Consolidated Financial Statements

Directions Credit Union, Inc.

December 31, 2013

CONTENTS

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GBQ Partners

To the Supervisory Committee of
Directions Credit Union, Inc.
Sylvania, Ohio

Independent Auditor's Report

We have audited the accompanying consolidated financial statements of Directions Credit Union, Inc. and its subsidiaries, which comprise the consolidated statement of financial condition as of December 31, 2013 and the related consolidated statements of income, comprehensive income, changes in members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Directions Credit Union, Inc. as of December 31, 2013, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

GBQ Partners LLC

Columbus, Ohio
March 7, 2014

DIRECTIONS CREDIT UNION, INC.
Consolidated Statement of Financial Condition
December 31, 2013

ASSETS		
Cash and Cash Equivalents	$	34,882,852
Investments		
Investments - available-for-sale		52,481,331
Investments - held-to-maturity		36,284,126
Investments - other		11,299,449
Total investments		100,064,906
Loans to Members and Participations, less allowance for loan losses		403,943,580
Other Real Estate Owned		502,047
Property and Equipment, net		12,823,710
Other Assets		
Accrued interest receivable on investments		326,885
Accrued interest receivable on loans		2,011,359
Share insurance capitalization deposit		5,232,365
Prepaid expenses and other assets		5,244,986
Total other assets		12,815,595
TOTAL ASSETS	$	565,032,690

LIABILITIES AND MEMBERS' EQUITY		
Members' Share Accounts	$	504,708,107
Notes Payable		5,000,000
Accrued Expenses and Other Liabilities		4,840,056
Total liabilities		514,548,163
Members' Equity, substantially restricted		50,484,527
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	565,032,690

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

DIRECTIONS CREDIT UNION, INC.
Consolidated Statement of Income
For the Year Ended December 31, 2013

Interest Income	
Interest on loans	$ 18,500,347
Interest on investments	1,112,772
Total interest income	19,613,119
Interest Expense	
Dividend expense on share accounts	2,194,454
Borrowed funds	222,423
Total interest expense	2,416,877
Net interest income	17,196,242
Provision for Loan Losses	2,094,000
Net interest income after provision for loan losses	15,102,242
Non-Interest Income	
Fees and charges	7,051,211
Other income	1,188,402
Loss from joint ventures	(5,826)
Gain on sale of assets	617,302
Total non-interest income	8,851,089
Non-Interest Expenses	
Compensation and benefits	10,720,666
Office operations	6,573,709
Occupancy	2,471,564
Insurance and assessments	561,217
Education and promotion	1,092,995
Travel and conference	211,200
Professional fees	151,580
Other	391,427
Total non-interest expenses	22,174,358
Net Income	$ 1,778,973

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

DIRECTIONS CREDIT UNION, INC.
Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2013

Net Income	$ 1,778,973
Other comprehensive income:	
Change in unrealized loss on investments - available for sale	(381,965)
Comprehensive Income	$ 1,397,008

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

DIRECTIONS CREDIT UNION, INC.
Consolidated Statement of Changes in Members' Equity
For the Year Ended December 31, 2013

	Appropriated Statutory Reserve	Unappropriated Undivided Earnings	Accumulated Other Comprehensive Income	Total Members' Equity
Balance, December 31, 2012	**$ 11,380,528**	**$ 37,232,994**	**$ 473,997**	**$ 49,087,519**
Net income for the year ended December 31, 2013	-	1,778,973	-	1,778,973
Change in unrealized loss on investments - available for sale	-	-	(381,965)	(381,965)
Total comprehensive income (loss)	-	1,778,973	(381,965)	1,397,008
Balance, December 31, 2013	**$ 11,380,528**	**$ 39,011,967**	**$ 92,032**	**$ 50,484,527**

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

DIRECTIONS CREDIT UNION, INC.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2013

