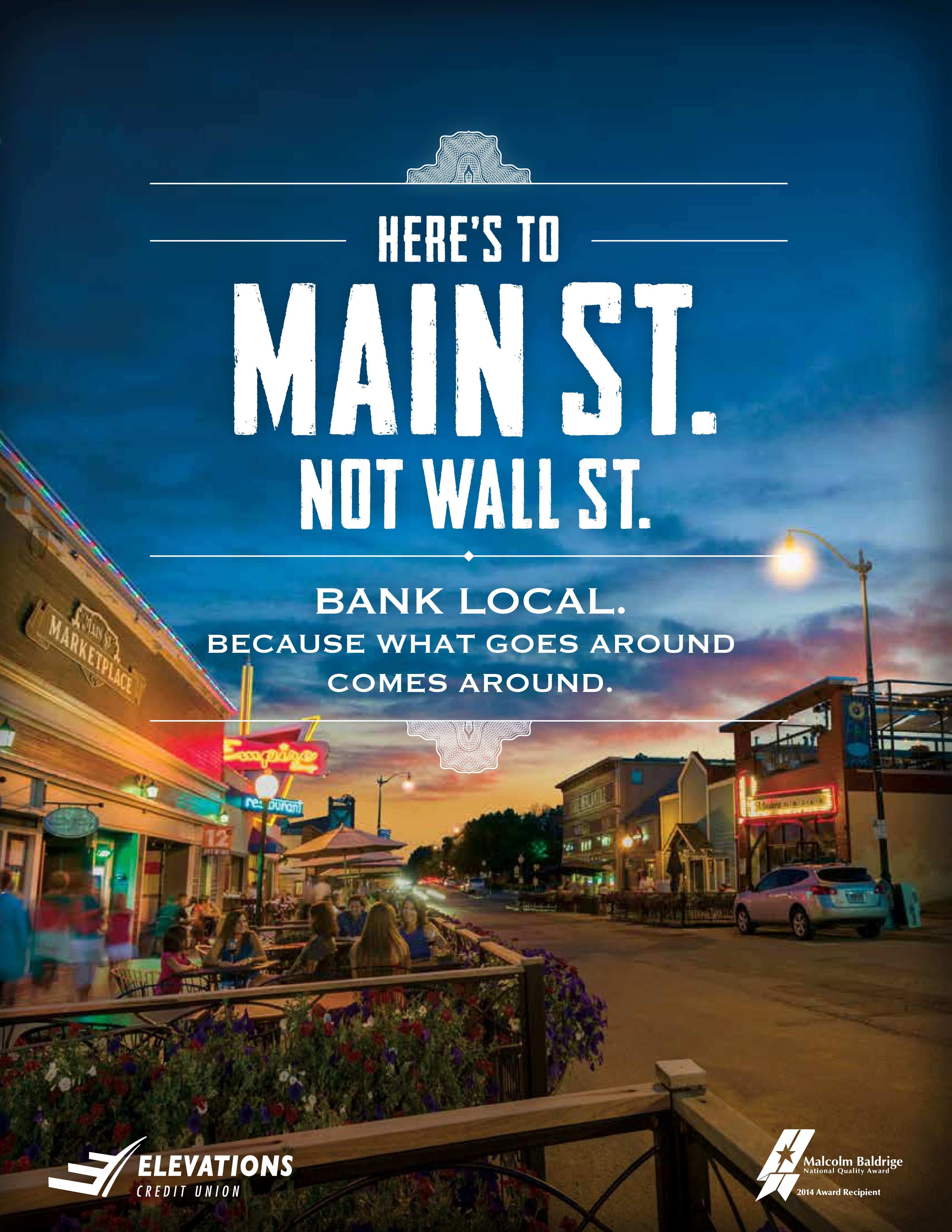
Importantly, we remodeled the flagship Boulder Diagonal Branch to create a better environment for both financial consultations and our community. We also significantly improved our digital channels, including a new website that responsively resizes to fit your phone, tablet or desktop.

As we move into 2016, we'll continue to improve our digital channels, and we'll also deploy new products and services for small businesses. In addition, we will begin issuing EMV credit and debit cards for added security and Apple Pay for convenience.

Our strong performance in 2015 was the direct result of your dedication to Elevations, and we are incredibly thankful for your continued support as a member of our credit union.

Very truly yours,

Gerry Agnes
President and Chief Executive Officer


HERE'S TO
MAIN ST.
NOT WALL ST.
BANK LOCAL.
BECAUSE WHAT GOES AROUND
COMES AROUND.
ELEVATIONS
CREDIT UNION
Malcolm Baldrige
National Quality Award
2014 Award Recipient

# YEAR IN REVIEW

## MALCOLM BALDRIGE NATIONAL QUALITY AWARD JOURNEY CONTINUES

*In 2014, we became the first and only credit union to receive the Malcolm Baldrige National Quality Award—the highest U.S. presidential honor for performance excellence in innovation, improvement, and visionary leadership. Being announced as one of four 2014 award recipients was the culmination of a journey that began in 2008, and it was also the beginning of another journey of sharing, celebrating and continuing to improve, with the ultimate goal of benefiting our membership.*

Malcolm Baldrige
National Quality Award
2014 Award Recipient

Each Baldrige recipient has the responsibility to share best practices learned from the performance excellence journey with other local and national organizations. Our sharing began in April 2015, as our leadership team attended the Quest for Excellence® Conference in Baltimore. This conference brings together the most recent Baldrige recipients not only to receive the actual Baldrige award but also to spend three days sharing best practices.

Our responsibility as a role model continued after we left Baltimore. Throughout 2015, we traveled to conferences nationwide to discuss our Baldrige journey, including the World Council of Credit Unions Conference, which was held in our own backyard in Denver. We authored numerous articles on performance excellence for national and credit union publications. We also hosted two Sharing Days at our headquarters in Boulder to bring together organizations on the Baldrige journey for a day of learning, networking and sharing. We had a total of 78 attendees from 31 organizations nationwide, of which 24 were local organizations.

One example of a takeaway we've shared throughout the year is simple: Celebrate wins as a team. The Baldrige Award was no exception to this rule. We celebrated achieving our Big Hairy Audacious Goal (BHAG) on May 2nd at the historic Boulder Theater with our employees and their spouses and guests. The Governor of Colorado even issued a proclamation officially declaring May 2, 2015 as "Elevations Credit Union Day."

Our performance excellence journey is ongoing. As a Baldrige Award recipient, we're part of a prestigious group of 102 award recipients, out of more than 1,600 applications received since the award's inception in 1988. Seven of the recipients have been repeat winners. This spring, we determined our next BHAG: Audacious Excellence! P.S. We will win the Baldrige again.

*continued on page 6...*

For us, the Baldrige is a testament to the passion and commitment we bring to our role in the lives of our members and the communities in which we live and work. Our loyal and growing base of highly satisfied members is the real reward. That is, and always will be, how we ultimately measure success.

## For the Community, by the Community

Each member of Elevations Credit Union is an equal owner of our financial cooperative. That means the success of our membership is reflected in the success of our credit union. We act in the best interest of our membership by providing financial solutions, expert advice, and accessible education, plus by supporting our communities. Here's a look at a few of our accomplishments in 2015:

- **Educating consumers:** Elevations delivered 157 free educational seminars, reaching more than 3,700 attendees.
- **Educating youth:** Elevations conducted financial education presentations in 76 classrooms to 2,800 K-12 students, and is ranked the No. 1 credit union in Colorado for reaching the most students in classrooms with financial literacy presentations.
- **Supporting higher learning:** Elevations gave scholarships of $165,000 in 2015.
- **Here's to Main Street, not Wall Street:** Elevations provided over $142,000 in 2015 for community events and sponsorships.
- **Giving locally:** Elevations Foundation, the charitable arm of the credit union, provided over $82,000 in scholarships, community grants and aid in 2015. Since its inception in 2010, the Foundation has provided over $1 million to our community.
- **Helping our communities:** Elevations employees gave nearly 5,000 hours of Volunteer Time Off to serve our communities.

## A High-Performance Culture

An engaged workforce is at the center of our strategic plan, and we work very hard to fulfill our Employee Value Proposition: This is the best place you have ever worked! With employees who are passionate about their work, we can better provide solutions to our membership and ultimately achieve financial sustainability, no matter the economic climate.

Every year, one of the ways we evaluate our employee engagement is through an annual survey, which is also the means by which the Colorado Society for Human Resource Management determines its Best Companies to Work For in Colorado. In 2015, we were honored to be featured on this list in the large company category (250+ employees).

## A Record-Breaking Year

2015 was a year of all-time highs in net worth, assets, shares and members for Elevations. Our record-breaking successes could not have been achieved without the passion and talent of everyone on our team. Here are just a few amazing achievements:

- **Helping our neighbors achieve their home-ownership dreams:** In total, our mortgage team originated over $1 billion in residential first mortgage loans. Elevations is the No. 1 mortgage lender in Boulder County, and No. 1 credit union mortgage lender in the state of Colorado.
- **Voted as the best:** We were named Best Financial Institution in 2015 by readers of the Boulder Daily Camera, Boulder Weekly, Colorado Daily, and Longmont Times-Call.
- **An outstanding Chief Executive:** President & CEO Gerry Agnes was recognized as the 2015 Outstanding Chief Executive by the Credit Union Executives Society, an international association.

