DOMINION CREDIT UNION

FINANCIAL REPORT

December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Supervisory Committee
of Dominion Credit Union
Richmond, Virginia

We have audited the accompanying financial statements of Dominion Credit Union, which comprise the statements of financial condition as of December 31, 2016 and 2015, and the related statements of income and comprehensive income (loss), changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dominion Credit Union as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
February 23, 2017

DOMINION CREDIT UNION

STATEMENTS OF FINANCIAL CONDITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 7,139,930	$ 6,708,496
Certificates of deposit	600,000	600,000
Investments available-for-sale (Note 3)	133,530,220	136,823,107
Other investments (Note 4)	1,285,099	1,157,612
Loans to members, net of allowance for loan losses (Note 5)	135,912,620	116,818,762
Accrued interest receivable	701,989	671,864
Leaseholds and equipment (Note 6)	1,008,809	963,258
NCUSIF deposit	2,231,156	2,196,425
Other assets	333,355	297,457
Total assets	$ 282,743,178	$ 266,236,981
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' deposit accounts (Note 7)	$ 242,607,109	$ 229,657,991
Lines of credit (Note 9)	7,000,000	5,000,000
Accrued expenses and other liabilities	1,647,350	1,368,363
Total liabilities	251,254,459	236,026,354
MEMBERS' EQUITY (Note 13)		
Regular reserve	2,229,057	2,229,057
Undivided earnings	29,944,706	28,379,846
Accumulated other comprehensive income (loss)	(685,044)	(398,276)
Total members' equity	31,488,719	30,210,627
Total liabilities and members' equity	$ 282,743,178	$ 266,236,981

DOMINION CREDIT UNION

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
Years Ended December 31, 2016 and 2015

	2016	2015
INTEREST INCOME		
Loans receivable	$ 5,780,270	$ 5,186,523
Investments	1,623,221	1,794,527
Total interest income	7,403,491	6,981,050
INTEREST EXPENSE		
Dividends on members' shares and savings accounts	1,324,670	1,121,932
Interest expense	22,424	29,763
Total interest expense	1,347,094	1,151,695
Net interest income	6,056,397	5,829,355
PROVISION FOR LOAN LOSSES (Note 5)	352,000	420,000
Net interest income after provision for loan losses	5,704,397	5,409,355
NON-INTEREST INCOME		
Fees and charges	2,112,854	2,094,325
Gain on sale of mortgages	2,595	5,920
Gain on sale of equipment	-	17,700
Gain on sale of investments	102,152	104,773
Total non-interest income	2,217,601	2,222,718
NON-INTEREST EXPENSES		
Compensation and benefits (Note 8)	2,778,790	2,719,804
Office and operating expenses	3,578,348	3,399,999
Total non-interest expense	6,357,138	6,119,803
Net income	1,564,860	1,512,270
OTHER COMPREHENSIVE INCOME		
Unrealized gain (loss) on investments available-for-sale	(184,616)	383,151
Reclassification adjustment for gains included in net income	(102,152)	(104,773)
Other comprehensive income (loss)	(286,768)	278,378
Total comprehensive income	$ 1,278,092	$ 1,790,648

The Notes to Financial Statements are an integral part of these statements.

DOMINION CREDIT UNION

STATEMENTS OF CHANGES IN MEMBERS' EQUITY
Years Ended December 31, 2016 and 2015

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2014	$ 2,229,057	$ 26,867,576	$ (676,654)	$ 28,419,979
Net income	-	1,512,270	-	1,512,270
Other comprehensive income	-	-	278,378	278,378
Balance as of December 31, 2015	2,229,057	28,379,846	(398,276)	30,210,627
Net income	-	1,564,860	-	1,564,860
Other comprehensive loss	-	-	(286,768)	(286,768)
Balance as of December 31, 2016	$ 2,229,057	$ 29,944,706	$ (685,044)	$ 31,488,719