Cash Flows from Operating Activities:	
Interest income received	$ 22,099,345
Dividends paid on share accounts	(2,416,877)
Fees and other income received	8,217,808
Cash paid to suppliers and employees	(21,009,335)
Net cash and cash equivalents provided by operating activities	6,890,941
Cash Flows from Investing Activities:	
Purchases of available-for-sale investments	(16,157,238)
Maturities of available-for-sale investments	20,213,705
Purchases of held-to-maturity investments	(10,021,777)
Maturities of held-to-maturity investments	31,614,576
Purchases of other investments	(2,232,000)
Maturities of other investments	205,235
Loans made to members	(166,152,105)
Loan repayments from members	129,986,399
Purchase of loan participations	(3,246,785)
Repayment of loan participations	2,897,740
Proceeds from sale of other real estate owned	571,617
Purchase of property and equipment	(1,120,368)
Increase in insurance deposit	(65,735)
Net cash and cash equivalents used in investing activities	(13,506,736)
Cash Flows from Financing Activities:	
Net increase in members' shares	6,312,337
Repayment of borrowings on notes payable	(5,044,123)
Net cash and cash equivalents provided by financing activities	1,268,214
Net decrease in cash and cash equivalents	(5,347,581)
Cash and Cash Equivalents at Beginning of Year	40,230,433
Cash and Cash Equivalents at End of Year	$ 34,882,852

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

Reconciliation of Net Income to Net Cash and Cash Equivalents Provided by Operating Activities	
Net income	$ 1,778,973
Non-Cash Items:	
Provision for loan loss	2,094,000
Amortization of premiums on investments - available for sale	628,515
Amortization of premiums on investments - held to maturity	269,364
Dealer reserve amortization	782,918
Mortgage servicing rights	(21,805)
Equity in loss of subsidiary - unconsolidated	5,826
Gain on sale of mortgage loans	(577,168)
Gain on sale of investments	(63,315)
Loss on sale of other real estate owned	23,181
Depreciation and amortization expense	944,278
Total non-cash items	4,085,794
Changes in Certain Statement of Financial Condition Accounts:	
Interest receivable	805,429
Other assets and prepaid expenses	(282,738)
Accrued expenses and other liabilities	503,483
Total changes in certain statement of financial condition accounts	1,026,174
Net Cash and Cash Equivalents Provided by Operating Activities	$ 6,890,941

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

Nature and Scope of Business

Directions Credit Union, Inc. (the Credit Union) provides a variety of financial services to its members, most of whom live, work, worship, attend school or volunteer in Fulton, Wood, Lucas, Richland, Ashland, Wayne, Tuscarawas or Crawford Counties in Ohio, Monroe County in Michigan or members of other select groups. The Credit Union's primary source of revenue is from loans to its members and fees earned on member deposits. Its primary source of funds is savings deposits from its members.

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Directions Credit Union, Inc. and TFS Marketing, Inc. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Specifically, management has made estimates based on assumptions for fair value of financial instruments and the assessment of other than temporary impairment on investments. Actual results could differ from those estimates.

Investments

The Credit Union's investments are classified and accounted for as follows:

Available-for-Sale (AFS): Government and government agency bonds, collateralized mortgage obligations, notes and negotiable certificates are classified AFS when the Credit Union anticipates that they could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These are reported at fair value. Unrealized gains and losses on AFS investments are recognized as direct increases or decreases in other comprehensive income.

Held-to-Maturity (HTM): Government and government agency bonds, notes and negotiable certificates which the Credit Union has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method over the period to maturity.

Summary of Significant Accounting Policies (continued)

Investments (continued)

Other: Non-negotiable certificates, investments in corporate credit union capital accounts, investments in the Central Liquidity Facility and Federal Home Loan Bank stock. These investments are carried at cost Investments in credit union service organizations (CUSO) are recorded at cost or the equity method, based on the Credit Union's percentage of ownership or its ability to influence the operational decisions of those entities.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the investments. Declines in the fair value of held-to-maturity below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. Management evaluates investments for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of investments are recorded on the trade date and the costs of investments sold are determined using the specific identification method.