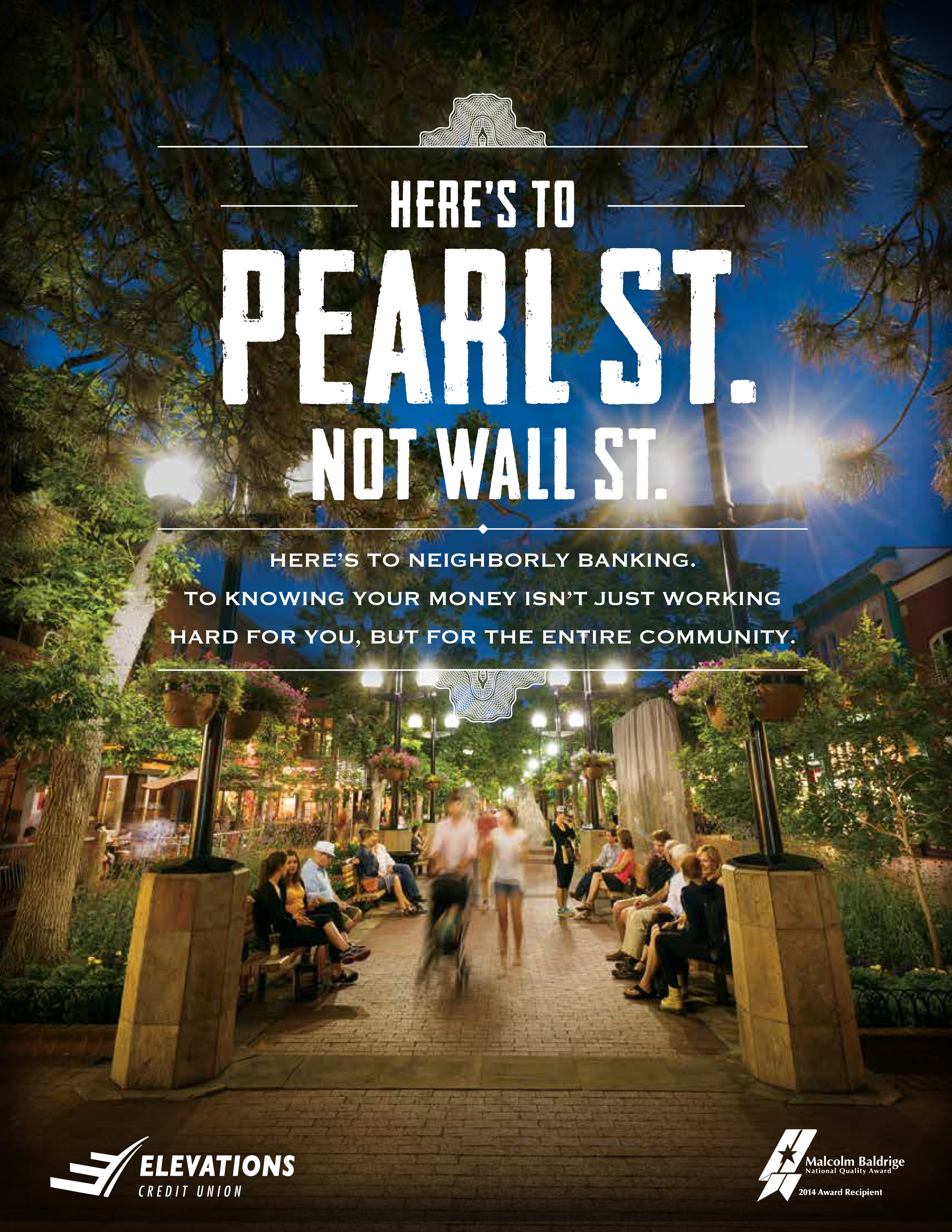
## Looking North and South

We entered the Fort Collins market in late 2014 and continued to focus on Northern Colorado throughout 2015. In July, we officially held a grand opening at our Harmony Road branch by inviting our members and friends to an afternoon of music, food and celebration. As part of the event, we donated a total of $5000 to two local non-profits: The Family Center/La Familia and Project Smile.

In December, we purchased a site for the construction of our second branch in Fort Collins. We look forward to serving the Northern Colorado community for years to come!

Our focus hasn't been limited to Larimer County. In January, we expanded our field of membership to include Denver, Jefferson and Weld Counties, allowing our credit union to serve members from Denver to the Wyoming border along the Front Range. To bring in the consultative environment found in our Branch 2.0 models, we remodeled our flagship Boulder Diagonal Branch and UMC branch on the University of Colorado Boulder campus.

## *It matters where you bank.*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# SUPERVISORY COMMITTEE

## BRAD JONES / CHAIR

The Supervisory Committee ensures that Elevations Credit Union adheres to established policies and procedures and conducts business in the members' best interests. All internal and independent audits are reported to this Committee. The Committee is chaired by Brad Jones, and additional volunteer representatives are: David Forsberg, Kevin Rickman, Bob Jobin and Christine Morrissey.

The Supervisory Committee's responsibility is to verify that records are accurately maintained and to review Credit Union internal controls. This allows the Committee to determine that management's activities are carried out in accordance with Credit Union policies and procedures, and Federal and State Regulations.

To meet requirements of the National Credit Union Administration and State of Colorado Department of Regulatory Agencies, the Supervisory Committee retained Orth, Chakler, Murnane and Company, Certified Public Accountants, to perform the annual audit of the Credit Union's financial statements as of December 31, 2015. The Supervisory Committee was not made aware of any matter that would be considered a material weakness or significant deficiency in the internal controls over financial reporting. The firm issued an unqualified opinion at the conclusion of their audit.

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

**DAVID FORSBERG**
VICE CHAIR

**KEVIN RICKMAN**
SECRETARY

**BOB JOBIN**
COMMITTEE MEMBER

**CHRISTINE MORRISSEY**
COMMITTEE MEMBER

# LETTER FROM THE CFO & TREASURER

## MICHAEL CALCOTE & ERIC JONES

We are pleased to report that Elevations generated extremely strong financial performance again in 2015. The table below compares our performance to our credit union peers, based on key industry metrics:

| | Elevations Credit Union | Peer Group Median |
|---|---|---|
| **Return on Members' Equity** | 11.3% | 6.1% |
| **Loan Growth** | 24% | 10% |
| **Share Growth** | 13% | 6% |
| **Delinquency Ratio** | 0.2% | 0.7% |
| **Efficiency (Costs/Revenues)*** | 79% | 76% |

**The efficiency ratio measures the extent to which a dollar of revenue is offset by costs (so the lower the ratio, the better). Our efficiency improved from 83% in 2014 to 79% in 2015, and we anticipate continued improvements in the future as recent investments in our infrastructure enhanced our ability to meet our members' needs and generate revenue.*

We generated impressive growth in loans, deposits, and membership during 2015:

- **Total loans grew by $232 million, while total shares grew by $145 million. Our growth rates were more than double that of our peer group's median level of performance.**
- **We originated over $1 billion in mortgage loans, more than any other credit union in Colorado.**
- **We gained over 6,000 members, and now have more than 114,000 credit union members.**

Elevations generated record earnings of $17.3 million in 2015. We remain financially strong and well positioned to provide solutions for your financial needs. Our capital position ended 2015 at 9.4%, well above the minimum threshold of 7% to be deemed well capitalized by the National Credit Union Association. Our credit performance remains healthy, with a delinquency ratio of only .2% at the end of 2015.

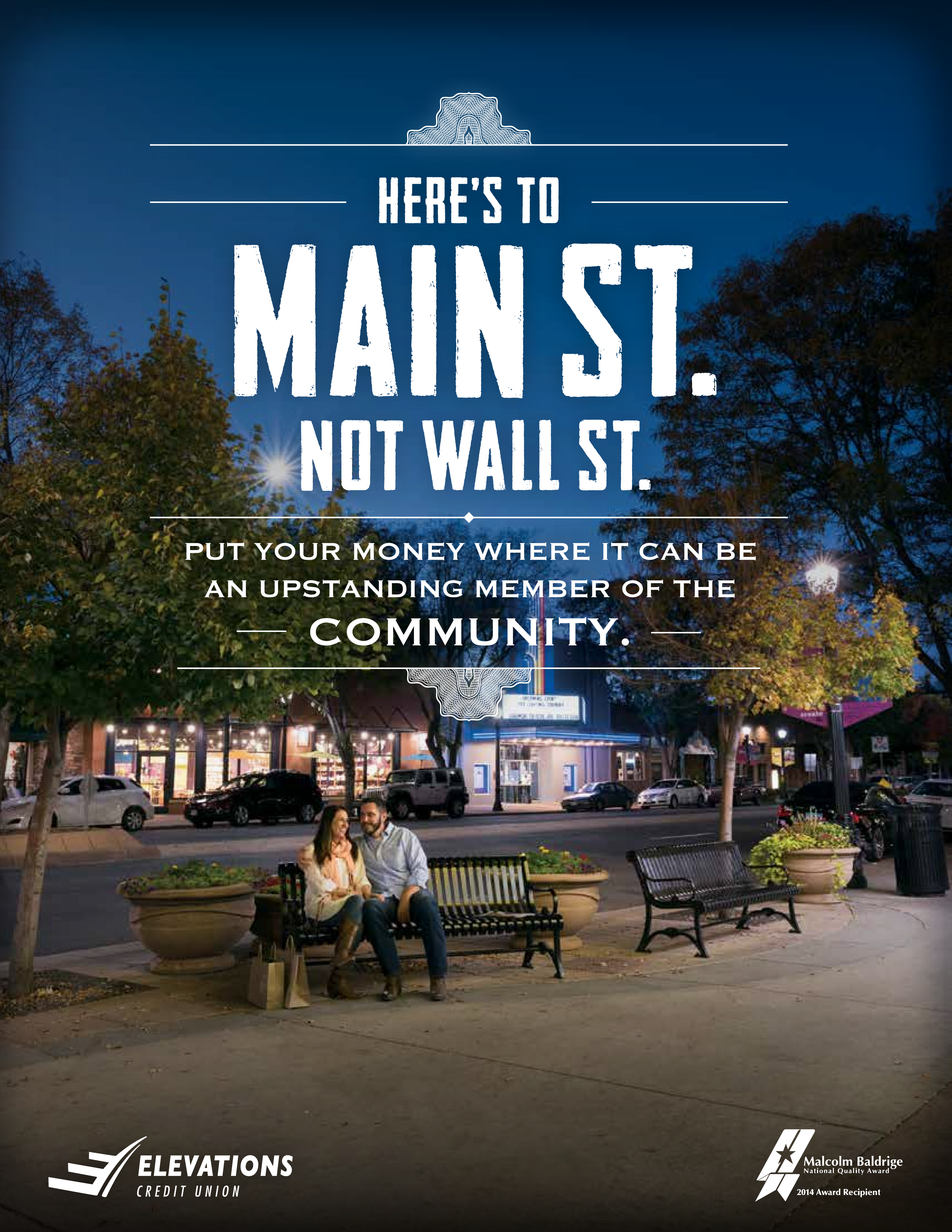
We've provided the complete financial report for you to review. We'd like to thank Elevations' Supervisory Committee for their diligence in selecting and working with Orth, Chakler, Murnane and Company as our auditor beginning in 2010.

Our goal is to build deep, meaningful relationships with you, our members. Our financial successes this year will 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 2016 and beyond.

