DOMINION ENERGY CREDIT UNION

FINANCIAL REPORT

December 31, 2018

CONTENTS

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Dominion Energy Credit Union, which comprise the statements of financial condition as of December 31, 2018 and 2017, 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 Energy Credit Union as of December 31, 2018 and 2017, 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
March 14, 2019

DOMINION ENERGY CREDIT UNION

STATEMENTS OF FINANCIAL CONDITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 3,706,205	$ 1,417,304
Certificates of deposit	-	600,000
Investments available-for-sale (Note 2)	118,614,000	127,219,671
Other investments (Note 3)	1,444,565	1,052,491
Loans to members, net of allowance for loan losses (Note 4)	171,425,860	154,500,327
Accrued interest receivable	913,601	785,923
Leaseholds and equipment (Note 5)	1,202,806	1,542,240
NCUSIF deposit	2,517,408	2,425,599
Other assets	310,344	238,334
Total assets	$ 300,134,789	$ 289,781,889
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' deposit accounts (Note 6)	$ 253,696,757	$ 255,160,454
Lines of credit and advances (Note 8)	10,000,000	182,515
Accrued expenses and other liabilities	1,657,665	1,860,364
Total liabilities	265,354,422	257,203,333
MEMBERS' EQUITY (Note 12)		
Regular reserve	2,229,057	2,229,057
Undivided earnings	34,250,196	31,674,531
Accumulated other comprehensive income (loss)	(1,698,886)	(1,325,032)
Total members' equity	34,780,367	32,578,556
Total liabilities and members' equity	$ 300,134,789	$ 289,781,889

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

DOMINION ENERGY CREDIT UNION

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Years Ended December 31, 2018 and 2017

	2018	2017
INTEREST INCOME		
Loans receivable	$ 7,454,947	$ 6,638,774
Investments	2,341,148	1,806,608
Total interest income	9,796,095	8,445,382
INTEREST EXPENSE		
Dividends on members' shares and savings accounts	2,047,907	1,737,313
Interest expense	146,886	20,956
Total interest expense	2,194,793	1,758,269
Net interest income	7,601,302	6,687,113
PROVISION FOR LOAN LOSSES (Note 4)	360,000	330,000
Net interest income after provision for loan losses	7,241,302	6,357,113
NON-INTEREST INCOME		
Fees and charges	2,264,374	2,131,945
Gain on sale of mortgages	4,050	3,367
Total non-interest income	2,268,424	2,135,312
NON-INTEREST EXPENSES		
Compensation and benefits (Note 7)	3,244,718	3,032,671
Office and operating expenses	3,689,343	3,729,929
Total non-interest expense	6,934,061	6,762,600
Net income	2,575,665	1,729,825
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized loss on investments available-for-sale	(373,854)	(639,988)
Total comprehensive income	$ 2,201,811	$ 1,089,837

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

DOMINION ENERGY CREDIT UNION

STATEMENTS OF CHANGES IN MEMBERS' EQUITY
Years Ended December 31, 2018 and 2017

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, December 31, 2016	$ 2,229,057	$ 29,944,706	$ (685,044)	$ 31,488,719
Net income	-	1,729,825	-	1,729,825
Other comprehensive loss	-	-	(639,988)	(639,988)
BALANCE, December 31, 2017	2,229,057	31,674,531	(1,325,032)	32,578,556
Net income	-	2,575,665	-	2,575,665
Other comprehensive loss	-	-	(373,854)	(373,854)
BALANCE, December 31, 2018	$ 2,229,057	$ 34,250,196	$ (1,698,886)	$ 34,780,367