Market changes in interest rates and market changes in credit spreads will cause normal fluctuations in the market price of investments and the possibility of temporary unrealized losses.

Loans to Members, Loan Participations and Allowance for Loan Losses

The Credit Union grants mortgage and consumer loans to members and participates in business loans. Loans and Loan Participations receivable are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan origination fees and discounts. Interest on loans and loan participations is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans and loan participations is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Credit card loans and other personal loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if management believes, after considering economic conditions, business conditions and collection efforts, that collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Indirect loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income.

Summary of Significant Accounting Policies (continued)

Loans to Members, Loan Participations and Allowance for Loan Losses (continued)

The allowance for loan and participation losses reflects management's judgment of probable loan losses inherent in the portfolio at the date of the consolidated statement of financial condition. The Credit Union uses a disciplined process and methodology to establish the allowance for loan losses each quarter. To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. The allowance for loan losses consists of amounts applicable to: (1) the auto loan portfolio; (2) the direct lease financing portfolio; (3) the first mortgage loan portfolio; (4) the second mortgage and home equity loan portfolio; (5) the credit card portfolio and (6) all other loans.

To determine the balance of the allowance account, loans are pooled by portfolio segment and losses are modeled using historical experience and quantitative and other mathematical techniques over the loss emergence period. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio segment. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions used to determine the allowance 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 establishment of the allowance for loan losses relies on a consistent process that requires management review and judgment and responds to changes in economic conditions, member behavior and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release balances from the allowance for loan losses. The Credit Union's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions and delinquency trends driving statistically modeled reserves.

In situations where, for economic or legal reasons related to a members' financial difficulties, the Credit Union grants a concession for other than an insignificant period of time to the member that the Credit Union would not otherwise consider, the related loan is classified as a troubled debt restructure (TDR). The Credit Union strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearances and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Credit Union grants the member new terms that provide for a reduction of either interest or principal, the Credit Union measures any impairment on the restructuring as previously noted for impaired loans.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Summary of Significant Accounting Policies (continued)

Loans to Members, Loan Participations and Allowance for Loan Losses (continued)

The Credit Union considers a loan to be impaired when, based on current information and events, the Credit Union determines that the Credit Union will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans. When the Credit Union identifies a loan as impaired, the Credit Union measures the impairment 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, the Credit Union uses the current fair value of the collateral, less selling costs when foreclosure is probable, instead of discounted cash flows. If the Credit Union 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), the Credit Union recognizes impairment through an allowance estimate or a charge-off to the allowance. The Credit Union determines impairment based on a 60 day default period and all loans classified as TDR's.

When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

The overall credit quality of the loan and loan participation portfolio is monitored by management based on current loan performance, historical losses and delinquency status.

Loan Charge-Offs

For consumer loans, the Credit Union generally fully or partially charges down to the fair value of collateral securing the asset when:

- management judges the asset to be uncollectible;
- repayment is deemed to be protracted beyond reasonable time frames;
- the asset has been classified as a loss by either the Credit Union's internal loan review process or external examiners;
- the member has filed bankruptcy and the loss becomes evident owing to a lack of assets; or
- the loan is 90 days past due unless both well secured and in the process of collection.

Summary of Significant Accounting Policies (continued)

Mortgage Servicing Rights

A mortgage servicing right (MSR) is established only when the loans are sold or when servicing is contractually separated from the underlying mortgages by sale or securitization of the loans with servicing rights retained. The initial carrying value of the asset is established based on its relative fair value at the time of the sale using assumptions that are consistent with assumptions used at the time to estimate the fair value of the total MSR portfolio. All servicing rights are subsequently carried at the lower of the initial carrying value, adjusted for amortization or fair value, and are included in other assets.