Sincerely,

Michael Calcote, Chief Financial Officer

Eric Jones, Treasurer, Board of Directors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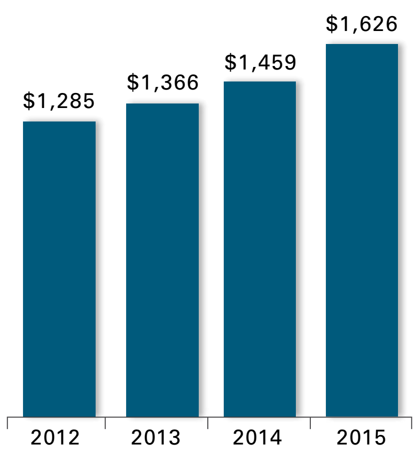
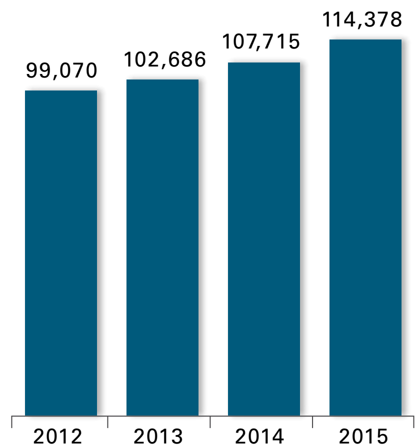
# 2015 FINANCIAL HIGHLIGHTS

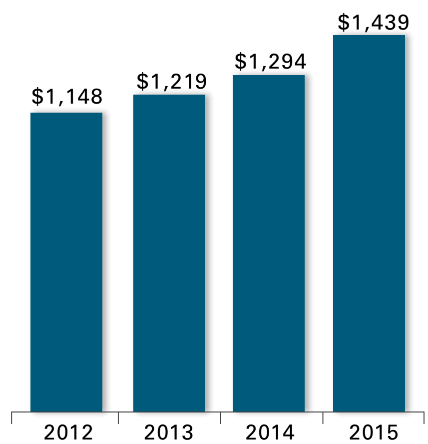
### ASSETS ($)
(IN MILLIONS)



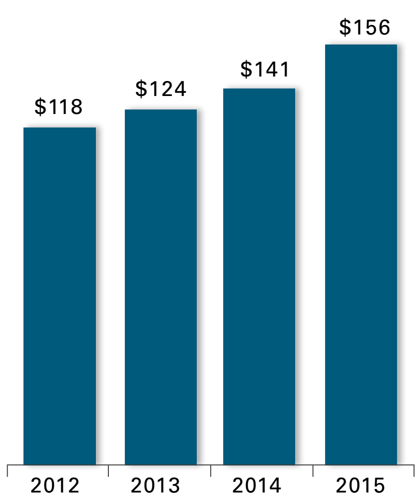

### TOTAL MEMBERS



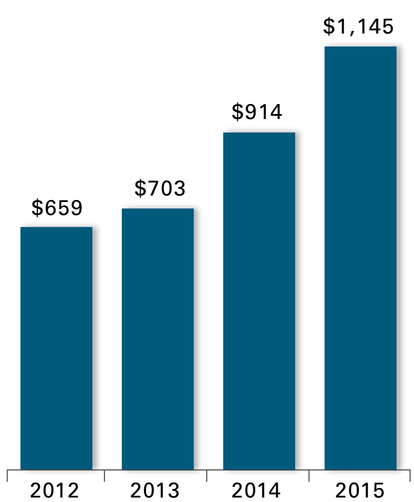

### TOTAL SHARES ($)
(IN MILLIONS)



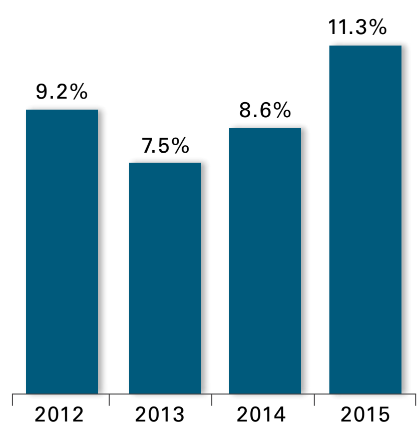

### CAPITAL ($)
(IN MILLIONS)




### TOTAL LOANS ($)
(IN MILLIONS)




### RETURN ON MEMBERS' EQUITY



# ELEVATIONS CREDIT UNION
# STATEMENTS OF FINANCIAL CONDITION

## ASSETS

| | As of December 31, 2015 | 2014 |
|---|---|---|
| Cash | $77,675,059 | $74,127,295 |
| Investments: | | |
| Available-for-sale | 313,633,861 | 390,175,387 |
| Other | 3,408,063 | 3,570,695 |
| Loans held for sale | 41,650,136 | 22,152,328 |
| Loans to members, net of allowance for loan losses | 1,103,393,006 | 891,368,671 |
| Accrued interest receivable: | | |
| Investments | 922,405 | 1,116,893 |
| Loans | 3,540,530 | 3,135,698 |
| Prepaid and other assets | 45,169,437 | 39,952,439 |
| Property and equipment, net | 23,522,659 | 21,947,577 |
| NCUSIF deposit | 12,661,551 | 11,742,823 |
| Total assets | $1,625,576,707 | $1,459,289,806 |

## LIABILITIES AND MEMBERS' EQUITY

| | As of December 31, 2015 | 2014 |
|---|---|---|
| LIABILITIES: | | |
| Members' share and savings accounts | $1,439,009,637 | $1,294,340,955 |
| Accounts payable and other liabilities | 30,123,152 | 23,486,167 |
| Total liabilities | 1,469,132,789 | 1,317,827,122 |
| Commitments and contingent liabilities | | |
| MEMBERS' EQUITY: | | |
| Regular reserve | 11,879,720 | 11,879,720 |
| Undivided earnings | 131,939,541 | 114,637,646 |
| Equity acquired through business combination | 11,249,650 | 11,249,650 |
| Accumulated other comprehensive income | 1,375,007 | 3,695,668 |
| Total members' equity | 156,443,918 | 141,462,684 |
| Total liabilities and members' equity | $1,625,576,707 | $1,459,289,806 |

# ELEVATIONS CREDIT UNION
# STATEMENTS OF INCOME

| | For the years ended December 31, 2015 | 2014 |
|---|---|---|
| INTEREST INCOME: | | |
| Loans to members | $42,932,915 | $34,940,878 |
| Investments | 5,989,153 | 8,104,635 |
| Total interest income | 48,922,068 | 43,045,513 |
| INTEREST EXPENSE: | | |
| Members' share and savings accounts | 2,936,246 | 2,913,977 |
| Net interest income | 45,985,822 | 40,131,536 |
| PROVISION FOR LOAN LOSSES | 514,620 | 308,054 |
| Net interest income after provision for loan losses | 45,471,202 | 39,823,482 |
| NON-INTEREST INCOME: | | |
| Gain on sale of loans, net | 18,356,405 | 8,636,836 |
| Interchange income | 10,695,135 | 9,939,978 |
| Fees and service charges | 6,530,162 | 5,495,833 |
| Miscellaneous operating income | 5,151,566 | 3,902,642 |
| Gain on sale of investments, net | 42,243 | 705,307 |
| Total non-interest income | 40,775,511 | 28,680,596 |
| Net income before non-interest expense | 86,246,713 | 68,504,078 |
| NON-INTEREST EXPENSE: | | |
| Compensation and employee benefits | 37,952,243 | 30,959,764 |
| Office operations | 14,738,355 | 13,109,048 |
| Loan servicing expense | 7,572,709 | 4,781,680 |
| Office occupancy | 3,307,746 | 3,206,120 |
| Education and promotion | 3,282,789 | 2,452,591 |
| Professional and outside services | 1,053,873 | 1,477,761 |
| Miscellaneous operating expense | 1,037,103 | 849,668 |
| Total non-interest expense | 68,944,818 | 56,836,632 |
| Net income | $17,301,895 | $11,667,446 |

# ELEVATIONS CREDIT UNION
# STATEMENTS OF COMPREHENSIVE INCOME

| | For the years ended December 31, 2015 | 2014 |
|---|---|---|
| NET INCOME | $17,301,895 | $11,667,446 |
| OTHER ITEMS OF COMPREHENSIVE INCOME: | | |
| Net unrealized (loss)/gain on investments classified as available-for-sale | (2,320,661) | 5,688,881 |
| Reclassification adjustments for investment gains included in net income | — | (354,921) |
| Other comprehensive (loss)/income | (2,320,661) | 5,333,960 |
| Comprehensive income | $14,981,234 | $17,001,406 |

# ELEVATIONS CREDIT UNION
# STATEMENTS OF MEMBERS' EQUITY

**For the years ended**
**December 31, 2015 and 2014**

| | Regular Reserve | Undivided Earnings | Equity Acquired Through Business Combination | Accumulated Other Comprehensive Income/(Loss) | Total |
|---|---|---|---|---|---|
| Balance, December 31, 2013 | $11,879,720 | $102,970,200 | $11,249,650 | ($1,638,292) | $124,461,278 |
| Net income | — | 11,667,446 | — | — | 11,667,446 |
| Other comprehensive income | — | — | — | 5,333,960 | 5,333,960 |
| Balance, December 31, 2014 | 11,879,720 | 114,637,646 | 11,249,650 | 3,695,668 | 141,462,684 |
| Net income | — | 17,301,895 | — | — | 17,301,895 |
| Other comprehensive loss | — | — | — | (2,320,661) | (2,320,661) |
| Balance, December 31, 2015 | $11,879,720 | $131,939,541 | $11,249,650 | $1,375,007 | $156,443,918 |

# ELEVATIONS CREDIT UNION
# STATEMENTS OF CASH FLOWS

| | For the years ended December 31, 2015 | 2014 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $17,301,895 | $11,667,446 |
| Adjustments: | | |
| Provision for loan losses | 514,620 | 308,054 |
| Depreciation and amortization | 3,069,482 | 3,014,151 |
| Amortization of investment premiums/discounts | 2,887,238 | 3,148,781 |
| Amortization of deferred loan origination fees and costs | 2,190,881 | 1,263,270 |
| Gain on sale of available-for-sale securities | — | (354,921) |
| Gain on sale of loans, net | (10,406,243) | (4,566,756) |
| Capitalization of mortgage servicing rights | (7,950,162) | (4,070,080) |
| Amortization of mortgage servicing rights | 3,724,954 | 3,166,614 |
| Changes in operating assets and liabilities: | | |
| Loans held for sale | (9,091,565) | (11,669,953) |
| Accrued interest receivable | (210,344) | (481,298) |
| Prepaid and other assets | (991,790) | 19,329 |
| Accounts payable and other liabilities | 6,636,985 | 556,753 |
| Net cash provided by operating activities | 7,675,951 | 2,001,390 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from maturities and repayments of available-for-sale investments | 71,333,627 | 111,783,285 |
| Purchase of available-for-sale securities | — | (65,162,447) |
| Net change in other investments | 162,632 | (583,500) |
| Net change in loans, net of charge-offs | (215,288,726) | (196,082,601) |
| Recoveries on loans charged off | 558,890 | 509,154 |
| Expenditures for property and equipment | (4,644,564) | (3,143,905) |
| Change in NCUSIF deposit | (918,728) | (618,938) |
| Net cash used in investing activities | (148,796,869) | (153,298,952) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net change in members' share and savings accounts | 144,668,682 | 75,742,122 |
| Net cash provided by financing activities | 144,668,682 | 75,742,122 |
| Net change in cash | 3,547,764 | (75,555,440) |
| Cash at beginning of year | 74,127,295 | 149,682,735 |
| Cash at end of year | $77,675,059 | $74,127,295 |

