Your savings federally insured to at least $250,000 and backed by the full faith and credit of the United States Government

NCUA

National Credit Union Administration, a U.S. Government Agency

Federally Insured by NCUA

MICHIGAN STATE UNIVERSITY®
FEDERAL CREDIT UNION
Building Dreams *Together*

ANNUAL REPORT 2015

Building Dreams Together

CONTENTS

An attendee observes pieces on display at MSUFCU's Headquarters during the MSU College of Communications Arts and Sciences Art Exhibit held on January 15, 2015.

VISION

In November of 1937, six Michigan State University professors founded Michigan State University Federal Credit Union as a safe place for MSU professors to borrow and save money during a tough economic climate. In 78 years, with the help of our members, employees, and the community, we have grown to become the world's largest university-based credit union, the 51st largest credit union in the country, and the third largest credit union in the state.

Our success is attributed to the relationships we have built with our members and community partners. Ongoing communication with members helps us understand their unique needs and create new and innovative products and services to support their financial goals and dreams. We provide each member with a personal experience and financial education to last a lifetime.

At MSUFCU, we pride ourselves on helping our employees and members succeed through community involvement. From hosting art exhibits to volunteering with animals and donating to local organizations, giving back to our community is one of our core values and is part of the culture here at MSUFCU.

MSUFCU's Core Values

MSUFCU's mission:
To provide superior service while assisting members and employees to achieve financial security, their goals, and ultimately, their dreams.

WILLIAM BEEKMAN, J.D.

MSUFCU'S Chairman of the Board

Dear Members,

On behalf of MSU Federal Credit Union's Board of Directors and executive management team, I am pleased to present our 2015 Annual Report.

In 2015, the Credit Union experienced significant member, loan, and facility growth. From reaching more than $3 billion in assets and more than $2 billion in loans to serving over 208,000 members, we have much to be proud of.

As a result of this growth, we now employ nearly 650 people in Greater Lansing and Oakland County, and this year we opened our fifteenth branch. Additionally, we began construction on the second building on our headquarters campus. These accomplishments help pave the way for MSUFCU's future success.

Over the years, the Credit Union has established a reputation for its exemplary work in the community and for being an outstanding employer. In 2015, MSUFCU continued the tradition in these areas by supporting 620 local organizations through donations and volunteer efforts. Multiple charitable groups also benefited from employee donations throughout the year, which included nearly $70,000 to the Michigan Youth Opportunities Initiative and an unprecedented $100,000 for the Capital Area United Way. The Credit Union also earned national recognition as one of the Nation's Best and Brightest Companies to Work For,™ illustrating our dedication not only to our community and our members but also to those who work to provide the superior service for which we are known.

In 2015, the Credit Union underwent a major leadership change. In March, April Clobes took over as President and CEO, succeeding Pat McPharlin, who had been President and CEO for the prior 14 years. We thank Pat for his many years of service, and we are looking forward to all that MSUFCU will accomplish under April's leadership.

On behalf of your Board of Directors, I would like to thank our management team and employees, and most importantly—our members—for making 2015 a year to remember.

Sincerely,

W Beekman

William Beekman, J.D.
Chairman of the Board

APRIL M. CLOBES

MSUFCU'S President and CEO

Dear Members,

As I look back on my first year as President and CEO of this outstanding organization, I am proud of the many accomplishments of our entire team. The Credit Union has grown to $3 billion in assets, and we now serve over 208,000 members.

I think our founding board members would be both proud and impressed with how their dream has flourished over the past 78 years.

Although we serve many more members each year, our primary focus continues to be on our service to members. Every day, I hear positive comments from the members about their accounts and service at the Credit Union. Because of our outstanding service and our favorably-priced deposits and loans, our members continue to increase their business and interaction with the Credit Union. In fact, on average, each member connects with their accounts over 100 times per month—these interactions occur across a variety of channels including branch visits, calls to the call center, online chats, logins to the mobile app and ComputerLine, ATM transactions, and more.

In 2015, we opened our fifteenth branch, Meridian Crossing, in Okemos, Michigan. This branch serves over 27,000 members who live within five miles of the branch. We also broke ground on the second building on our headquarters campus. As we have grown to over 640 employees to serve our members' needs, our current headquarters building has reached its ten-year capacity. When complete, the new building will hold our fastest growing member-supporting departments: Call Center, eServices, and Information Technology.

Again in 2015, MSUFCU was recognized for its positive workplace culture and environment. In 2015, the Credit Union was honored with 11 workplace awards including: The Principal 10 Best Companies for Employee Financial Security; Great Place to Work for Millennials and for Women published by Fortune magazine; and the 101 Best and Brightest Companies to Work For: Best of the Best Overall.

Despite the continued economic recovery, the Credit Union had an extremely strong financial year. We ended 2015 with $3,034,088,548 in assets, member equity grew to $322,086,859, and members maintained share accounts of $2,613,204,640. Loans to members reached $2,053,675,062, and with these loans, our members saved over $9 million in interest by refinancing their high-rate loans from other financial institutions to the Credit Union.