Servicing rights are evaluated periodically for impairment based on the fair value of those rights using a disaggregated approach. The fair value of the servicing rights is determined by estimating the present value of future net cash flows, taking into consideration market loan prepayment, discount rates, servicing costs and other economic factors. Temporary impairment is recognized in a valuation allowance against the mortgage servicing rights. The Credit Union also analyzes its MRS periodically for other-than-temporary impairment. Other-than-temporary impairment is recognized as a direct reduction of the carrying value of the mortgage servicing right and cannot be recovered. No other-than-temporary impairment was recognized in the year ended December 31, 2013. Servicing rights are amortized over the period of, and in proportion to, the estimated future net servicing revenue. Amortization is recorded as reduction in interest income on loans in the Credit Unions' consolidated statement of income.

Property and Equipment

Land and land improvements are carried at cost. Building, building improvements, furniture and equipment are carried at cost, less accumulated depreciation and amortization. The building, building improvements 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 terms of the related leases. Maintenance and repairs that neither improve nor extend the life of the respective asset are charged to expense as incurred. Assets purchased but not yet placed into service are capitalized and depreciation is not computed until the asset's placed in service date. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the year. The lives of the assets range from 3 to 40 years.

Valuation of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. During 2013, management determined there was no impairment to the assets.

Summary of Significant Accounting Policies (continued)

Share Insurance Deposit

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

Share Insurance Premiums

A credit union is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA Board.

Excess Share Insurance

The deposit in the Excess Share Insurance (ESI) program provides additional insurance coverage of $250,000 once a members' balance exceeds the coverage provided by the Credit Union's primary insurer, which requires the maintenance of a one-percent refundable at-risk deposit by each insured credit union based on the maximum policy limits of coverage. Insured credit unions are also required to pay a quarterly premium based on the actual reported coverage and the credit union's financial condition and rating.

Share 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.

Members' Equity

The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of interest.

Reserve Requirement

In 2001, the NCUA revised the regulatory net worth requirements for credit unions. Credit unions that are classified as "well capitalized" (net worth ratio of 7% or higher) are not required to make statutory transfers to the regular reserve. The regular reserve has been established at the discretion of the Board of Directors to protect the interests of the members. The Board may at times change the reserved amount for specific requirements.

Summary of Significant Accounting Policies (continued)

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income that includes costs related to unrealized gains and losses on investments classified as available-for-sale.

Income Taxes

As a credit union, the Credit Union is exempt from federal, state and local taxes under the provisions of 501(c)(14) of the Internal Revenue Code.

The Credit Union accounts for uncertainty in income taxes in its consolidated financial statements as required under FASB ASC, *Accounting for Uncertainty in Income Taxes*. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The standard also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition accounting. The Credit Union's income tax returns prior to 2010 are closed. Management determined there were no material uncertain positions taken by the Credit Union in its tax returns.

Fair Values of Financial Instruments

FASB ASC 820, *Fair Value Measurements,* provides a framework for measuring fair value that requires an entity to determine fair value based on exit price in the principal market for the asset or liability being measured. Fair value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.

- Level 2 asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Cash Equivalents: The carrying amounts reported in the consolidated statement of financial condition for cash and cash equivalents approximates those assets' fair values. These assets represent a level 1 fair value hierarchy.

Investments – available-for-sale and held-to-maturity: Fair values of securities are usually based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. These assets represent a level 2 fair value hierarchy.

Investments – other: Non-negotiable certificate investments are listed at face value. Corporate Capital accounts, Federal Home Loan Bank stock, the Central Liquidity Facility deposit and investments in CUSO's represent those assets fair values. These assets represent a level 3 fair value hierarchy.

Loans to Members and Loan Participations: The fair value of fixed-rate loans is estimated by discounting the future cash flows for each loan category using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The fair value of adjustable-rate loans (primarily real estate and charge cards) is assumed to approximate their carrying amount. These assets represent a level 3 fair value hierarchy.

Accrued Interest: The carrying amounts of accrued interest approximate the fair values. These assets represent a level 3 fair value hierarchy.