# ELEVATIONS CREDIT UNION
# STATEMENTS OF CASH FLOWS

***Cash Flows: (continued)***

| | For the years ended December 31, 2015 | 2014 |
|---|---|---|
| SUPPLEMENTAL CASH FLOW DISCLOSURE: | | |
| Interest paid | $2,936,246 | $2,913,977 |
| SCHEDULE OF NON-CASH TRANSACTIONS: | | |
| Other comprehensive (loss)/income | ($2,320,661) | $5,333,960 |

## *NOTE 1: SIGNIFICANT ACCOUNTING POLICIES*

### ORGANIZATION AND NATURE OF OPERATIONS

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 that qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws.

### FINANCIAL STATEMENTS/USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the 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 relate to the determination of the allowance for loan losses and the fair value of financial instruments. The significant accounting principles and policies used in the preparation of these financial statements, together with certain related information, are summarized below.

### CASH

Cash includes cash on hand and amounts due from banks. Amounts due from banks may, at times, exceed federally insured limits.

### INVESTMENTS

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

### FEDERAL HOME LOAN BANK (FHLB) STOCK

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

### 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 market value in the aggregate.

***Note 1: (continued)***

**LOANS TO MEMBERS AND ALLOWANCE FOR LOAN LOSSES**

Loans to members are stated at the amount of unpaid principal, net of an allowance for loan losses (ALL) and deferred loan origination fees and costs. The ALL is increased by a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). The ALL is maintained at an amount that represents management's estimate of incurred losses within the outstanding loan portfolio. Management's periodic evaluation of the adequacy of the ALL is based on the Credit Union's past loan loss experience for pools of loans with similar risk characteristics, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and current economic conditions. Loans are charged against the ALL when management believes that collection of principal is unlikely.

Interest on loans to members is recognized over the terms of the loans and is calculated on principal amounts outstanding. The accrual of interest is discontinued when a loan reaches 90 days delinquent or when management believes that collection of interest is doubtful. Loan fees and direct loan origination costs are deferred and the net fee or cost is amortized as an adjustment of loan yield over the estimated life of the loan using a method that approximates the interest method.

**ALL METHODOLOGY**

Management has an established methodology to determine the adequacy of the ALL that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the ALL, the Credit Union has segmented certain loans in the portfolio by type. Loans are classified into the following segments: Member Business, Real Estate, and Consumer. The Credit Union further desegregates these segments into classes based on the associated risks within those segments. Member Business loans are divided into two classes: Real estate and Other. 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.

For purposes of determining the ALL, 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 ALL 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 ALL 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: (continued)***

The Credit Union believes this approach to environmental factors is more meaningful in the determination of future loan losses than would be the sole use of general economic indicators. The Credit Union uses both internally and externally developed models in the process of determining its ALL. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions used to determine the ALL are independently validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented.

The following is how management determines the balance of the ALL for each segment or class of loans.

MEMBER BUSINESS PORTFOLIO SEGMENT ALL 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).

REAL ESTATE PORTFOLIO SEGMENT ALL METHODOLOGY

For real estate loans not identified as impaired, the Credit Union determines the ALL on a collective basis utilizing historical losses to represent the best estimate of inherent losses at the measurement date. Loans are pooled, generally by loan types with similar risk characteristics. As of December 31, 2015 and 2014, the historical loss time frame for each class was as follows:

First mortgage - 36 months
Second mortgage - 12 months

The real estate ALL also includes an amount for the estimated losses on individually evaluated impaired loans. As appropriate, to achieve greater accuracy, further ALL are set aside in the known loss and environmental factors sections of the ALL for real estate loans exhibiting impairment or for which impairment is forecasted. The real estate ALL model primarily uses historic delinquency and default experience, loss severity, home price data, FICO migration, and other key economic variables that may influence the frequency and severity of losses for each class of loan within the real estate segment.

CONSUMER PORTFOLIO SEGMENT ALL METHODOLOGY

For consumer loans not identified as impaired, the Credit Union determines the ALL on a collective basis utilizing historical losses to represent the best estimate of inherent losses at the measurement date. Loans are pooled, generally by loan types with similar risk characteristics. As of December 31, 2015 and 2014, the historical loss time frame for all consumer loans was 12 months.

*Note 1: (continued)*

The consumer ALL also includes an amount for the estimated losses on individually evaluated impaired loans. As appropriate, to achieve greater accuracy, further ALL are set aside in the known loss and environmental factors sections of the ALL for consumer loans exhibiting impairment or for which impairment is forecasted. The consumer ALL model primarily uses historic delinquency and default experience, loss severity, FICO migration and other variables that may influence the frequency and severity of losses for each class of loan within the consumer segment.

## LOAN CHARGE-OFF POLICIES

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

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

*Note 1: (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 reported in prepaid and other assets and are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost.

**NCUSIF DEPOSIT**

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

**MEMBERS' SHARE AND SAVINGS ACCOUNTS**

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

**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.

**FEDERAL AND STATE TAX EXEMPTION**

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 FASB ASC clarifies accounting for uncertainty in income taxes reported in the 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.

***Note 1: (continued)***

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 financial statements. Additionally, no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions. Currently, the 2014, 2013, and 2012 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.

**RECENT ACCOUNTING PRONOUNCEMENTS**

On January 5, 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments–Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. Changes to the current GAAP model primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. The classification and measurement guidance will be effective for non-public business entities in fiscal years beginning after December 15, 2018, or they may early adopt for periods after December 15, 2017. The Credit Union is currently evaluating the impact of the ASU.

Entities that are not public business entities will no longer be required to disclose the fair value of financial instruments carried at amortized cost. The ASU also eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value. Entities that are not public business entities can early adopt the provision permitting the omission of fair value disclosures for financial instruments at amortized cost. Early adoption of these provisions can be elected for all financial statements of fiscal years and interim periods that have not yet been made available for issuance. Accordingly, the Credit Union has removed the disclosures related to the fair value of those financial instruments.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 29, 2016, the date the financial statements were available to be issued. Management has not identified any items requiring recognition or disclosure.

## *NOTE 2: INVESTMENTS*

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

| | As of December 31, 2015 | | | |
|---|---|---|---|---|
| ***Available-for-sale:*** | **Amortized Cost** | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Fair Value** |
| Mortgage-backed securities | $199,863,708 | $1,599,458 | ($396,749) | $201,066,417 |
| SBA-backed securities | 55,808,502 | 415,361 | (390,235) | 55,833,628 |
| Collateralized mortgage obligations | 54,507,397 | 311,333 | (311,501) | 54,507,229 |
| Private-issue collateralized mortgage obligations | 2,079,247 | 171,405 | (24,065) | 2,226,587 |
| | $312,258,854 | $2,497,557 | ($1,122,550) | $313,633,861 |

| | As of December 31, 2014 | | | |
|---|---|---|---|---|
| ***Available-for-sale:*** | **Amortized Cost** | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Fair Value** |
| Mortgage-backed securities | $243,585,822 | $3,145,235 | ($170,290) | $246,560,767 |
| SBA-backed securities | 65,571,074 | 503,272 | (494,838) | 65,579,508 |
| Collateralized mortgage obligations | 74,970,785 | 756,350 | (224,227) | 75,502,908 |
| Private-issue collateralized mortgage obligations | 2,352,038 | 188,663 | (8,497) | 2,532,204 |
| | $386,479,719 | $4,593,520 | ($897,852) | $390,175,387 |

As of December 31, 2015, the Credit Union's available-for-sale portfolio consisted entirely of mortgage-backed securities, SBA-backed securities and collateralized mortgage obligations. These securities have no contractual maturity and return principal based on payments received on the underlying mortgages or assets. These securities have expected weighted average lives ranging from zero to thirteen years. However, return of principal may differ from expectation based on fluctuations in market interest rates, delinquency, foreclosures and the underlying collateral values.

| ***Other investments:*** | **As of December 31, 2015** | **2014** |
|---|---|---|
| Credit Union Service Organizations | $2,856,163 | $3,017,095 |
| FHLB capital stock | 551,900 | 553,600 |
| | $3,408,063 | $3,570,695 |

*Note 2: (continued)*

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

**As of December 31, 2015**
***Available-for-sale***

| | Less than 12 Months | | 12 Months or Longer | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Mortgage-backed securities | $49,667,114 | ($217,965) | $20,118,571 | ($178,784) | $69,785,685 | ($396,749) |
| SBA-backed securities | 14,071,189 | (56,940) | 24,735,219 | (333,295) | 38,806,408 | (390,235) |
| Collateralized mortgage obligations | 17,960,121 | (133,887) | 7,437,142 | (177,614) | 25,397,263 | (311,501) |
| Private-issue collateralized mortgage obligations | — | — | 619,417 | (24,065) | 619,417 | (24,065) |
| | $81,698,424 | ($408,792) | $52,910,349 | ($713,758) | $134,608,773 | ($1,122,550) |

**As of December 31, 2014**
***Available-for-sale***

| | Less than 12 Months | | 12 Months or Longer | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Mortgage-backed securities | $24,213,877 | ($62,756) | $21,824,951 | ($107,534) | $46,038,828 | ($170,290) |
| SBA-backed securities | 17,310,919 | (98,452) | 23,518,527 | (396,386) | 40,829,446 | (494,838) |
| Collateralized mortgage obligations | 10,925,588 | (59,091) | 8,107,502 | (165,136) | 19,033,090 | (224,227) |
| Private-issue collateralized mortgage obligations | 694,788 | (8,497) | — | — | 694,788 | (8,497) |
| | $53,145,172 | ($228,796) | $53,450,980 | ($669,056) | $106,596,152 | ($897,852) |

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because they are guaranteed by the U.S. Government. Unrealized losses on other securities are a result of changes in interest rates, credit concerns, and potential liquidity issues. Management has the ability and intent to hold these securities 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).