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

DOMINION ENERGY CREDIT UNION

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Net income	$ 2,575,665	$ 1,729,825
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	564,051	441,446
Provision for loan losses	360,000	330,000
Amortization of investment discounts and premiums, net	168,245	290,139
Accretion of deferred loan fees and costs, net	(4,786)	(3,725)
(Increase) decrease in:		
Accrued interest receivable	(127,678)	(83,934)
Other assets	(72,010)	95,021
Increase (decrease) in accrued expenses and other liabilities	(47,880)	167,213
Net cash provided by operating activities	3,415,607	2,965,985
INVESTING ACTIVITIES		
Proceeds from certificate of deposit	600,000	-
Purchases of investments available-for-sale	(32,936,428)	(45,619,578)
Proceeds from investments available-for-sale	41,000,000	51,000,000
(Increase) decrease in other investments	(392,074)	232,608
Increase in loans to members, net	(17,280,747)	(18,913,982)
Purchases of leaseholds and equipment	(379,436)	(929,076)
Increase in NCUSIF deposit	(91,809)	(194,443)
Net cash used in investing activities	(9,480,494)	(14,424,471)
FINANCING ACTIVITIES		
Increase (decrease) in members' shares, net	(1,463,697)	12,553,345
Line of credit advances (payments), net	9,817,485	(6,817,485)
Net cash provided by financing activities	8,353,788	5,735,860
Net increase (decrease) in cash and cash equivalents	2,288,901	(5,722,626)
CASH AND CASH EQUIVALENTS		
Beginning	1,417,304	7,139,930
Ending	$ 3,706,205	$ 1,417,304
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest and dividends paid	$ 2,184,273	$ 1,759,811
Equipment financed by accounts payable	$ -	$ 154,819

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

Note 1. Nature of Business and Organization and Significant Accounting Policies

Dominion Energy 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.

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, 2018 and 2017 totaled $3,246,943 and $918,458. Cash and cash equivalents restricted for compensating balances at December 31, 2018 and 2017 were $175,900 and $168,500, 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. There were no certificates of deposit as of December 31, 2018.

Investments

Debt 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.

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.

(Continued)

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

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, 2018 and 2017, there were no mortgages held for sale.

Real estate loans totaling $405,000 were originated for sale and sold during 2018, with gross gains of $4,050 realized. Real estate loans totaling $336,700 were originated for sale and sold during 2017, with gross gains of $3,367 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.

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.

(Continued)

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

Allowance for Loan Losses (Continued)

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 degree of risk varies by loan segment, but for all loans is dependent upon the capacity of the borrower to repay the loan. The segments are as follows:

Unsecured Loans: Unsecured loans generally do not require collateral.

Visa Loans: Credit card loans generally do not require collateral.

Vehicle Loans: 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 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.

Other Loans: Other loans include share and certificate secured loans and recreational vehicle loans. 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). These loans are generally unsecured and do not have collateral.

(Continued)

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

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.

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, 2018 to be immaterial.

(Continued)

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

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 $318,000 and $286,000 for 2018 and 2017, 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 March 14, 2019, 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 2. 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, 2018

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 23,993,645	$ -	$ (339,335)	$ 23,654,310
U.S. government corporation and agency securities	96,319,241	53,593	(1,413,144)	94,959,690
Total available-for-sale securities	$ 120,312,886	$ 53,593	$ (1,752,479)	$ 118,614,000

December 31, 2017

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 26,969,182	$ -	$ (190,882)	$ 26,778,300
U.S. government corporation and agency securities	101,575,521	-	(1,134,150)	100,441,371
Total available-for-sale securities	$ 128,544,703	$ -	$ (1,325,032)	$ 127,219,671

The amortized cost and fair value of available-for-sale securities as of December 31, 2018 by contractual maturity is summarized as follows:

	Amortized Cost	Fair Value
Due within one year	$ 20,999,696	$ 20,842,020
Due after one year through five years	99,313,190	97,771,980
	$ 120,312,886	$ 118,614,000

Note 2. Investments Available-for-Sale (Continued)

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, 2018

	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	$ 32,847,240	$ 100,363	$ 85,766,760	$ 1,598,523

December 31, 2017

	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	$ 67,856,150	$ 632,341	$ 59,363,521	$ 692,691

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, 2018 and 2017.

No investments were sold in 2018 or 2017 with realized gains or losses.

Note 3. Other Investments

Other investments carried at cost are summarized as follows:

	2018	2017
Corporate credit union membership shares	$ 250,000	$ 250,000
FHLB stock and DIA Investment	685,900	297,100
Investments in credit union service organizations	508,665	505,391
	$ 1,444,565	$ 1,052,491

(Continued)

Note 4. Loans Receivable

Loans receivable are summarized as follows:

	2018	2017
Unsecured	$ 5,781,362	$ 5,341,310
VISA	14,994,808	15,225,131
Vehicle	67,781,345	58,434,513
Real estate	81,350,340	74,330,331
Other	2,153,762	1,899,467
	172,061,617	155,230,752
Allowance for loan losses	(604,657)	(694,539)
Deferred loan fees	(31,100)	(35,886)
Loans receivable, net	$ 171,425,860	$ 154,500,327