DOMINION CREDIT UNION

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Net income	$ 1,564,860	$ 1,512,270
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	351,968	341,352
Provision for loan losses	352,000	420,000
Realized gain on sale of investments	(102,152)	(104,773)
Realized gain on sale of equipment	-	(17,700)
Amortization of investment discounts and premiums, net	370,864	309,333
Accretion of deferred loan fees and costs, net	983	(9,631)
(Increase) decrease in:		
Accrued interest receivable	(30,125)	3,006
Other assets	(35,898)	(113,602)
(Decrease) increase in accrued expenses and other liabilities	169,969	(57,133)
Net cash provided by operating activities	2,642,469	2,283,122
INVESTING ACTIVITIES		
Purchases of investments available-for-sale	(21,085,193)	(11,711,563)
Proceeds from investments available-for-sale	23,822,600	22,104,774
Increase in other investments	(127,487)	(256,523)
Increase in loans to members, net	(19,446,841)	(12,854,770)
Purchases of leaseholds and equipment	(288,501)	(140,223)
Proceeds from sale of equipment	-	27,700
(Increase) decrease in NCUSIF deposit	(34,731)	18,142
Net cash used in investing activities	(17,160,153)	(2,812,463)
FINANCING ACTIVITIES		
Increase in members' shares, net	12,949,118	4,410,489
Line of credit advances, net	2,000,000	445,179
Net cash provided by financing activities	14,949,118	4,855,668
Net increase in cash and cash equivalents	431,434	4,326,327
CASH AND CASH EQUIVALENTS		
Beginning	6,708,496	2,382,169
Ending	$ 7,139,930	$ 6,708,496
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest and dividends paid	$ 1,347,508	$ 1,144,718
Equipment financed by accounts payable	$ 109,018	$ -

The Notes to Financial Statements are
an integral part of these statements.

Note 1. Nature of Business and Organization

Dominion Credit Union (the "Credit Union") is headquartered in Richmond, Virginia and was organized and chartered in 1940 for the purpose of promoting thrift among its members and creating a source of credit for provident and productive purposes. The Credit Union accepts members' deposits, originates and services consumer and real estate loans, and provides other member services. Participation in the Credit Union is limited to those individuals who qualify for membership as defined in its charter and bylaws.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation:

The Credit Union follows the accounting standards set by the Financial Accounting Standards Board (FASB). The FASB establishes accounting principles generally accepted in the United States of America (U.S. GAAP) that are followed to ensure consistent reporting of the financial condition, results of operations, and cash flows of the Credit Union. References to U.S. GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification commonly referred to as the *Codification* or ASC.

Cash and Cash Equivalents:

For purposes of the Statements of Financial Condition and the Statements of Cash Flows, cash and cash equivalents consist of cash on hand, demand deposits in other financial institutions (including cash items in process of collection), and certificates of deposit with original maturities of three months or less. Interest bearing cash equivalent balances at December 31, 2016 and 2015 totaled $6,656,623 and $6,245,729. Cash and cash equivalents restricted for compensating balances at December 31, 2016 and 2015 were $140,900 and $151,200, respectively.

Certificates of Deposit:

The Credit Union's certificates of deposit consist of non-negotiable certificates and are reported at face amounts which are not materially different than fair value.

Investments:

Debt and mutual fund securities are classified as available-for-sale and are carried at fair value. Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income. Amortization of premiums and accretion of discounts is performed using methods approximating the interest method. Gains and losses on dispositions of securities are computed using the specific identification method.

Note 2. Summary of Significant Accounting Policies (Continued)

Other Investments:

Investments that are required to be maintained in order for the Credit Union to participate in the services of credit union service organizations, corporate credit unions, and the Federal Home Loan Bank of Atlanta are recorded as other investments. No market value exists for these investments. These investments are carried at cost.

The Credit Union's access to a corporate credit union requires that a membership share deposit be maintained for full participation as a member credit union. The membership shares in the corporate credit union are uninsured and require a three-year notice before withdrawal.

Loans Receivable:

Loans receivable are stated at the amount of unpaid principal, net of deferred loan origination fees, and allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. Loan origination fees are deferred, and are recognized as an adjustment to interest income over the estimated life of the loans to which they relate.

Loans Held For Sale:

Mortgage loans held for sale, where the Credit Union has a positive intent to sell these loans, are initially recorded at the principal amount outstanding. Generally these loans are sold within fifteen days of the mortgage loan commitment. The Credit Union evaluates the fair value of these loans prior to the respective year ends. If the difference in the principal amount and the fair value amount of these loans are deemed material by the Credit Union, the loans are adjusted to the lower of the principal amount outstanding or market value. As of December 31, 2016 and 2015, there were no mortgages held for sale.

Real estate loans totaling $259,500 were originated for sale and sold during 2016, with gross gains of $2,595 realized. Real estate loans totaling $525,785 were originated for sale and sold during 2015, with gross gains of $5,920 realized.