The proceeds from the sale of investments classified as available-for-sale approximated $8,526,000 during the year ended December 31, 2014. Gross gains of approximately $355,000 were realized from these sales during the year ended December 31, 2014. There were no sales of available-for-sale securities during the year ended December 31, 2015.

## *NOTE 3: LOANS TO MEMBERS*

The composition of loans to members is as follows:

| | As of December 31, 2015 | 2014 |
|---|---|---|
| Member Business: | | |
| Real estate | $43,293,216 | $26,072,685 |
| Other | 1,231,612 | 6,643,454 |
| Total member business | 44,524,828 | 32,716,139 |
| Real Estate: | | |
| First mortgage | 584,425,491 | 469,485,464 |
| Second mortgage | 240,112,132 | 179,249,871 |
| Total real estate | 824,537,623 | 648,735,335 |
| Consumer: | | |
| Auto | 131,334,874 | 115,308,304 |
| Other-primarily unsecured | 101,778,894 | 95,734,344 |
| Total consumer | 233,113,768 | 211,042,648 |
| Total loans | 1,102,176,219 | 892,494,122 |
| Net deferred loan origination fees/costs | 4,898,639 | 3,230,959 |
| | 1,107,074,858 | 895,725,081 |
| Less ALL | (3,681,852) | (4,356,410) |
| | $1,103,393,006 | $891,368,671 |

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

| | For the years ended December 31, 2015 and 2014 | | | |
|---|---|---|---|---|
| | Member Business | Real Estate | Consumer | Total |
| Balance, December 31, 2013 | $129,787 | $1,341,900 | $3,831,323 | $5,303,010 |
| Provision for loan losses | 205,638 | 279,464 | (177,048) | 308,054 |
| Recoveries | — | 65,612 | 443,542 | 509,154 |
| Loans charged off | — | (160,562) | (1,603,246) | (1,763,808) |
| Balance, December 31, 2014 | 335,425 | 1,526,414 | 2,494,571 | 4,356,410 |
| Provision for loan losses | 18,180 | (775,708) | 1,272,148 | 514,620 |
| Recoveries | — | 70,118 | 488,772 | 558,890 |
| Loans charged off | — | (34,980) | (1,713,088) | (1,748,068) |
| Balance, December 31, 2015 | $353,605 | $785,844 | $2,542,403 | $3,681,852 |

*Note 3: (continued)*

| | As of December 31, 2015 | | | |
|---|---|---|---|---|
| | **Member Business** | **Real Estate** | **Consumer** | **Total** |
| Ending balance | $353,605 | $785,844 | $2,542,403 | $3,681,852 |
| Individually evaluated for impairment | $— | $118,092 | $317,128 | $435,220 |
| Collectively evaluated for impairment | $353,605 | $667,752 | $2,225,275 | $3,246,632 |

| | As of December 31, 2014 | | | |
|---|---|---|---|---|
| | **Member Business** | **Real Estate** | **Consumer** | **Total** |
| Ending balance | $335,425 | $1,526,414 | $2,494,571 | $4,356,410 |
| Individually evaluated for impairment | $62,073 | $652,385 | $318,500 | $1,032,958 |
| Collectively evaluated for impairment | $273,352 | $874,029 | $2,176,071 | $3,323,452 |

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

| | As of December 31, 2015 | | | |
|---|---|---|---|---|
| | **Member Business** | **Real Estate** | **Consumer** | **Total** |
| Ending balance | $44,206,316 | $828,413,666 | $234,454,876 | $1,107,074,858 |
| Individually evaluated for impairment | $— | $2,098,600 | $614,233 | $2,712,833 |
| Collectively evaluated for impairment | $43,794,728 | $819,033,003 | $230,679,007 | $1,093,506,738 |
| Acquired loans with deteriorated credit quality | $411,588 | $7,282,063 | $3,161,636 | $10,855,287 |

| | As of December 31, 2014 | | | |
|---|---|---|---|---|
| | **Member Business** | **Real Estate** | **Consumer** | **Total** |
| Ending balance | $32,625,365 | $652,082,544 | $211,017,172 | $895,725,081 |
| Individually evaluated for impairment | $247,604 | $6,396,238 | $445,954 | $7,089,796 |
| Collectively evaluated for impairment | $31,619,558 | $634,730,917 | $205,071,073 | $871,421,548 |
| Acquired loans with deteriorated credit quality | $758,203 | $10,955,389 | $5,500,145 | $17,213,737 |

## IMPAIRED LOANS

Management individually evaluates certain loans within the portfolio for impairment. A loan is impaired when it is probable, based on current information and events, that the Credit Union will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. When management identifies a loan as impaired, the impairment is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases management uses the current fair value of the collateral,

***Note 3: (continued)***

less selling costs when foreclosure is probable, instead of discounted cash flows. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an ALL estimate or a charge-off to the ALL.

The following tables include the recorded investment and unpaid principal balances for loans that are individually evaluated for impairment with the associated ALL amount, if applicable. Also presented are the average recorded investments in these loans and the related amount of interest recognized during the time within the period that the loans were individually evaluated. The average balances are calculated based on the quarter-end balances of the loans for the period presented.

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

The tables below summarize key information for impaired loans:

| | **As of December 31, 2015** | | | **For the year ended December 31, 2015** | |
|---|---|---|---|---|---|
| | Recorded Investment | Unpaid Principal Balance | Specific Allowance | Average Recorded Investment | Interest Income Recognized |
| **With no related allowance:** | | | | | |
| Real Estate: | | | | | |
| First mortgage | $671,028 | $667,888 | $— | $672,637 | $20,890 |
| Second mortgage | $86,436 | $86,032 | $— | $86,208 | $7,034 |
| Consumer: | | | | | |
| Auto | $68,932 | $68,538 | $— | $75,407 | $5,455 |
| Other-primarily unsecured | $111,654 | $111,016 | $— | $118,253 | $8,641 |
| **With an allowance recorded:** | | | | | |
| Real Estate: | | | | | |
| First mortgage | $1,098,253 | $1,093,114 | $45,008 | $1,102,787 | $37,899 |
| Second mortgage | $242,883 | $241,746 | $73,084 | $241,746 | $— |
| Consumer: | | | | | |
| Auto | $250,601 | $249,167 | $135,129 | $268,650 | $14,833 |
| Other-primarily unsecured | $183,046 | $181,999 | $181,999 | $180,307 | $20,308 |
| Totals: | | | | | |
| Real Estate | $2,098,600 | $2,088,780 | $118,092 | $2,103,378 | $65,823 |
| Consumer | 614,233 | 610,720 | 317,128 | 642,617 | 49,237 |
| | $2,712,833 | $2,699,500 | $435,220 | $2,745,995 | $115,060 |

*Note 3: (continued)*

| | As of December 31, 2014 | | | For the year ended December 31, 2014 | |
|---|---|---|---|---|---|
| | Recorded Investment | Unpaid Principal Balance | Specific Allowance | Average Recorded Investment | Interest Income Recognized |
| **With no related allowance:** | | | | | |
| Real Estate: | | | | | |
| First mortgage | $1,740,913 | $1,731,977 | $— | $1,260,354 | $34,929 |
| Second mortgage | $396,298 | $394,264 | $— | $390,545 | $13,963 |
| Consumer: | | | | | |
| Auto | $14,229 | $14,231 | $— | $150,017 | $8,562 |
| Other-primarily unsecured | $48,378 | $48,384 | $— | $33,833 | $1,704 |
| **With an allowance recorded:** | | | | | |
| Member Business: | | | | | |
| Real estate | $247,604 | $248,293 | $62,073 | $247,604 | $— |
| Real Estate: | | | | | |
| First mortgage | $3,386,757 | $3,369,372 | $414,842 | $3,840,995 | $112,831 |
| Second mortgage | $872,270 | $867,793 | $237,543 | $867,789 | $32,948 |
| Consumer: | | | | | |
| Auto | $210,990 | $211,016 | $148,320 | $99,016 | $6,262 |
| Other-primarily unsecured | $172,357 | $172,378 | $170,180 | $185,058 | $16,968 |
| Totals: | | | | | |
| Member Business | $247,604 | $248,293 | $62,073 | $247,604 | $— |
| Real Estate | 6,396,238 | 6,363,406 | 652,385 | 6,359,683 | 194,671 |
| Consumer | 445,954 | 446,009 | 318,500 | 467,924 | 33,496 |
| | $7,089,796 | $7,057,708 | $1,032,958 | $7,075,211 | $228,167 |

***Note 3: (continued)***

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

**As of December 31, 2015**

| | Days Delinquent | | | Total Delinquent Loans | Total Current Loans | Total Loans |
|---|---|---|---|---|---|---|
| | 30 - 59 | 60 - 89 | 90 or more | | | |
| Member Business: | | | | | | |
| Real estate | $— | $— | $— | $— | $42,563,116 | $42,563,116 |
| Other | — | — | — | — | 1,231,612 | 1,231,612 |
| Total | — | — | — | — | 43,794,728 | 43,794,728 |
| Real Estate: | | | | | | |
| First mortgage | 2,075,423 | 667,888 | 1,093,114 | 3,836,425 | 579,383,259 | 583,219,684 |
| Second mortgage | 158,426 | — | 327,778 | 486,204 | 237,425,715 | 237,911,919 |
| Total | 2,233,849 | 667,888 | 1,420,892 | 4,322,629 | 816,808,974 | 821,131,603 |
| Consumer: | | | | | | |
| Auto | 757,111 | 113,874 | 188,234 | 1,059,219 | 130,814,326 | 131,873,545 |
| Other-primarily unsecured | 481,961 | 220,151 | 66,767 | 768,879 | 98,650,816 | 99,419,695 |
| Total | 1,239,072 | 334,025 | 255,001 | 1,828,098 | 229,465,142 | 231,293,240 |
| Grand Total | $3,472,921 | $1,001,913 | $1,675,893 | $6,150,727 | $1,090,068,844 | $1,096,219,571 |

**As of December 31, 2014**

| | Days Delinquent | | | Total Delinquent Loans | Total Current Loans | Total Loans |
|---|---|---|---|---|---|---|
| | 30 - 59 | 60 - 89 | 90 or more | | | |
| Member Business: | | | | | | |
| Real estate | $— | $— | $— | $— | $26,072,685 | $26,072,685 |
| Other | — | — | — | — | 5,794,477 | 5,794,477 |
| Total | — | — | — | — | 31,867,162 | 31,867,162 |
| Real Estate: | | | | | | |
| First mortgage | 1,165,537 | 8,004 | 2,325,722 | 3,499,263 | 462,431,543 | 465,930,806 |
| Second mortgage | 215,603 | 67,751 | 508,109 | 791,463 | 174,404,886 | 175,196,349 |
| Total | 1,381,140 | 75,755 | 2,833,831 | 4,290,726 | 636,836,429 | 641,127,155 |
| Consumer: | | | | | | |
| Auto | 482,158 | 57,204 | 163,502 | 702,864 | 113,463,240 | 114,166,104 |
| Other-primarily unsecured | 335,418 | 161,969 | 53,054 | 550,441 | 90,800,482 | 91,350,923 |
| Total | 817,576 | 219,173 | 216,556 | 1,253,305 | 204,263,722 | 205,517,027 |
| Grand Total | $2,198,716 | $294,928 | $3,050,387 | $5,544,031 | $872,967,313 | $878,511,344 |

The Credit Union places loans on non-accrual status when the loan reaches 90 days past due or when the collection of interest or principal becomes uncertain. Loans on which the accrual of interest has been discontinued or reduced approximated $1,676,000 and $3,050,000 as of December 31, 2015 and 2014, respectively. There were no loans 90 days or more past due and still accruing interest as of December 31, 2015 or 2014.