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

	December 31, 2018					
	Unsecured	VISA	Vehicle	Real Estate	Other	Total
Allowance for loan losses:						
Balance, beginning of year	$ 60,040	$ 75,012	$ 334,467	$ 168,405	$ 56,615	$ 694,539
Loans charged-off	(143,048)	(113,445)	(375,152)	-	(47,687)	(679,332)
Recoveries of loans charged-off	26,320	46,068	142,160	969	13,933	229,450
Provision for loan losses	165,280	94,604	83,231	(13,178)	30,063	360,000
Balance, end of year	$ 108,592	$ 102,239	$ 184,706	$ 156,196	$ 52,924	$ 604,657
Loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 26,742	$ 26,742
Loans collectively evaluated for impairment	108,592	102,239	184,706	156,196	26,182	577,915
Balance, end of year	$ 108,592	$ 102,239	$ 184,706	$ 156,196	$ 52,924	$ 604,657
Loans receivable:						
Loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 102,584	$ 102,584
Loans collectively evaluated for impairment	5,781,362	14,994,808	67,781,345	81,350,340	2,051,178	171,959,033
Ending balance	$ 5,781,362	$ 14,994,808	$ 67,781,345	$ 81,350,340	$ 2,153,762	$ 172,061,617

As of December 31, 2018, management has identified $102,584 as TDR loans and these are included in the loan segment “Other.” Management believes a specific allowance is needed for these loans, and such allowance was estimated to be $26,742.

(Continued)

Note 4. Loans Receivable (Continued)

	December 31, 2017					
	Unsecured	VISA	Vehicle	Real Estate	Other	Total
Allowance for loan losses:						
Balance, beginning of year	$ 61,603	$ 117,870	$ 273,420	$ 150,312	$ 34,383	$ 637,588
Loans charged-off	(104,985)	(201,652)	(213,289)	-	(41,913)	(561,839)
Recoveries of loans charged-off	25,219	77,112	142,041	17,539	26,879	288,790
Provision for loan losses	78,203	81,682	132,295	554	37,266	330,000
Balance, end of year	$ 60,040	$ 75,012	$ 334,467	$ 168,405	$ 56,615	$ 694,539
Loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 10,938	$ 10,938
Loans collectively evaluated for impairment	60,040	75,012	334,467	168,405	45,677	683,601
Balance, end of year	$ 60,040	$ 75,012	$ 334,467	$ 168,405	$ 56,615	$ 694,539
Loans receivable:						
Loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 54,429	$ 54,429
Loans collectively evaluated for impairment	5,341,310	15,225,131	58,434,513	74,330,331	1,845,038	155,176,323
Ending balance	$ 5,341,310	$ 15,225,131	$ 58,434,513	$ 74,330,331	$ 1,899,467	$ 155,230,752

As of December 31, 2017, management has identified $54,429 as TDR loans and these are included in the loan segment "Other." Management believes a specific allowance is needed for these loans, and such allowance was estimated to be $10,938.

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, 2018 and September 30, 2017, 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, 2018					
	Unsecured	VISA	Vehicle	Real Estate	Other	Total
Low	$ 2,941,533	$ 12,208,426	$ 52,545,762	$ 73,945,120	$ 1,205,687	$ 142,846,528
Moderate	1,839,574	1,993,260	10,099,026	5,245,325	403,678	19,580,863
High	1,000,255	793,122	5,136,557	2,159,895	544,397	9,634,226
	$ 5,781,362	$ 14,994,808	$ 67,781,345	$ 81,350,340	$ 2,153,762	$ 172,061,617

Note 4. Loans Receivable (Continued)

	December 31, 2017					
	Unsecured	VISA	Vehicle	Real Estate	Other	Total
Low	$ 2,751,696	$ 12,714,629	$ 43,212,751	$ 61,856,813	$ 933,755	$ 121,469,644
Moderate	1,584,519	1,893,271	9,221,039	3,613,500	441,438	16,753,767
High	1,005,095	617,231	6,000,723	8,860,018	524,274	17,007,341
	$ 5,341,310	$ 15,225,131	$ 58,434,513	$ 74,330,331	$ 1,899,467	$ 155,230,752

The aging of loans receivable is summarized below:

	December 31, 2018					
	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	$ 5,676,264	$ 46,411	$ 13,186	$ 10,924	$ 34,577	$ 5,781,362
VISA	14,613,742	170,098	63,006	23,512	124,450	14,994,808
Vehicle	67,068,256	286,627	97,328	60,038	269,096	67,781,345
Real estate	80,821,657	330,476	131,288	-	66,919	81,350,340
Other	2,069,688	-	4,479	58,902	20,693	2,153,762
	$ 170,249,607	$ 833,612	$ 309,287	$ 153,376	$ 515,735	$ 172,061,617

	December 31, 2017					
	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	$ 5,237,149	$ 44,508	$ 17,769	$ 31,343	$ 10,541	$ 5,341,310
VISA	14,919,917	172,912	72,294	2,642	57,366	15,225,131
Vehicle	57,564,702	312,411	225,036	171,342	161,022	58,434,513
Real estate	74,115,175	177,538	-	-	37,618	74,330,331
Other	1,822,663	38,732	20,490	12,239	5,343	1,899,467
	$ 153,659,606	$ 746,101	$ 335,589	$ 217,566	$ 271,890	$ 155,230,752

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 4. Loans Receivable (Continued)

The aggregate amount of loans on which the accrual of interest has been discontinued at December 31, 2018 and 2017 was $1,435,123 and $825,044, respectively. Had interest income been recognized for these loans as of December 31, 2018 and 2017, it would have approximated $20,547 and $16,086, respectively.

As of December 31, 2018 and 2017, 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, 2018					
	Unsecured	VISA	Vehicle	Real Estate	Other	Total
Performing	$ 5,722,675	$ 14,783,840	$ 67,354,883	$ 81,152,133	$ 2,069,688	$ 171,083,219
Non-performing	58,687	210,968	426,462	198,207	84,074	978,398
	$ 5,781,362	$ 14,994,808	$ 67,781,345	$ 81,350,340	$ 2,153,762	$ 172,061,617

	December 31, 2017					
	Unsecured	VISA	Vehicle	Real Estate	Other	Total
Performing	$ 5,371,657	$ 15,092,830	$ 57,877,113	$ 74,292,713	$ 1,861,395	$ 154,495,708
Non-performing	59,653	132,301	557,400	37,618	38,072	825,044
	$ 5,431,310	$ 15,225,131	$ 58,434,513	$ 74,330,331	$ 1,899,467	$ 155,320,752

Note 5. Leaseholds and Equipment

Leaseholds and equipment are summarized as follows:

	2018	2017
Leasehold improvements	$ 176,366	$ 504,180
Furniture and equipment	3,330,368	3,507,364
	3,506,734	4,011,544
Less accumulated amortization and depreciation	(2,303,928)	(2,469,304)
	$ 1,202,806	$ 1,542,240

Depreciation expense for the years ended December 31, 2018 and 2017 was $564,051 and $441,446, respectively, and is included in occupancy and office operations expenses.

Note 6. Members' Deposit Accounts

Members' deposit accounts are summarized as follows:

	2018	2017
Regular and club shares	$ 77,669,886	$ 78,272,193
Draft shares	24,726,654	23,092,843
Money market shares	102,962,946	101,890,700
Share certificates	48,337,271	51,904,718
	$ 253,696,757	$ 255,160,454

Scheduled maturities of share certificate accounts at December 31, 2018 are summarized as follows:

Years ending December 31:	
2019	$ 24,698,427
2020	7,287,248
2021	7,632,610
2022	6,547,851
2023	2,171,135
	$ 48,337,271

The aggregate amount of members' term deposit accounts over $250,000 at December 31, 2018 and 2017 was $11,908,441 and $12,330,015, respectively.

Note 7. Employee Benefit Plans

Defined Benefit Plan

The Credit Union participates in a defined benefit retirement plan sponsored by Dominion Energy. Pension expense for the years ended December 31, 2018 and 2017 was $341,672 and $316,235, respectively, which is based on rates established by Dominion Energy. The Credit Union's contributions are such that the pension obligation is entirely the responsibility of Dominion Energy, 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 Energy.

Defined Contribution Plan

The Credit Union participates in a defined contribution retirement plan sponsored by Dominion Energy. Pension expense for the years ended December 31, 2018 and 2017 was $63,224 and $55,824, respectively.