Troubled Debt Restructurings:

In situations where, for economic or legal reasons related to a member's 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 restructuring (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 forbearance, 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 is discussed elsewhere for impaired loans.

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses:

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the loan balance cannot be collected. Subsequent recoveries, if any, are credited to the allowance.

The Credit Union generally fully or partially charges down to the fair value of collateral securing the loan, if any, when (1) the loan is past due more than 365 days; (2) the member has filed bankruptcy and the loss becomes evident owing to a lack of assets; or (3) management judges the loan to be uncollectible.

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the loan portfolio. Such evaluations consider prior loss experience and the levels of nonperforming loans. In this process, segment loss rates are developed based on an analysis of the historical charge-off experience for the most recent eight calendar quarters. The loss rates are then applied to the portfolio segments. Management performs this evaluation quarterly. Due to the nature of uncertainties related to any estimation process, management's estimate of loan losses inherent in the portfolio and the related allowance for loan losses may change in the near-term.

The Credit Union groups loans into segments according to loan type. This is the level at which the Credit Union develops the allowance for loan losses. The segments are as follows:

Unsecured Loans: The degree of risk for unsecured loans is dependent upon the capacity of the borrower to repay the loan. Unsecured loans generally do not require collateral.

Visa Loans: The degree of risk for Visa loans is dependent upon the capacity of the borrower to repay the loan. Credit card loans generally do not require collateral.

Vehicle Loans: The degree of risk for vehicle loans is dependent upon the capacity of the borrower to repay the loan. Vehicle loans are generally secured by new and used automobiles. The degree of risk for vehicle loans also depends on the loan amount in relation to the collateral value (LTV). The higher the LTV, the higher degree of risk is assumed.

Real Estate Loans: Real estate loans include first trust mortgage loans, home equity mortgage loans, and second trust mortgage loans. The degree of risk for real estate loans is dependent upon the capacity of the borrower to repay the loan. The degree of risk for real estate loans also depends on the loan amount in relation to the collateral value (LTV). The higher the LTV, the higher degree of risk is assumed. Private mortgage insurance (PMI) reduces the degree of LTV risk. Home equity mortgage loans and second trust mortgage loans represent greater risk than first trust mortgage loans because these loans are in the second position and they do not generally require PMI.

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses: (Continued)

Other Loans: Other loans include share and certificate secured loans and recreational vehicle loans. The degree of risk for other loans is dependent upon the capacity of the borrower to repay the loan. Share and certificate loans represent a lower degree of risk to the Credit Union as the loans are generally secured by the borrower's deposit account at the Credit Union. The degree of risk for recreational vehicle loans also depends on the loan amount in relation to the collateral value (LTV). The higher the LTV, the higher degree of risk is assumed.

Other loans also include Troubled Debt Restructuring Loans (TDR). The degree of risk for TDR loans is dependent upon the capacity of the borrower to repay the loan. These loans are generally unsecured and do not have collateral.

Leaseholds and Equipment:

Leaseholds and equipment are stated at cost, less accumulated amortization and depreciation. Depreciation is calculated and recorded using the straight-line method over the estimated useful lives of the various assets.

NCUSIF Deposit and Premiums:

The deposit in the 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 deposits. 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.

Members' Deposit Accounts:

Members' deposit accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' deposit 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' deposit accounts are set by the Credit Union's Asset Liability Management Committee, based on an evaluation of current and future market conditions.

Members' Equity:

The Credit Union is required by regulation to maintain a statutory reserve (regular reserve), which represents a regulatory restriction of members' equity, and which is not available for the payment of interest on deposit accounts. Other appropriated members' equity amounts may be established or transferred at the discretion of the Board of Directors.

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Comprehensive Income:

Comprehensive income consists of net income and other comprehensive income, which includes unrealized gains and losses on investments available-for-sale.

Income Taxes:

The Credit Union is exempt by statute from federal and state income taxes except for net taxable income from certain products and services such as nonmember ATM transactions, credit life, and disability income. These services have been deemed by the Internal Revenue Service to be unrelated to the Credit Union's exempt purpose, and thus subject to income taxes under the Unrelated Business Income Tax (UBIT) regulations. The Credit Union expects any tax payable as of December 31, 2016 to be immaterial.

Off-balance Sheet 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.

Advertising Costs:

The Credit Union charges advertising costs to expense as incurred. Advertising expense was approximately $264,000 and $277,000 for 2016 and 2015, respectively.