*Note 3: (continued)*

## TROUBLED DEBT RESTRUCTURING

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

When the Credit Union modifies a real estate loan, management uses the net present value based on the modified terms of the loan to determine the net realizable value of the loan. If management determines that the value of the modified loan is less than the recorded investment in the loan, impairment is recognized by segment or class of loan, as applicable, through the ALL. An additional 50 basis points from the historical loss ratio is reserved for all modified consumer loans.

The following tables include TDRs approved during the period and TDRs that were approved within the previous 12 months and subsequently defaulted in the current reporting period. Management defines a TDR as subsequently defaulted when the TDR is 60 days past due. The financial effect of TDRs originated during years ended December 31, 2015 and 2014 are deemed immaterial for disclosure.

| | **For the year ended December 31, 2015** | |
|---|---|---|
| | TDRs originated during the year | TDRs which subsequently defaulted |
| Real Estate: | | |
| First mortgage | $79,700 | $— |
| Consumer: | | |
| Other-primarily unsecured | 150,280 | 7,617 |
| | $229,980 | $7,617 |

| | **For the year ended December 31, 2014** | |
|---|---|---|
| | TDRs originated during the year | TDRs which subsequently defaulted |
| Consumer: | | |
| Other-primarily unsecured | $193,497 | $9,689 |

*Note 3: (continued)*

MEMBER BUSINESS CREDIT QUALITY INDICATORS

The Credit Union categorizes member business loans into risk categories based on relevant information about the ability of the borrowers to service their debt such as: current financial information, historical payment experience, credit documentation and current economic trends among other factors. Category ratings are reviewed monthly. These credit quality indicators are used to assign a risk rating to each individual credit. The risk ratings can grouped into ten major categories, defined as follows:

**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 3: (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.

- 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.

*Note 3: (continued)*

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.
- 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.

*Note 3: (continued)*

**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.
- 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.

***Note 3: (continued)***

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.

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.

The tables below summarize key information for member business loan credit quality:

**Member Business Loan Credit Quality Indicators**
**As of December 31, 2015**

| | Real estate | Other | Total |
|---|---|---|---|
| AAA-Excellent | $307,477 | $— | $307,477 |
| AA-Strong | 10,011,976 | — | 10,011,976 |
| A-Good | 24,380,095 | 512,856 | 24,892,951 |
| BBB-Satisfactory | 2,963,458 | 21,123 | 2,984,581 |
| BB-Pass Watch | 670,904 | — | 670,904 |
| B-Special Mention | 294,149 | — | 294,149 |
| CCC-Substandard | — | — | — |
| CC-Doubtful | — | — | — |
| C-Loss | — | — | — |
| Not Graded | 4,407,926 | 636,351 | 5,044,277 |
| | $43,035,985 | $1,170,330 | $44,206,315 |

*Note 3: (continued)*

**Member Business Loan Credit Quality Indicators**
**As of December 31, 2014**

| | Real estate | Other | Total |
|---|---|---|---|
| AAA-Excellent | $104,816 | $— | $104,816 |
| AA-Strong | 3,901,498 | 2,169,946 | 6,071,444 |
| A-Good | 10,219,996 | 3,624,611 | 13,844,607 |
| BBB-Satisfactory | 3,442,075 | — | 3,442,075 |
| BB-Pass Watch | 839,884 | — | 839,884 |
| B-Special Mention | — | — | — |
| CCC-Substandard | 248,293 | — | 248,293 |
| CC-Doubtful | — | — | — |
| C-Loss | — | — | — |
| Not Graded | 8,074,246 | — | 8,074,246 |
| | $26,830,808 | $5,794,557 | $32,625,365 |

## REAL ESTATE AND CONSUMER CREDIT QUALITY INDICATORS

The following tables represent real estate and consumer credit exposures by default risk. Default risk is determined using FICO scores, the migration of those scores, and a current CLTV ratio for collateralized loans. FICO scores and risk ratings for the years ended December 31, 2015 and 2014 were calculated based on data obtained as of June 30, 2015 and December 31, 2014, respectively. The use of these indicators to grade loans permits management to estimate future risk of loss that may not yet be visible on the surface of the loan, and provide additionally for this amount in the ALL. The real estate and consumer category ratings are calculated and reviewed periodically, at which time management analyzes the resulting scores, as well as other external statistics and factors, to track loan performance. Loans that trend upward toward higher risk levels generally have a high risk of loss associated. Whereas, loans that migrate toward lower ratings generally will result in a lower risk of loss.

The tables below summarize key information for real estate loan credit quality:

**Real Estate Loan Credit Quality Indicators**
**As of December 31, 2015**

| | Weighted Average Original FICO | Weighted Average Current FICO | Recorded Investment | Average CLTV | Average Default Risk Score | Average Default Risk Profile |
|---|---|---|---|---|---|---|
| First mortgage | 756 | 757 | $587,281,554 | 65.13% | 5.5 | Low |
| Second mortgage | 763 | 756 | 241,132,112 | 58.12% | 6.4 | Low |
| | 760 | 757 | $828,413,666 | 61.63% | 6.0 | Low |

*Note 3: (continued)*

**Real Estate Loan Credit Quality Indicators**
**As of December 31, 2014**

| | Weighted Average Original FICO | Weighted Average Current FICO | Recorded Investment | Average CLTV | Average Default Risk Score | Average Default Risk Profile |
|---|---|---|---|---|---|---|
| First mortgage | 759 | 763 | $471,868,492 | 64.30% | 6.0 | Low |
| Second mortgage | 774 | 762 | 180,214,052 | 58.20% | 5.8 | Low |
| | 767 | 763 | $652,082,544 | 61.25% | 5.9 | Low |

The tables below summarize key information for consumer credit quality:

**Consumer Loan Credit Quality Indicators**
**As of December 31, 2015**

| | Weighted Average Original FICO | Weighted Average Current FICO | Recorded Investment | Average CLTV | Average Default Risk Score | Average Default Risk Profile |
|---|---|---|---|---|---|---|
| Auto | 741 | 727 | $132,524,713 | 96.56% | 9.1 | Med |
| Other-primarily unsecured | 735 | 724 | 101,930,163 | N/A | 4.6 | Low |
| | 738 | 726 | $234,454,876 | N/A | 6.9 | Low |

**Consumer Loan Credit Quality Indicators**
**As of December 31, 2014**

| | Weighted Average Original FICO | Weighted Average Current FICO | Recorded Investment | Average CLTV | Average Default Risk Score | Average Default Risk Profile |
|---|---|---|---|---|---|---|
| Auto | 746 | 730 | $116,285,071 | 98.60% | 9.2 | Med |
| Other-primarily unsecured | 731 | 721 | 94,732,101 | N/A | 4.6 | Low |
| | 739 | 726 | $211,017,172 | N/A | 6.9 | Low |

*Note 3: (continued)*

ACQUIRED LOANS WITH DETERIORATED CREDIT QUALITY

The Credit Union maintains loans that were acquired through mergers with St. Vrain Valley Credit Union (SVVCU) and Long Peaks Credit Union (LPCU) during the years ended December 31, 2011 and 2010, respectively. These loans had evidence of deterioration of credit quality since origination for which it was probable, at acquisition, that all contractually required payments would not be collected.

The carrying amount of those loans is included in the statements of financial condition and approximated the following:

| | As of December 31, 2015 | 2014 |
|---|---|---|
| Acquired loans with deteriorated credit quality | $10,855,287 | $17,213,737 |

A summary of the activity of the accretable yield is as follows:

| | Acquired Loans with Deteriorated Credit Quality |
|---|---|
| Accretable Yield: | |
| Balance at December 31, 2013 | $2,363,277 |
| Net charge offs | (417,076) |
| Accretion | 40,438 |
| Balance at December 31, 2014 | 1,986,639 |
| Net charge offs | (7,632) |
| Accretion | (154,228) |
| Balance at December 31, 2015 | $1,824,779 |

## *NOTE 4: PROPERTY AND EQUIPMENT*

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

| | As of December 31, 2015 | 2014 |
|---|---|---|
| Land | $4,246,352 | $4,246,352 |
| Buildings | 17,428,759 | 16,305,199 |
| Furniture and equipment | 25,718,628 | 23,374,303 |
| Leasehold improvements | 4,863,031 | 4,854,888 |
| Work in process | 823,368 | — |
| | 53,080,138 | 48,780,742 |
| Less accumulated depreciation and amortization | (29,557,479) | (26,833,165) |
| | $23,522,659 | $21,947,577 |

## *NOTE 5: MEMBERS' SHARE AND SAVINGS ACCOUNTS*

Members' share and savings accounts are summarized as follows:

| | As of December 31, | |
|---|---|---|
| | **2015** | **2014** |
| Share drafts | $412,343,236 | $355,656,597 |
| Shares | 430,143,585 | 369,812,326 |
| Money market accounts | 430,706,843 | 393,249,239 |
| IRA shares | 14,242,569 | 12,772,475 |
| Share and IRA certificates | 151,573,404 | 162,850,318 |
| | $1,439,009,637 | $1,294,340,955 |

The aggregate balance of members' time deposit accounts in denominations that meet or exceed $250,000 was approximately $7,585,000 and $6,973,000 as of December 31, 2015 and 2014, respectively. The aggregate balance of overdraft accounts reclassified to loans to members was approximately $178,000 and $162,000 as of December 31, 2015 and 2014, respectively.