(Continued)

Note 7. Employee Benefit Plans (Continued)

Postretirement Health Benefit Plan

The Credit Union participates in a postretirement health benefit plan sponsored by Dominion Energy. The net periodic benefit credit for 2018 and 2017 totaled $224,677 and $199,565, 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 Energy.

Note 8. Lines of Credit and Advances

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 had an outstanding balance of $-0- and $182,515 at December 31, 2018 and 2017.

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, 2018 totaled $65,330,750 and $74,111,250 at December 31, 2017. Terms vary depending on the type of lending needed. The Credit Union had an outstanding balance due to the FHLB System of $10,000,000 and $-0- at December 31, 2018 and 2017, 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 $11,472,703 and $11,602,149 at December 31, 2018 and 2017, respectively. The Credit Union had no outstanding balance due to the FRB System at December 31, 2018 or 2017.

Note 9. Related Party Transactions

Loans to Credit Union officials and senior executive staff as of December 31, 2018 and 2017 amounted to $266,083 and $302,922, 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, 2018 and 2017 amounted to $2,158,046 and $2,098,641, respectively.

(Continued)

Note 10. Commitments, Concentrations, and Contingencies

Lease Commitment

Minimum annual branch operating lease commitments at December 31, 2018 are summarized as follows:

Years ending December 31:	
2019	$ 185,231
2020	259,310
2021	265,492
2022	271,845
2023	278,270
Thereafter	685,996
	$ 1,946,144

Rent expense for 2018 and 2017 was $206,483 and $205,479, respectively.

In November 2018, the Credit Union entered into an 87 month lease commitment for commercial space to be used for an operations center. Move-in and lease commencement is anticipated to be May 2019.

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:

	2018	2017
Home equity	$ 4,543,908	$ 4,745,721
Credit card	62,235,491	58,213,787
	$ 66,779,399	$ 62,959,508

Note 10. Commitments, Concentrations, and Contingencies (Continued)

Mortgage Loan Sale Commitment

As of December 31, 2018 and 2017, the Credit Union did not have any commitments to sell mortgage loans.

Investment Security Concentration

At December 31, 2018, the Credit Union's investment of $118,614,000 in government sponsored enterprise securities is concentrated as follows:

	Percentage	Amount
U.S. Treasury	20%	$ 23,654,310
Federal Agriculture Mortgage Corporation	10	11,827,620
Federal Farm Credit Bank	10	11,787,210
Federal Home Loan Bank	28	32,997,150
Federal Home Loan Mortgage Corporation	17	20,796,120
Federal National Mortgage Association	15	17,551,590
	100%	$ 118,614,000

At December 31, 2017, the Credit Union's investment of $127,219,671 in government sponsored enterprise securities is concentrated as follows:

	Percentage	Amount
U.S. Treasury	21%	$ 26,778,300
Federal Agriculture Mortgage Corporation	16	20,862,990
Federal Farm Credit Bank	9	11,890,290
Federal Home Loan Bank	30	38,176,700
Federal Home Loan Mortgage Corporation	12	14,851,320
Federal National Mortgage Association	12	14,660,071
	100%	$ 127,219,671

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 10. Commitments, Concentrations, and Contingencies (Continued)

Sponsor Concentration

The Credit Union has a significant concentration of loans to members employed at Dominion Energy. 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 11. 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.

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.

Note 11. Fair Value of Financial Instruments (Continued)

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, 2018 and 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

December 31, 2018

	Total	Level 1	Level 2	Level 3
Investments available-for-sale	$ 118,614,000	$ -	$ 118,614,000	$ -

December 31, 2017

	Total	Level 1	Level 2	Level 3
Investments available-for-sale	$ 127,219,671	$ -	$ 127,219,671	$ -

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.

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 4.

Note 12. 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, 2018, the Credit Union's RBNW ratio was 6.60% and therefore, it was considered a complex credit union. The Credit Union's net worth ratio as of December 31, 2018 was 12.15% 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:

	2018		2017	
	Amount	Ratio Requirement	Amount	Ratio Requirement
Risk-based net worth	$ 19,808,896	6.60%	$ 18,661,954	6.44%
Amount needed to be classified as "well capitalized"	$ 19,808,896	6.60%	$ 18,661,954	6.44%
Actual net worth	$ 36,479,253	12.15%	$ 33,903,588	11.69%