Use of Estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and in the accompanying notes. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan loss and the valuation of securities.

Subsequent Events:

The Credit Union has evaluated subsequent events through February 23, 2017, the date on which the financial statements were available to be issued, and management is not aware of any subsequent event which requires recognition or disclosure in these financial statements.

Note 3. Investments Available-for-Sale

A summary of the amortized cost, gross unrealized gains and losses, and fair values of available-for-sale securities is summarized as follows:

December 31, 2016

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 21,099,724	$ 14,318	$ (50,832)	$ 21,063,210
U.S. government corporation and agency securities	113,115,540	105,687	(754,217)	112,467,010
Total available-for-sale securities	$ 134,215,264	$ 120,005	$ (805,049)	$ 133,530,220

December 31, 2015

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 24,143,410	$ 67,208	$ (78,917)	$ 24,131,701
U.S. government corporation and agency securities	113,077,973	165,446	(552,013)	112,691,406
Total available-for-sale securities	$ 137,221,383	$ 232,654	$ (630,930)	$ 136,823,107

Note 3. Investments Available-for-Sale (Continued)

The amortized cost and fair value of available-for-sale securities as of December 31, 2016 by contractual maturity is summarized as follows:

	Amortized Cost	Fair Value
Due within one year	$ 48,126,413	$ 48,117,240
Due after one year through five years	86,088,851	85,412,980
	$ 134,215,264	$ 133,530,220

Information pertaining to available-for-sale securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is summarized as follows:

December 31, 2016

	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and U.S. government corporation and agency securities	$ 23,440,950	$ 615,830	$ 62,906,620	$ 189,219

December 31, 2015

	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and U.S. government corporation and agency securities	$ 15,628,977	$ 92,145	$ 79,813,590	$ 538,785

Credit Union management evaluates investments for other-than-temporary impairment on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and 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.

No investments were considered by management to have experienced other-than-temporary impairment as of December 31, 2016 and 2015.

Investments totaling $6,078,900 were sold during 2016, with gross gains of $102,152 realized on those sales. Investments totaling $6,049,219 were sold during 2015, with gross gains of $104,773 realized on those sales.

Note 4. Other Investments

Other investments carried at cost are summarized as follows:

	2016	2015
Corporate credit union membership shares	$ 250,000	$ 250,000
FHLB stock and DIA Investment	537,200	446,200
Investments in credit union service organizations	497,899	461,412
	$ 1,285,099	$ 1,157,612

Note 5. Loans Receivable

Loans receivable are summarized as follows:

	2016	2015
Unsecured	$ 4,614,436	$ 4,078,362
VISA	15,154,122	15,530,554
Vehicle	52,927,194	49,275,606
Real estate	61,901,683	46,699,757
Other	1,992,384	1,909,945
	136,589,819	117,494,224
Allowance for loan losses	(637,588)	(636,834)
Deferred loan fees	(39,611)	(38,628)
Loans receivable, net	$ 135,912,620	$ 116,818,762

Note 5. Loans Receivable (Continued)

Changes in the allowance for loan losses by loan segment and loans receivable evaluated for impairment is summarized below:

	December 31, 2016					
	Unsecured	VISA	Vehicle	Real Estate	Other	Total
Allowance for loan losses:						
Balance, beginning of year	$ 51,117	$ 192,154	$ 196,170	$ 153,490	$ 43,903	$ 636,834
Loans charged-off	(87,276)	(122,318)	(267,472)	(17,389)	(48,732)	(543,187)
Recoveries of loans charged-off	13,891	42,417	85,283	2,171	48,179	191,941
Provision for loan losses	83,871	5,617	259,439	12,040	(8,967)	352,000
Balance, end of year	$ 61,603	$ 117,870	$ 273,420	$ 150,312	$ 34,383	$ 637,588
Loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 4,700	$ 4,700
Loans collectively evaluated for impairment	61,603	117,870	273,420	150,312	29,683	632,888
Balance, end of year	$ 61,603	$ 117,870	$ 273,420	$ 150,312	$ 34,383	$ 637,588
Loans receivable:						
Loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 33,800	$ 33,800
Loans collectively evaluated for impairment	4,614,436	15,154,122	52,927,194	61,901,683	1,958,584	136,556,019
Ending balance	$ 4,614,436	$ 15,154,122	$ 52,927,194	$ 61,901,683	$ 1,992,384	$ 136,589,819

As of December 31, 2016, management has identified $33,800 as TDR loans and these are included in the loan segment “Other”. Management believes a specific allowance is needed for $16,508 of these loans, and such allowance was estimated to be $4,700.