2015 was a year of tremendous opportunity and growth for the Credit Union, and our success would not have been possible without the continued support of our members, employees, and the communities we serve.

I am honored to serve as your President and CEO, and I thank you for your continued membership and trust in MSUFCU. I am looking forward to another amazing year in 2016.

Sincerely,

April M Clobes

April M. Clobes
President and Chief Executive Officer

BOARD OF DIRECTORS

Back Row, From Left:
Bill Latta, Jack Brick, Gregory Deppong, Ernest Betts

Front Row, From Left:
Sue Carter, Angela Brown, Bill Beekman, Janet Lillie, Michael Hudson

EXECUTIVE MANAGEMENT

Back Row, From Left:
Jeff Jackson, Lea Ammerman, Silvia Dimma, April Clobes, Sara Dolan, Jim Hunsanger, Deidre Davis

Front Row, From Left:
Dennis Dorogi, Samantha Amburgey, Whitney Anderson-Harrell


We Did It.
Together.
We Did It.
Together.

Throughout 2015, MSUFCU helped members meet their goals and achieve their dreams. From owning their first homes and purchasing their dream cars to saving for their children's educations, MSUFCU was there for them every step of the way. We take pride in saving members money and offering products and services that are fresh, innovative, and personalized for our members' varied needs.

2015 ACCOMPLISHMENTS

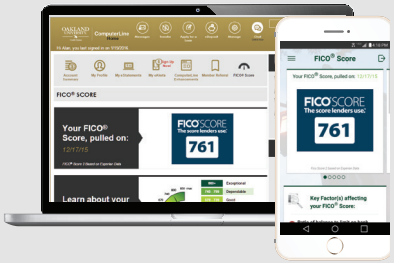
208,650 MEMBERS

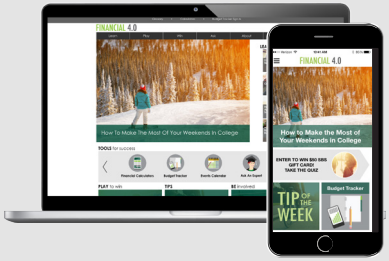
$3.03 BILLION IN ASSETS

$2.05 BILLION IN LOANS

$9,146,224 SAVED IN INTEREST

NEW PRODUCTS & SERVICES





MY FICO®

This exciting new sevice allows members to view their FICO® Credit Scores and see key factors that affect their scores. In the first 24 hours, 2,017 members enrolled in My FICO® through ComputerLine and the mobile apps!

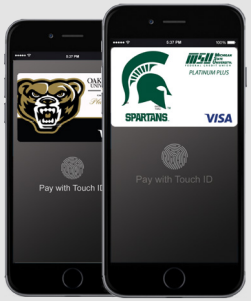
PayCards

PayCards are a safe, convenient, and free way for MSU and Quality Dairy employees to access their payroll. Working just like debit cards, individuals can make purchases wherever Visa is accepted and withdraw funds from ATMs.

Financial 4.0®

This financial education mobile app and website is a fun and interactive way for college students to expand their financial literacy through games, quizzes, blog posts, and more. The app was downloaded 817 times in 2015.

Carculator is a new tool and app on MSUFCU's Facebook page that helps members determine the amount they can afford for an auto loan by inputting information such as purchase price, down payment, term, and interest rate. The ***Car***culator will then calculate the monthly payment.



Apple Pay®

Members never have to worry about forgetting their wallets: Apple Pay® allows members to pay for purchases with the tap of a finger at over one million stores. Over 1,400 members used Apple Pay® in 2015.

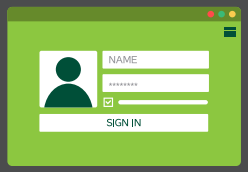
Saving with Piggy

This educational app, available for both Android™ and iOS, helps young children learn different types of coins, the process of saving money, and more!

Community Site

In 2015, we launched our new community site, *The OU Credit Union Community*. The site features events, stories, and partnerships that OU Credit Union, a trade name of MSUFCU, has in the Oakland University and Auburn Hills communities.

In 2015, we introduced usernames as an enhanced way for members to sign into their ComputerLine accounts. The use of usernames helps create an additional level of security to members' accounts. By December, more than 150,000 members had converted to usernames.



MSUFCU employees working at an informational fair during New Faculty and Academic Staff Orientation at MSU.

GROWTH

MSUFCU has continued to grow in employees, members, and branches! We were excited to add new positions in our Accounting and Finance, Call Center, Card Services, Communications, Community Relations, eServices, Facilities Operations, Financial Education, Human Resources, Information Technology, Internal Audit, Learning and Talent Development, Marketing, and Member Relations departments, as well as in many of our branch locations.

In addition to the 109 employees hired, we also hired 22 interns to join us at the Credit Union in various roles and departments. In December 2015, we began construction on our Financial Innovation and Education Center (FIEC) located in East Lansing across from MSU's campus. The FIEC will offer professional internship opportunities to students at Michigan State University and other mid-Michigan colleges. We hope to prepare interns for successful full-time employment beyond graduation—perhaps right here at the Credit Union.