Scheduled maturities of share and IRA certificates are as follows:

| | As of December 31, 2015 |
|---|---|
| Within 1 year | $91,948,018 |
| 1 to 2 years | 28,994,562 |
| 2 to 3 years | 13,718,402 |
| 3 to 4 years | 7,846,844 |
| 4 to 5 years | 9,065,578 |
| | $151,573,404 |

### SHARE INSURANCE

Members' shares are generally insured by the NCUSIF to a maximum of $250,000 for each member. Individual Retirement Accounts are separately insured to a maximum of $250,000.

## *NOTE 6: EMPLOYEE BENEFITS*

### 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 $888,000 and $761,000 for the years ended December 31, 2015 and 2014, respectively.

*Note 6: (continued)*

**DEFERRED COMPENSATION PLANS**

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 on the Credit Union's 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 $971,000 and $797,000 as of December 31, 2015 and 2014, respectively.

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 are classified within prepaid and other assets on the statements of financial condition and were approximately $10,704,000 and $10,401,000 as of December 31, 2015 and 2014, respectively. The liability under this arrangement was approximately $2,736,000 and $2,220,000 as of December 31, 2015 and 2014.

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 on the statements of financial condition and approximated $1,495,000 and $1,227,000 as of December 31, 2015 and 2014, respectively.

## *NOTE 7: COMMITMENTS AND CONTINGENT LIABILITIES*

**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 aggregate unused line of credit under this agreement was approximately $584,516,000 as of December 31, 2015.

As of December 31, 2015, the Credit Union was approved for access to the Federal Reserve Bank (FRB) 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. The aggregate unused line of credit under this agreement was approximately $226,192,000 as of December 31, 2015.

*Note 7: (continued)*

**LEASE COMMITMENTS**

The Credit Union leases several branch locations. The minimum noncancellable lease obligations were as follows as of December 31, 2015:

| Year ending December 31, | Amount |
|---|---|
| 2016 | $710,000 |
| 2017 | 724,000 |
| 2018 | 590,000 |
| 2019 | 528,000 |
| 2020 | 411,000 |
| Thereafter | 304,000 |
| | $3,267,000 |

Rental expense under operating leases was approximately $851,000 and $761,000 for the years ended December 31, 2015 and 2014, respectively.

**MISCELLANEOUS LITIGATION**

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

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

**OFF-BALANCE-SHEET RISK**

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the 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. 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 8: (continued)*

Unused lines of credit approximated the following:

| | As of December 31, 2015 |
|---|---|
| Credit card | $252,365,000 |
| Home equity | 292,091,000 |
| Overdraft protection | 93,746,000 |
| Other | 88,985,000 |
| Business | 14,051,000 |
| Unsecured | 4,475,000 |
| | $745,713,000 |

**CONCENTRATIONS OF CREDIT RISK**

The Credit Union may be exposed to credit risk from a regional economic standpoint, since a significant concentration of its borrowers work or reside in the Boulder, Colorado area. Additionally, the Credit Union maintains a large concentration of real estate secured loans. As of December 31, 2015, approximately 79% of the loan portfolio was secured by residential and commercial real estate located in the Boulder, Colorado area.

## *NOTE 9: LOAN SERVICING*

Mortgage loans serviced for others are not included in the accompanying 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, 2015 | 2014 |
|---|---|---|
| Mortgage loan portfolios serviced for: | | |
| Federal National Mortgage Association | $1,382,141,000 | $1,094,985,000 |
| Federal Home Loan Mortgage Corporation | 675,503,000 | 508,080,000 |
| Total loans serviced | $2,057,644,000 | $1,603,065,000 |
| Custodial escrow balances | $19,225,000 | $15,240,000 |

Servicing fee income related to these portfolios was approximately $4,481,000 and $3,658,000 for the years ended December 31, 2015 and 2014, respectively. The subservicing expense related to these portfolios was approximately $1,074,000 and $829,000 for the years ended December 31, 2015 and 2014, respectively.

## NOTE 10: MORTGAGE SERVICING RIGHTS

The components of capitalized mortgage servicing rights, included in prepaid and other assets, are as follows:

| | For the years ended December 31, 2015 | 2014 |
|---|---|---|
| Mortgage servicing rights: | | |
| Balance, beginning of year | $10,649,037 | $9,745,571 |
| Additions | 7,950,162 | 4,070,080 |
| Amortization | (3,724,954) | (3,166,614) |
| | 14,874,245 | 10,649,037 |
| Less allowance for fair value impairment | — | — |
| Balance, end of year | $14,874,245 | $10,649,037 |
| Fair value of mortgage servicing rights | $20,371,000 | $15,710,000 |

The fair value of servicing rights was determined by an independent third party using market value discount rates ranging from 10% to 12% as of December 31, 2015 and 2014, respectively, and prepayment speeds ranging from 6.3% to 30.0% and 5.7% to 29.4% as of December 31, 2015 and 2014, respectively, based on the specific characteristics of each pool of loans.

## NOTE 11: REGULATORY CAPITAL

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory-and possibly additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's 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, 2015 and 2014 was 5.70% and 5.65%, respectively. The minimum requirement to be considered complex under the regulatory framework is 6.00%. Management believes, as of December 31, 2015 and 2014, that the Credit Union meets all capital adequacy requirements to which it is subject.

***Note 11: (continued)***

As of December 31, 2015, the most recent call reporting period, the NCUA categorized the Credit Union as *"well capitalized"* under the regulatory framework for prompt corrective action. To be categorized as "*well capitalized"* the Credit Union must maintain a minimum net worth ratio of 7.00% of assets. 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.

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

| | As of December 31, 2015 | | As of December 31, 2014 | |
|---|---|---|---|---|
| | **Amount** | **Ratio/ Requirement** | **Amount** | **Ratio/ Requirement** |
| Actual regulatory net worth | $153,434,118 | 9.44% | $136,132,223 | 9.33% |
| Amount needed to be classified as "adequately capitalized" | $97,534,602 | 6.00% | $87,557,388 | 6.00% |
| Amount needed to be classified as "well capitalized" | $113,790,369 | 7.00% | $102,150,286 | 7.00% |

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

## *NOTE 12: CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)*

The following table presents the changes in accumulated other comprehensive income/(loss) during the years ended December 31, 2015 and 2014:

| | **Unrealized Gains/(Losses) on Available-for-Sale Securities** |
|---|---|
| Balance as of December 31, 2013 | ($1,638,292) |
| Other comprehensive income before reclassification | 5,688,881 |
| Amounts reclassified from other comprehensive income | (354,921) |
| Net other comprehensive income | 5,333,960 |
| Balance as of December 31, 2014 | 3,695,668 |
| Other comprehensive loss before reclassification | (2,320,661) |
| Amounts reclassified from other comprehensive income | — |
| Net other comprehensive loss | (2,320,661) |
| Balance as of December 31, 2015 | $1,375,007 |

**Reclassifications out of accumulated other comprehensive income/(loss):**
During the year ended December 31, 2014, the Credit Union realized gains on the sale of available-for-sale securities approximating $355,000. During the same period, these gains were reclassified from the balance of *Accumulated Other Comprehensive Income/(Loss)* to *Gain on Sale of Investments, net* reported on the *Statements of Income*. There were no sales of available-for-sale securities during the year ended December 31, 2015.

## *NOTE 13: FAIR VALUES OF FINANCIAL INSTRUMENTS*

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

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

*Note 13: (continued)*

***Level 2***

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

***Level 3***

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

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

RECURRING BASIS

**AVAILABLE-FOR-SALE SECURITIES**

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

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

**SBA-backed Securities -** SBA-backed securities are valued based on quoted prices when available or quoted market prices on similar assets in the marketplace and the vintage of the underlying collateral.

**Collateralized Mortgage Obligations -** Collateralized mortgage obligations are valued based on quoted market prices on similar assets in the marketplace and the vintage of the underlying collateral.

**Private-issue Collateralized Mortgage Obligations -** Private-issue collateralized mortgage obligations are valued based on quoted market prices on similar assets in the marketplace and the vintage of the underlying collateral.

*Note 13: (continued)*

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

| | Assets at Fair Value as of December 31, 2015 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Available for sale securities:*** | | | | |
| Mortgage-backed securities | $— | $201,066,417 | $— | $201,066,417 |
| SBA-backed securities | — | 55,833,628 | — | 55,833,628 |
| Collateralized mortgage obligations | — | 54,507,229 | — | 54,507,229 |
| Private-issue collateralized mortgage obligations | — | 2,226,587 | — | 2,226,587 |
| | $— | $313,633,861 | $— | $313,633,861 |

| | Assets at Fair Value as of December 31, 2014 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Available for sale securities:*** | | | | |
| Mortgage-backed securities | $— | $246,560,767 | $— | $246,560,767 |
| SBA-backed securities | — | 65,579,508 | — | 65,579,508 |
| Collateralized mortgage obligations | — | 75,502,908 | — | 75,502,908 |
| Private-issue collateralized mortgage obligations | — | 2,532,204 | — | 2,532,204 |
| | $— | $390,175,387 | $— | $390,175,387 |

★★★★★★★


HERE'S TO
LINDEN ST.
NOT WALL ST.
HERE'S TO BANKING LOCAL.
WELCOME HOME.
Coca-Cola
ICE COLD
ELEVATIONS
CREDIT UNION
Malcolm Baldrige
National Quality Award
2014 Award Recipient

# BOARD OF DIRECTORS

## KATIE LARSON — BOARD CHAIR —

Katie Larson was appointed to the Elevations Board in 2008 and elected in 2009. She 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 has worked for Chipotle Mexican Grill since November 2005. As Treasury Manager, Katie and team oversee domestic and international cash management functions for Chipotle's over 1,847 restaurants in the United States, Canada, England, France, and Germany, as well as for the company's ShopHouse Southeast Asian Kitchen and Pizzeria Locale restaurants. 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 and enjoys running, biking, and spending time in the mountains.

## NANCY HERBERT — BOARD VICE CHAIR —

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

Nancy is an organizational consultant/owner with Communication Strategies LLC. A former school district administrator and municipal elected official, she has served on more than 24 community boards of directors. Nancy is a doctoral 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.