Note 5. Loans Receivable (Continued)

	December 31, 2015					
	Unsecured	**VISA**	**Vehicle**	**Real Estate**	**Other**	**Total**
Allowance for loan losses:						
Balance, beginning of year	$ 42,489	$ 179,459	$ 153,942	$ 163,937	$ 49,817	$ 589,644
Loans charged-off	(45,258)	(166,635)	(263,980)	(3,419)	(81,622)	(560,914)
Recoveries of loans charged-off	18,971	54,389	88,358	-	26,386	188,104
Provision for loan losses	34,915	124,941	217,850	(7,028)	49,322	420,000
Balance, end of year	$ 51,117	$ 192,154	$ 196,170	$ 153,490	$ 43,903	$ 636,834
Loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 7,654	$ 7,654
Loans collectively evaluated for impairment	51,117	192,154	196,170	153,490	36,249	629,180
Balance, end of year	$ 51,117	$ 192,154	$ 196,170	$ 153,490	$ 43,903	$ 636,834
Loans receivable:						
Loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 58,631	$ 58,631
Loans collectively evaluated for impairment	4,078,362	15,530,554	49,275,606	46,699,757	1,851,314	117,435,593
Ending balance	$ 4,078,362	$ 15,530,554	$ 49,275,606	$ 46,699,757	$ 1,909,945	$ 117,494,224

As of December 31, 2015, management has identified $58,631 as TDR loans and these are included in the loan segment “Other”. Management believes a specific allowance is needed for $25,776 of these loans, and such allowance was estimated to be $7,654.

The Credit Union assigns an internal grade to loans based upon its evaluation of recent credit scores of borrowers. A grade of high, moderate, or low is assigned to each borrower’s loan. The borrower’s credit scores that were used to develop the internal grades were updated on September 30, 2016 and September 30, 2015, respectively. The Credit Union’s historical loss experience indicates that the likelihood of loan charge-offs (loan losses) is greater for loans graded high as compared to those graded moderate and low. However, historical performance is not necessarily indicative of future results.

Loans receivable by internally assigned risk grade are summarized below:

	December 31, 2016					
	Unsecured	**VISA**	**Vehicle**	**Real Estate**	**Other**	**Total**
Low	$ 2,186,034	$ 12,168,198	$ 37,661,912	$ 51,623,660	$ 963,358	$ 104,603,162
Moderate	1,363,030	2,025,072	8,612,740	2,887,106	422,818	15,310,766
High	1,065,372	960,852	6,652,542	7,390,917	606,208	16,675,891
	$ 4,614,436	$ 15,154,122	$ 52,927,194	$ 61,901,683	$ 1,992,384	$ 136,589,819

Note 5. Loans Receivable (Continued)

	December 31, 2015					
	Unsecured	**VISA**	**Vehicle**	**Real Estate**	**Other**	**Total**
Low	$ 1,897,723	$ 12,835,323	$ 35,477,740	$ 34,332,009	$ 825,474	$ 85,368,269
Moderate	1,304,228	2,017,277	8,238,836	2,959,616	514,091	15,034,048
High	876,411	677,954	5,559,030	9,408,132	570,380	17,091,907
	$ 4,078,362	$ 15,530,554	$ 49,275,606	$ 46,699,757	$ 1,909,945	$ 117,494,224

The aging of loans receivable is summarized below:

	December 31, 2016					
	Current	**1-30 Days Past Due**	**31-60 Days Past Due**	**61-90 Days Past Due**	**91 Days or More Past Due**	**Total Loans**
Unsecured	$ 4,523,646	$ 27,771	$ 14,588	$ 30,031	$ 18,400	$ 4,614,436
VISA	14,784,140	171,050	89,380	18,406	91,146	15,154,122
Vehicle	51,755,782	595,641	165,382	241,850	168,539	52,927,194
Real estate	61,621,704	216,067	-	-	63,912	61,901,683
Other	1,911,250	28,698	21,409	15,199	15,828	1,992,384
	$ 134,596,522	$ 1,039,227	$ 290,759	$ 305,486	$ 357,825	$ 136,589,819