Members' Share Deposits: The fair value of share drafts, regular savings and money market accounts is the amount payable on demand at the reporting date. The fair value of individual retirement accounts and certificates of deposit is estimated by discounting the future cash flows using the market rates offered as of December 31 for similar deposits with the same remaining maturities. These liabilities represent a level 3 fair value hierarchy.

Notes Payable: The carrying amounts reported in the consolidated statement of financial condition for notes payable approximates those liabilities' fair value. These liabilities represent a level 1 fair value hierarchy.

Loan Commitments: Commitments to extend credit were evaluated and fair value was determined using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest and the committed rates. These represent a level 3 fair value hierarchy.

The Credit Union has no financial instruments that are held or issued for trading purposes.

Summary of Significant Accounting Policies (continued)

Off-Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Concentration of Credit Risk

The Credit Union's business activity is primarily with members who all live or work in the same geographic area (Northwest and North Central Ohio). This creates a concentration of credit risk from members with loans from the Credit Union, since they may all be affected by the same economic conditions in this geographic area.

Cash and Cash Equivalents

In 2013, insurance coverage was $250,000 per depositor at each financial institution, and cash and cash equivalent balances may again exceed federally insured limits. The balance of cash and cash equivalents in excess of federally insured limits was approximately $27 million as of December 31, 2013.

Cash and cash equivalents include money market accounts, Federal funds and any highly liquid debt-instruments.

Cash on hand and accounts held in non-interest bearing accounts at other Financial Institutions	$ 6,282,058
Cash and cash equivalents held in interest bearing accounts at other institutions	28,600,794
Total cash and cash equivalents	$ 34,882,852

Investments

The amortized cost and market value of investments at December 31, 2013 were:

Available-for-Sale	Weighted Average Yield at 12/31/13	2013 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Collateralized mortgage obligations	2.06%	$ 310,603	$ -	$(5,356)	$ 305,247
Mortgage-backed securities	3.64%	2,812,722	2,565	(34,052)	2,781,235
U.S. Government and agency obligations	1.51%	46,527,974	182,411	(60,237)	46,650,148
Negotiable certificates of deposits	0.86%	2,738,000	7,332	(631)	2,744,701
Total		$ 52,389,299	$ 192,308	$(100,276)	$ 52,481,331

Gross unrealized losses at December 31, 2013 were:

Gross unrealized losses for less than one year	$ 92,504
Gross unrealized losses for more than one year	7,772
Total	$ 100,276

Held-to-Maturity	Weighted Average Yield at 12/31/13	2013 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
U.S. Government and agency obligations	1.02%	$ 25,866,876	$ 36,812	$(6,505)	$ 25,897,183
Corporate bonds	3.88%	9,669,250	149,901	(3,030)	9,816,121
Negotiable certificates of deposits	0.43%	748,000	1,015	-	749,015
Total		$ 36,284,126	$ 187,728	$(9,535)	$ 36,462,319

Investments (continued)

Other Investments	Weighted Average Yield at 12/31/13	2013 Amortized Cost	2013 Market Value
Certificates of deposits– non-negotiable	0.75%	$ 6,023,000	$ 6,023,000
Corporate one capital share	0.35%	1,920,000	1,920,000
CUSO investments	n/a	78,682	78,682
FHLB capital stock	4.00%	1,797,900	1,797,900
Central Liquidity Facility	0.10%	1,357,288	1,357,288
Other investments	n/a	122,579	122,579
Total		$ 11,299,449	$ 11,299,449