## 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 was previously a member of Elevations' Finance Committee and is also a member of the Elevations Foundation Board.

Eric is an owner 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 and was inducted into the Credit Union Executive Society's Volunteer Hall of Fame in December 2011. Eric lives with his wife and two sons in Evergreen, where he enjoys Colorado activities including cheering on the CU Buffs.

## CAROL KRISMANN — BOARD SECRETARY —

Carol Krismann was appointed to the Elevations Board in 2006 and elected in 2007. She has been a member of Elevations Credit Union for more than 25 years and has served on Elevations' Supervisory Committee, chairing it twice. Carol is a member of the Governance and Nominating Committee and is also the current board chair for the Elevations Foundation.

Carol is retired from the University of Colorado, where she was the head librarian of the William M. White Business Library since 1982. She holds a bachelor's degree in art history from Smith College, a master's degree in library science from Columbia University, and an advanced certificate in librarianship from the University of Denver. She is the author of two books: "Encyclopedia of American Women in Business" and "Quality Control: A Bibliography." Carol lives in Longmont and enjoys her family, playing bridge and mahjong, and her other volunteer job at the Longmont Public Library.

## NATALIE BAUMGARTNER — BOARD MEMBER —

Natalie Baumgartner was appointed to the Elevations Board in November 2015.

Natalie is the Founder and Chief Psychologist at RoundPegg, a culture and engagement software platform for all companies. She has been the human form of RoundPegg for nearly a decade, consulting on corporate culture with investors, senior executives and boards of directors. 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 RoundPegg, 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.

# BOARD OF DIRECTORS

## CARROLL BEACH — BOARD MEMBER —

Carroll Beach was elected to the Elevations Board in 2010 and served as chair from 2011 to 2014. He has served as secretary/treasurer of the board and 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, and has 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 has received the "Herb Wegner Lifetime Achievement Award," which is the most recognized award given in the credit union industry. Carroll lives in Westminster with his wife Ruth, 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.

## KATE BROWN — BOARD MEMBER —

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

Kate is the Founder and President of Boulder Organic Foods, LLC and has been developing the brand Boulder Organic! since 2006. She is also a member and sponsor of Naturally Boulder, a local professional organization targeting natural products and services and is a member of the CU Leeds School of Business Women's Council. 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.

## DON CHEYNE — BOARD MEMBER —

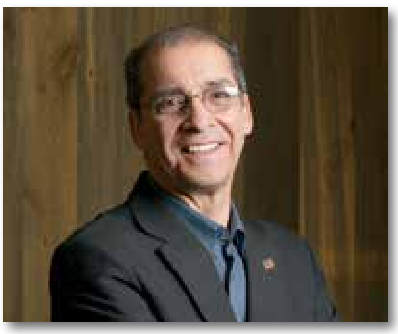
Don Cheyne joined the Elevations Board in 2011, following its merger with St. Vrain Valley Credit Union, where he served as a board member for three years.

Don recently sold his company, Mountain Molding LLC, to Tenere, Inc., where he continues as Director of Operations for Colorado. Don holds a bachelor's degree in electrical and computer engineering and a master's of business administration from the University of Colorado. He lives in Mead with his daughter and enjoys spending his time playing ice hockey and traveling.

## TODD GLEESON — BOARD MEMBER —

Todd Gleeson joined the Elevations Board in 2012. He has been an Elevations Credit Union member since 1981.

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 has 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 and lives with his wife in Louisville, where they enjoy live theater and all that the Colorado outdoor recreation scene has to offer.



## RAY MARTINEZ — BOARD MEMBER —

Ray Martinez joined the Elevations board in 2014.

Ray is a retired Fort Collins police officer as well as a former three-term mayor of Fort Collins. In 2015, he was elected to serve as City Councilmember for District 2 in Fort Collins. 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 which 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 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.

## 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 has served on the Supervisory Committee 18 years in total, including several times as chair. He has also served on Elevations' Finance Committee.

Jim has been the deputy director of the Joint Office for Science Support with the University Corporation for Atmospheric Research since 2002. He holds a bachelor's degree in accounting from the University of Delaware. Jim and his wife Kim live in Frederick and have two adult daughters, who have brought 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. Gerry was also named the 2015 CUES Outstanding Chief Executive in large part due to his work around Elevations' Baldrige recognition. In 2016, Gerry was named Business Person of the Year by the Boulder Chamber.

Gerry is a CPA with 30 years of professional experience and has held positions as president, COO and CFO at various community financial institutions in California. Gerry is chair of the Boulder County Business Hall of Fame, past chair of the Boulder Chamber, and member and past chair of the Boulder Economic Council. He is also a board member of Elevations Foundation and a member of the Filene Research Institute's advisory council. Governor Hickenlooper appointed Gerry to Colorado's Financial Services Board in August 2015.

## MICHAEL CALCOTE — CHIEF FINANCIAL OFFICER —

As chief financial officer, Michael is responsible for ensuring Elevations' long-term financial sustainability. He oversees accounting and finance, enterprise risk management, enterprise performance excellence, information technology, 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.

## JAY CHAMPION — CHIEF OPERATING OFFICER —

As chief operating officer, Jay directs all aspects of the credit union's commercial, consumer, and mortgage lending programs and oversees its retail delivery channels—including all branches, the Elevations call center and remote delivery. Jay is also responsible for governmental affairs, ensuring Elevations maintains excellent relationships with regulators and lawmakers, and marketing, which builds awareness of the Elevations brand and manages communication with current and prospective members.

Jay was the executive vice president and chief lending officer with Texans Credit Union before joining Elevations in 2011 and previously served at three other banks in North Texas. He holds a bachelor's degree in economics from East Texas State University, a master's of business administration from Texas A&M University–Commerce, and is a graduate of the Southwestern Graduate School of Banking at Southern Methodist University.

## MARY ANN KAMMERER

### — CHIEF ADVISORY SERVICES OFFICER —

Mary Ann oversees Elevations' advisory operations, which include wealth management and insurance services. Her goal is to ensure that Elevations provides its members with the well-rounded financial protection, support and advice they need. Mary Ann previously served as Elevations' Chief Product Officer and Chief Sales and Service Officer.

Prior to joining Elevations in 2003, Mary Ann held key management and executive positions at Charles Schwab. She holds a bachelor's degree in finance from Indiana University of Pennsylvania and holds the NASD Series 7, 8 and 24 licenses. She also serves on the board for the Cherry Creek Poms Booster Club, working to promote and support dance at Cherry Creek High School.

# SENIOR LEADERSHIP TEAM

## STEVEN SCHMIDLE

### — CHIEF STRATEGY & PERFORMANCE OFFICER —

Steven is responsible for Elevations' strategic planning activities, as well as the credit union's resulting financial performance. He leads the enterprise performance excellence, business intelligence, and project management functions, and is also responsible for continued financial stability and success with a focus on finance, accounting, secondary markets, budgeting, and forecasting. Steven leads the credit union's Pricing and ALCO committees and is a member of the Member Business Loan committee and executive team.

Before joining Elevations in 2004, Steven worked with Montana's Park Side Federal Credit Union, First National Bank of Colorado and First Tennessee Capital Markets. He also holds a master's degree in accounting from the University of Colorado and a bachelor's degree in finance from the University of Memphis. Steven volunteers as board treasurer for Rocky Mountain Performance Excellence.

## KIM FELTON — SVP OF RETAIL BANKING —

Kim leads Elevations' retail banking team, with a focus on delivering value and excellent service to the credit union's members. She is responsible for directing the branch network, contact center and business development teams across multiple markets, increasing access to Elevations' products, programs and services throughout the community.

Before joining Elevations in 2012, Kim led retail-banking teams at First National Bank and KeyBank. She holds a bachelor's degree in business administration from Western Governors University and is a Certified Net Promoter Associate as well as a graduate of the Graduate School of Banking at the University of Colorado. Kim serves on the board of directors for the Elevations Foundation and the YWCA of Boulder County.

## EVA GAUDIO

### — SVP OF GOVERNMENTAL AND STUDENT AFFAIRS —

Eva heads up governmental and student affairs for Elevations. A passionate advocate for credit unions, she educates lawmakers at the local, state and national levels about the benefits Elevations and other credit unions provide to their communities.

Eva was president and CEO of St. Vrain Valley Credit Union before joining Elevations in 2011. She holds a bachelor's degree in business administration from Regis University and is a graduate of the Western CUNA Management and CUNA Financial Management schools. In 2006, Eva received the Credit Union Professional Hall of Fame Achievement Award for her dedication and service to the credit union movement in Colorado. She's also board president of the Education Foundation for the St. Vrain Valley and a board member with the "I Have a Dream" Foundation and the Elevations Foundation.

## SUSAN GREEN — SVP OF MARKETING —

Susan Green directs the credit union's marketing and communications strategy and execution. This includes market and member research, product management, public relations 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 marketing leadership positions in a variety of industries, most notably with IBM, Autodesk and startups 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.

## DAMIAN JAKUBCZYK — SVP OF TECHNOLOGY —

Damian oversees all IT-related functions at Elevations, including digital and mobile banking, core system operations, information security, and business application support. He ensures that Elevations adopts technologies that maximize employee and member convenience while maintaining superior data security.

Prior to joining Elevations in 2007, Damian held leadership and technical roles with Managed Business Solutions, Hewlett Packard and Colorado State University. He holds a master's degree in information technology and business intelligence from the University of Denver and a bachelor's degree in business administration from Colorado State University. He's an alum of the Filene Research Institute's i3 program, which fosters the development of new ideas and innovations for credit unions. Damian also serves on advisory boards for Jack Henry & Associates and Digital Insight.

## 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 also served 20 years in the U.S. Army before retiring as a platoon sergeant and ammunition instructor.

# SENIOR LEADERSHIP TEAM

## RAY LINDLEY — SVP OF LENDING —

Ray is responsible for leading and directing Elevations' consumer, retail, mortgage and business lending operations. He monitors industry trends and lending news to make sure Elevations provides safe, affordable loans to as many future homeowners and business leaders as possible. Ray 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 an M.B.A. in economics.

## PETE REICKS — SVP OF ENTERPRISE PERFORMANCE —

Pete is responsible for directing the enterprise business intelligence function, supporting development and deployment of the strategic plan, aligning strategic intent with operational performance, and helping Elevations sustain role-model performance through application of the Baldrige Performance Excellence Program in pursuit of our BHAG – Audacious Excellence! P.S. We will win the Baldrige again.

Prior to joining Elevations in 2008, Pete held a variety of 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. Pete is also a certified Project Management Professional.

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