	December 31, 2015					
	Current	**1-30 Days Past Due**	**31-60 Days Past Due**	**61-90 Days Past Due**	**91 Days or More Past Due**	**Total Loans**
Unsecured	$ 3,967,794	$ 27,717	$ 39,451	$ 28,866	$ 14,534	$ 4,078,362
VISA	15,227,997	154,197	43,829	87,634	16,897	15,530,554
Vehicle	48,398,818	375,912	254,450	91,691	154,735	49,275,606
Real estate	46,678,913	3,455	-	-	17,389	46,699,757
Other	1,806,733	69,692	11,199	15,164	7,157	1,909,945
	$ 116,080,255	$ 630,973	$ 348,929	$ 223,355	$ 210,712	$ 117,494,224

The Credit Union discontinues the accrual of interest on a loan when the loan becomes thirty-one days delinquent. Income is subsequently recognized only to the extent cash loan payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments has resumed, in which case the loan is returned to an accrual status. The Credit Union considers loans as performing if they are less than 31 days delinquent.

Note 5. Loans Receivable (Continued)

The aggregate amount of loans on which the accrual of interest has been discontinued at December 31, 2016 and 2015 was $954,069 and $782,996, respectively. Had interest income been recognized for these loans as of December 31, 2016 and 2015, it would have approximated $20,837 and $18,054, respectively.

As of December 31, 2016 and 2015, the Credit Union did not have any loans that were more than thirty-one days past due that were accruing interest.

The credit risk profile by payment activity for each segment of loans receivable is summarized below:

	December 31, 2016					
	Unsecured	VISA	Vehicle	Real Estate	Other	Total
Performing	$ 4,551,417	$ 14,955,190	$ 52,351,424	$ 61,837,771	$ 1,939,948	$ 135,635,750
Non-performing	63,019	198,932	575,770	63,912	52,436	954,069
	$ 4,614,436	$ 15,154,122	$ 52,927,194	$ 61,901,683	$ 1,992,384	$ 136,589,819

	December 31, 2015					
	Unsecured	VISA	Vehicle	Real Estate	Other	Total
Performing	$ 3,995,511	$ 15,382,194	$ 48,774,730	$ 46,682,368	$ 1,876,425	$ 116,711,228
Non-performing	82,851	148,360	500,876	17,389	33,520	782,996
	$ 4,078,362	$ 15,530,554	$ 49,275,606	$ 46,699,757	$ 1,909,945	$ 117,494,224

Note 6. Leaseholds and Equipment

Leaseholds and equipment are summarized as follows:

	2016	2015
Leasehold improvements	$ 493,494	$ 493,494
Furniture and equipment	2,576,709	2,207,353
	3,070,203	2,700,847
Less accumulated amortization and depreciation	(2,061,394)	(1,737,589)
	$ 1,008,809	$ 963,258

Depreciation expense for the years ended December 31, 2016 and 2015 was $351,968 and $341,352, respectively, and is included in occupancy and office operations expenses.

Note 7. Members' Deposit Accounts

Members' deposit accounts are summarized as follows:

	2016	2015
Regular and club shares	$ 75,899,977	$ 74,543,771
Draft shares	24,603,035	22,753,266
Money market shares	89,847,802	85,528,315
Share certificates	52,256,295	46,832,639
	$ 242,607,109	$ 229,657,991

Scheduled maturities of share certificate accounts at December 31, 2016 are summarized as follows:

Years ending December 31:	
2017	$ 31,013,749
2018	8,148,537
2019	5,671,067
2020	2,489,194
2021	4,933,748
	$ 52,256,295

The aggregate amount of members' term deposit accounts over $250,000 at December 31, 2016 and 2015 was $11,133,501 and $9,117,526, respectively.

Note 8. Employee Benefit Plans

Defined Benefit Plan:

The Credit Union participates in a defined benefit retirement plan sponsored by Dominion Resources, Inc. Pension expense for the years ended December 31, 2016 and 2015 was $243,490 and $300,566, respectively, which is based on rates established by Dominion Resources, Inc. The Credit Union's contributions are such that the pension obligation is entirely the responsibility of Dominion Resources, Inc., which retains all risk relative to asset returns, interest rate changes, and the effects of other trends. No asset or liability has been recorded by the Credit Union for the pension obligation, and upon retirement all benefits are provided by Dominion Resources, Inc.

Defined Contribution Plan:

The Credit Union participates in a defined contribution retirement plan sponsored by Dominion Resources, Inc. Pension expense for the years ended December 31, 2016 and 2015 was $53,052 and $46,425, respectively.