The amortized cost and estimated market value of investment securities at December 31, 2013 by expected maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity		Other Investments	
	Amortized Cost	Market Value	Amortized Cost	Market Value	Amortized Cost	Market Value
Due in 2014	$ 15,578,684	$ 15,592,032	$ 19,131,352	$ 19,181,983	$ 3,444,000	$ 3,444,000
Due in 2015	14,698,404	14,773,417	14,152,803	14,284,150	595,000	595,000
Due in 2016	14,954,816	15,023,474	2,999,971	2,996,186	1,984,000	1,984,000
Due in 2017	4,033,070	4,005,926	-	-	-	-
Due in 2018 and beyond	3,124,325	3,086,482	-	-	-	-
Non maturing	-	-	-	-	5,276,449	5,276,449
Total	$ 52,389,299	$ 52,481,331	$ 36,284,126	$ 36,462,319	$ 11,299,449	$ 11,299,449

The investment in corporate perpetual contributed capital and the membership share accounts have withdrawal restrictions and limited marketability.

Loans to Members

The loans to members at December 31, 2013 consisted of the following:

Auto loans	$ 101,454,661
First mortgage loans	162,433,935
Direct financing leases	29,884,814
Other mortgage loans	25,197,129
Credit card loans	25,767,016
Student loans	20,359,276
Business loans	8,932,162
Other secured loans	11,053,062
Unsecured loans	7,594,395
Loan participations	12,616,893
Deferred loan origination fees	1,152,477
Total	406,445,820
Less: allowance for loan losses	(2,502,240)
Loans to Members, net	$ 403,943,580

The interest rates on the loans range from 2.24% to 18.00% for the year ended December 31, 2013.

The activity in allowance for loan loss account for the year ended at December 31, 2013 consisted of the following (in 000's):

	Auto	Direct Lease Financing	First Mortgage	2nd Mortgage & Home Equity	Credit Cards	Student Loans	Other	Total
Beginning balance	$ 242	$ 7	$ 247	$ 244	$ 669	$ 2,047	$ 287	$ 3,743
Provision charged to operations	215	4	157	36	284	570	174	1,440
Loans charged-off	(464)	(9)	(340)	(78)	(613)	(1,233)	(376)	(3,113)
Recoveries	126	-	-	30	180	14	82	432
Ending balance	$ 119	$ 2	$ 64	$ 232	$ 520	$ 1,398	$ 167	$ 2,502

Impaired Loans

The following table includes the recorded investment and unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable.

Loans to Members (continued)

Impaired Loans (continued)

Other credit related information as of December 31, 2013 by class, dollar amounts (in 000s):

	Auto	Direct Lease Financing	First Mortgage	2nd Mortgage & Home Equity	Credit Cards	Student Loans	Other	Total
Historical Loss %	0.23%	0.00%	0.22%	0.22%	1.91%	12.64%	(0.01)%	0.48%
Delinquency:								
Over 60 days - total	$ 365	$ 13	$ 995	$ 192	$ 296	$ 1,859	$ 57	$ 3,777
60-179 days	341	13	391	58	256	1,820	52	2,931
180-359 days	10	-	199	-	40	15	5	269
Over 360 days	14	-	405	134	-	24	-	577
Impaired restructured loan balances	29,096	-	1,973,921	328,781	-	-	-	2,331,798
Specific reserves on restructured loans included in overall allowance	5,810	-	312,076	59,458	-	-	-	377,344
Loans in non-accrual status	365	13	995	192	296	1,859	57	3,777

Property and Equipment

Property and equipment at December 31, 2013 consisted of the following:

Land and improvements	$ 3,523,487
Buildings and improvements	14,459,219
Furniture and equipment	7,904,983
Total property	25,887,689
Less: accumulated depreciation	(13,063,979)
Total property and equipment, net	$ 12,823,710

Student Loan Guarantee Receivable

In 2009, 2010, and 2011 the credit union purchased pools of participations in private student loans originated by CU Student Connect, LLC to students attending ITT Technical Institute (ITT). Credit losses on these participation pools are covered by a credit enhancement (the Risk Share Agreement or RSA) with ITT. When losses in these pools exceed 35%, all additional losses incurred by the Credit Union are reimbursed through a guarantee by ITT. The RSA calls for payments to be made by the 15th of the subsequent month in which a claim is submitted for losses incurred in excess of 35%.