Note 8. Employee Benefit Plans (Continued)

Postretirement Health Benefit Plan:

The Credit Union participates in a postretirement health benefit plan sponsored by Dominion Resources, Inc. In the fourth quarter of 2013, Dominion amended the plan to change the medical coverage for certain Medicare-eligible retirees effective April 2014. The net periodic benefit credit for 2016 and 2015 totaled $167,259 and $181,364, respectively. The Credit Union’s arrangements for other postretirement health benefits, as with the pension plan, result in no asset or liability recorded by the Credit Union. Upon retirement, all benefits are provided by Dominion Resources, Inc.

Note 9. Lines of Credit

The Credit Union maintains a line of credit with a Corporate Credit Union totaling $10,500,000, collateralized by the deposit account assets of the Credit Union to the extent of the borrowings outstanding. The Credit Union did not have an outstanding balance at December 31, 2016 or 2015.

The Credit Union is also a member of the Federal Home Loan Bank (FHLB) System which provides approved borrowing opportunities based on total assets of the Credit Union and is secured by the Credit Union’s loan portfolio and $12,000,000 in securities held in safekeeping with the FHLB. The total credit available at December 31, 2016 totaled $61,585,750 and $48,868,200 at December 31, 2015. Terms vary depending on the type of lending needed. The Credit Union had an outstanding balance due to the FHLB System of $7,000,000 and $5,000,000 at December 31, 2016 and 2015, respectively.

The Credit Union is also a member of the Federal Reserve Bank of Richmond (FRB) System which provides approved borrowing through its discount window and is secured by United States government agency securities in the amount of $12,000,000 held in safekeeping with the FRB. The total credit available was $11,743,448 and $11,664,156 at December 31, 2016 and 2015, respectively. The Credit Union had no outstanding balance due to the FRB System at December 31, 2016 or 2015.

Note 10. Related Party Transactions

Loans to Credit Union officials and senior executive staff as of December 31, 2016 and 2015 amounted to $269,001 and $406,230, respectively, and are made on the same terms and conditions as loans made to other members.

Deposit accounts of Credit Union officials and senior executive staff as of December 31, 2016 and 2015 amounted to $1,349,004 and $1,392,889, respectively.

(Continued)

Note 11. Commitments, Concentrations, and Contingencies

Lease Commitment:

Minimum annual branch operating lease commitments at December 31, 2016 are summarized as follows:

Years ending December 31:	
2017	$ 206,924
2018	212,537
2019	218,347
2020	224,360
2021	230,463
	$ 1,092,631

Rent expense for 2016 and 2015 was $200,613 and $195,423, respectively.

Credit Extension Commitment:

Commitments to extend credit are off-balance sheet agreements to extend credit to a member as long as there is no violation of any condition established in the lending contract. These commitments represent agreements to extend credit on home equity and credit card lines of credit that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recorded in the financial statements. The Credit Union's exposure to credit loss in the event of nonperformance by the member to the financial instrument for commitments to extend credit is represented by the commitment amount of these instruments noted below.

For each commitment to extend credit, the Credit Union evaluates the member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of the commitment, is based on the type of commitment and management's credit evaluation of the member. Collateral, if required, varies but generally includes residential real estate for home equity commitments. The commitments for lines of credit established for credit card accounts are unsecured and require no collateral.

A summary of the Credit Union's credit commitments is as follows:

	2016	2015
Home equity	$ 4,816,824	$ 5,582,584
Credit card	54,711,469	51,972,221
	$ 59,528,293	$ 57,554,805

Note 11. Commitments, Concentrations, and Contingencies (Continued)

Mortgage Loan Sale Commitment:

As of December 31, 2016 and 2015, the Credit Union did not have any commitments to sell mortgage loans.

Investment Security Concentration:

At December 31, 2016, the Credit Union's investment of $133,530,220 in government sponsored enterprise securities is concentrated as follows:

	Percentage	Amount
U.S. Treasury	16%	$ 21,063,210
Federal Agriculture Mortgage Corporation	19	24,897,090
Federal Farm Credit Bank	10	13,963,700
Federal Home Loan Bank	37	49,941,950
Federal Home Loan Mortgage Corporation	7	9,018,390
Federal National Mortgage Association	11	14,645,880
	100%	$ 133,530,220

At December 31, 2015, the Credit Union's investment of $136,823,107 in government sponsored enterprise securities is concentrated as follows:

	Percentage	Amount
U.S. Treasury	18%	$ 24,131,700
Federal Agriculture Mortgage Corporation	16	22,140,820
Federal Farm Credit Bank	12	16,850,220
Federal Home Loan Bank	45	61,797,057
Federal Home Loan Mortgage Corporation	7	8,940,510
Federal National Mortgage Association	2	2,962,800
	100%	$ 136,823,107

U.S. government corporation and agency securities are not an obligation of, and are not guaranteed by, the U.S. government.