As of December 31, 2013, participation pool balances totaled $9,421,252 and were reported as loans on the Credit Union's consolidated statement of financial condition. The Credit Union has incurred losses in excess of 35%, which are therefore guaranteed against further losses by the RSA. Management believes the entire outstanding balance guaranteed by ITT may not be collectible and has established a reserve to reduce the receivable to the amount they believe will be collected. As of December 31, 2013, the Credit Union had a receivable of $2,987,566 and a reserve of $654,000 from ITT related to the RSA recorded in prepaid expenses and other assets on the consolidated statements of financial condition as of December 31, 2013.

Loans Serviced

Mortgage servicing rights are recorded in prepaid expenses and other assets on the consolidated statement of financial condition. Changes in their carrying value and the associated valuation allowance for the year ended December 31, 2013 and the fair value at the end of the period were as follows:

Balance, beginning of the year	$ 1,168,520
New servicing rights	200,498
Amortization	(178,693)
Balance, end of year	$ 1,190,325
Fair Value, end of year	$ 1,190,000

The unpaid principal balance of residential loans serviced for third parties was approximately $117 million at December 31, 2013.

Members' Share Accounts

Members' share accounts at December 31 were as follows:

	Weighted Average Yield at 12/31/13	2013
Regular shares	0.05%	$ 135,029,893
Checking accounts	0.05%	85,851,418
Money market accounts	0.10%	128,833,439
Club accounts	0.05%	19,025,970
IRA accounts	0.15%	17,424,555
Share and IRA certificates	1.40%	119,542,832
Total members' share		$ 504,708,107

Scheduled maturities of shares at December 31, 2013 were as follows:

2014	$ 427,750,325
2015	39,329,567
2016	18,473,138
2017	10,391,425
2018	9,031,286
Total maturities	$ 504,975,741

Dividend expense on members' share accounts at December 31, 2013 was as follows:

Regular shares	$ 115,639
Checking accounts	33,099
Money market accounts	215,078
Club accounts	7,153
IRA accounts	28,086
Share and IRA certificates	1,795,399
Total dividend expense	$ 2,194,454

The aggregate amount of members' share accounts that exceed $500,000 at December 31, 2013 totaled $13,563,985.

Borrowings

The Credit Union maintains a $10,000,000 note payable - line of credit borrowing arrangement with Corporate One Federal Credit Union. The line of credit is collateralized by substantially all assets of the Credit Union. At December 31, 2013, there were no borrowings outstanding under the arrangement.

The Credit Union maintains a note payable – line of credit borrowing arrangement with the Federal Home Loan Bank of Cincinnati that has a borrowing capacity of approximately $45,000,000. The borrowing arrangement is collateralized by substantially all 1-4 family home first mortgage loans. At December 31, 2013, there was $5,000,000 in outstanding borrowings under this arrangement.

In 2012, the Credit Union obtained a note payable – line of credit borrowing arrangement with the Federal Reserve Bank of Cleveland that has a borrowing capacity of approximately the value of the assigned collateral. The borrowing arrangement is collateralized by substantially all investments in government and agency obligations. At December 31, 2013, there were no outstanding borrowings under this arrangement.

Principal payments by year required on these notes are as follows:

2014	$ -
2015	-
2016	1,000,000
2017	1,000,000
2018 and beyond	3,000,000
Total notes payable	$ 5,000,000

Related Party Transactions

The official family of the Credit Union includes Board members, supervisory committee members, credit committee members and staff. Loans and shares receivable from members of the official Credit Union family at December 31, 2013 was as follows:

Loans	$ 8,513,774
Shares	5,248,710

Employee Benefits

The Credit Union has entered into three Collateral Assignment Split-Dollar Life Insurance Arrangements with officers of the organization. The life insurance policy is owned by the officer but premiums are paid by the Credit Union. The premiums paid are recorded as loan receivables from the participants. The imputed interest rate on the loans is treated as compensation for the officers.