Geographical Concentration:

The Credit Union has a significant concentration of loans to members residing and employed in the Richmond, Virginia metropolitan area. Although the Credit Union has a diversified loan portfolio, a substantial portion of its members' ability to honor their contracts is dependent upon the condition of the local economies within the Richmond, Virginia metropolitan area.

Note 11. Commitments, Concentrations, and Contingencies (Continued)

Sponsor Concentration:

The Credit Union has a significant concentration of loans to members employed at Dominion Resources, Inc. Although the Credit Union has a diversified loan portfolio, a substantial portion of its members' ability to honor their contracts is dependent upon the employment stability of this company.

Note 12. Fair Value of Financial Instruments

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The *Codification* requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability which are developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability which are developed based on the best information available in the circumstances.

In that regard, the *Codification* establishes a fair value hierarchy for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

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

(Continued)

Note 12. Fair Value of Financial Instruments (Continued)

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

The following methods were used by the Credit Union in estimating fair values of financial instruments:

Investments Available-for-Sale: The fair value of available-for-sale investment securities is estimated based on quoted prices for similar assets quoted by recognized investment broker dealers. This estimate is classified as Level 2 within the valuation hierarchy.

The following table summarizes the investments available-for-sale measured at fair value on a recurring basis as of December 31, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

December 31, 2016

	Total	Level 1	Level 2	Level 3
Investments available-for-sale	$ 133,530,220	$ -	$ 133,530,220	$ -

December 31, 2015

	Total	Level 1	Level 2	Level 3
Investments available-for-sale	$ 136,823,107	$ -	$ 136,823,107	$ -

Changes in Fair Value Hierarchy:

At each reporting date, the Credit Union assesses the classification of the financial instruments measured at fair value. The assessment of the classification in the fair value hierarchy requires judgment, for example the importance of unobservable inputs used in determining the fair value. As a result, the outcome of the classification process may differ between reporting periods. There have been no changes in the classification process or valuation techniques used to measure Level 2 and Level 3 instruments during the period.

Note 12. Fair Value of Financial Instruments (Continued)

Nonrecurring Measurements:

The Credit Union may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write downs of individual assets. Assets measured at fair value on a nonrecurring basis that were still held in the balance sheet at year-end include impaired loans, which are discussed in Note 5.

Note 13. Regulatory Capital Requirements

The Credit Union is subject to regulatory net worth ratio requirements administered by the NCUA. In addition, the regulators have also established Risk Based Net Worth (RBNW) requirements for complex credit unions, based on risk-weighting formulas on specific assets, liabilities, and off-balance sheet items which qualify under the regulations. Failure to meet minimum regular net worth ratio requirements, or adjusted net worth due to RBNW requirements, can initiate certain actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios of net worth to assets (as defined in the regulations). The minimum regular net worth ratio to be considered well capitalized is 7% for a non-complex credit union. If a credit union's RBNW ratio exceeds 6%, it is considered complex, and the minimum regular net worth ratio requirement of 7% is changed based on the RBNW ratio requirement. As of December 31, 2016, the Credit Union's RBNW ratio was 5.7% and therefore, it was not considered a complex credit union. The Credit Union's net worth ratio as of December 31, 2016 was 11.71% and it was considered to be well capitalized.

The Credit Union's actual capital amounts and ratios are presented in the following table at December 31:

	2016		2015	
	Amount	Ratio Requirement	Amount	Ratio Requirement
Risk-based net worth	$ 16,116,361	5.70%	$ 17,305,404	6.50%
Amount needed to be classified as "well capitalized"	$ 16,116,361	5.70%	$ 17,305,404	6.50%
Actual net worth	$ 32,173,766	11.71%	$ 30,608,905	11.49%

As of December 31, 2016, in performing its calculation of total assets, the Credit Union used the average assets of the current and three preceding quarter-ends which was $274,596,304.

As of December 31, 2015, in performing its calculation of total assets, the Credit Union used the total assets at quarter-end which was $266,236,981.