Employee Benefits (continued)

The Credit Union has a profit-sharing plan covering substantially all employees. This discretionary contribution is determined by the Board of Directors annually. The Credit Union had a liability of $90,000 accrued as of December 31, 2013.

The Credit Union also has a 401(K) salary reduction plan. Employees are eligible for participation when they have attained eighteen years of age and completed six months of service. The Credit Union may make discretionary matching contributions. The employer contributions for the year ended December 31, 2013 were $92,762.

Commitments and Contingent Liabilities

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

The Credit Union has extended lines of credit to members who have not been entirely drawn at December 31, 2013. The available credit to members that has not been reflected in the consolidated financial statements was as follows:

Loan Type:	
Business loans	$ 1,055,573
Open-end loans	2,370,872
Credit cards	44,458,030
Construction loans	10,411,860
Home equity loans	8,222,700
Overdraft protection	13,702,343
Total	$ 80,221,378

Leases

The Credit Union leases three of its branch office locations under long-term lease arrangements. These leases are accounted for as operating leases and have minimum payment requirements summarized as follows:

Lease Property	Lease Expiration	Remaining Payment Obligations
Reynolds Road	10/31/2016	$ 33,600
Owens Corning	08/31/2014	50,520
Westgate Village	03/31/2015	57,824
Total remaining obligations		$ 141,944

Rent expense totaled $153,489 for the year ended December 31, 2013.

Fair Values of Financial Instruments

The estimated fair values of the Credit Union's financial instruments, none of which are held for trading purposes, were as follows (dollars in thousands):

	December 31, 2013	
	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	$ 35,150	$ 35,150
Investments	99,973	100,242
Loans to members-net	403,944	405,431
Accrued interest receivable	2,338	2,338
Financial liabilities:		
Members' shares and savings accounts	504,976	508,837
Borrowed funds	5,000	4,885
Off-balance-sheet credit related financial instruments:		
Commitments to extend credit	80,221	80,221

Regulatory Capital

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting principles. 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 the regulations) to total assets (as defined). Credit unions are also required to calculate a Risk-Based Net Worth (RBNW) Requirement, which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNW ratio as of December 31, 2013 was 5.61%. The minimum ratio to be considered complex under the regulatory framework is 6%. Management believes, as of December 31, 2013, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2013, the most recent call reporting period, 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% of assets and meet any applicable RBNW requirements. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual capital amounts and ratios as of December 31, 2013 are also presented in the table (dollars in thousands):

	Actual		To Be Adequately Capitalized Under the Prompt Corrective Action Provisions		To Be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2013	$ 50,392	8.91%	$ 33,918	>6.00%	$ 39,571	>7.00%

NCUA Corporate Stabilization and Other Activities

The deposit in the NCUSIF is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if: (1) the insurance coverage is terminated; (2) the Credit Union converts to insurance coverage from another source or (3) the operations of the fund are transferred from the NCUA Board. The insurance fund currently insures share accounts up to $250,000.

As a result of unfavorable financial events in 2008 to the corporate credit union network and the demise of Corporate Federal Credit Union and other large corporate credit unions, the NCUSIF sustained significant losses. The NCUA established a stabilization plan in June 2009 to minimize the financial impact on credit unions and improve liquidity in the NCUSIF.

The U.S. Congress enacted the Helping Families Save Their Homes Act in May 2009, from which the NCUA Board was able to undertake a series of actions that resulted in the recapitalization of the NCUSIF.

The NCUA Board took action to begin the repayment of its Treasury borrowings for the corporate credit union stabilization plan in 2009. The resulting combined premium collected was based on insured shares, which was assessed and paid by the Credit Union during the 2013 and totaled $406,589. The Credit Union may have to pay additional premiums to repay the fund in future years.

Subsequent Events - Date of Management's Review

Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date on which the consolidated financial statements were available to be issued.