ASSISTING OUR MEMBERS

ATM TRANSACTIONS
4,707,375

BILL PAYMENTS
1,726,778

BRANCH TRANSACTIONS
4,949,460

CALL CENTER CALLS
554,433

COMPUTERLINE LOGINS
8,642,804

EDEPOSITS
562,797

EMAILS/CHATS
214,580

MOBILE APP LOGINS
7,761,042

In July, our eServices department responded to the highest monthly volume of chats to date: 6,225. That was a 106% increase over July 2014!

NEW MEMBER GROWTH

13,372 NEW MSUFCU MEMBERS

5,369 NEW MSU STUDENT MEMBERS

1,169 NEW STATE OF MICHIGAN MEMBERS

94 NEW FERRIS STATE UNIVERSITY ALUMNI MEMBERS

In 2015, MSUFCU saw tremendous growth in our student membership and our Select Employee Group (SEG) membership. Added as a SEG in late 2014, State of Michigan employees significantly expanded their use of MSUFCU products and services in 2015. Our continued partnership with this organization is beneficial to both parties as we have 15 ATMs in the State of Michigan buildings in Lansing and are serving over 5,000 State of Michigan employees.

The Ferris State University Alumni Association was added as a SEG in 2015. This group has over 119,000 alumni and over 14,000 students enrolled at the university that will one day graduate and be eligible for accounts as members of the alumni association. With 22 locations throughout Michigan, including Howell and Lansing, we are looking forward to growing our partnership with the Ferris State University Alumni Association and helping alumni meet their financial goals and dreams.

Our relationship with Oakland University (OU) began in the 1950s as Michigan State University Federal Credit Union-Oakland. It became its own independent entity under the trade name Oakland University Credit Union in 2014. Since our affiliation began, we have become the official financial services partner of Oakland University and continue to strengthen our partnership by offering OU Visa Debit and Credit Card designs, an OU Credit Union mobile app, a campus branch, and multiple ATMs both on and off campus.

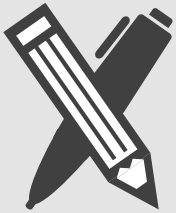
OAKLAND UNIVERSITY CREDIT UNION

1,562
NEW OU CREDIT UNION MEMBERS

1,493
MOBILE APP DOWNLOADS

1,085
NEW OU STUDENT MEMBERS

341
NEW VISA CREDIT CARDS



52 FINANCIAL EDUCATION PRESENTATIONS

1,293 MEMBERS IN ATTENDANCE

BUILDING EXPANSIONS

Second Building on Our Headquarters Campus

June 9, 2015

The groundbreaking of the second building on our Headquarters Campus in East Lansing took place over the summer. The building, set to open in 2017, will help meet the growing needs of our membership by creating new space for employees, and offering new job opportunities in our community. This new location will house our IT and Remote Services departments.

Meridian Crossing Branch

June 19, 2015

Our fifteenth branch opened in June and celebrated its grand opening on July 23. By August, more than 200 new accounts had been opened. This branch serves the approximately 27,000 members living within five miles of the branch.

EMPLOYEE GROWTH

647
TOTAL EMPLOYEES

131
NEW HIRES

234
PROMOTIONS

52
JOBS CREATED

92%
ORGANIZATIONAL COMMITMENT

Their futures start here...

LANSING SAVE
STUDENT ACCOUNTS VALUING EDUCATION

926 STUDENTS PARTICIPATING

9 LANSING PUBLIC ELEMENTARY SCHOOLS

10 FINANCIAL EDUCATION PRESENTATIONS

Our partnerships go beyond sponsorships. We help provide financial education opportunities, concerts, art exhibits, and other events to those in our community. Our employees also volunteer their time and donate personal funds to causes like the Michigan Youth Opportunities Initiative and the Capital Area United Way.

Lansing Student Accounts Valuing Education (SAVE), an exciting partnership between the Credit Union, Lansing School District, and City of Lansing, began in January 2015. This program is an innovative approach to helping Lansing families save for their children's future educational costs. In January, 357 kindergartners in five Lansing School District elementary schools had MSUFCU education savings accounts opened in their names. MSUFCU deposits the first five dollars into each account, and then family and friends continue to add to the savings account throughout the years. Lansing SAVE will allow families to save for the costs of post-secondary education, including college and technical training.

Over the next four years, more elementary schools will be added to the program until every kindergarten student in the Lansing School District has an MSUFCU education savings account.

COMMUNITY INVESTMENT

Blue Mondays

This jazz concert series, celebrated **four** Mondays per year, is made possible by MSUFCU and the MSU College of Music as part of the *MSU Federal Credit Union Jazz Artist in Residence Program*. The 2015 series had **635** attendees.

Arbor Day

In partnership with Michigan Arbor Day Alliance, employees volunteered and taught **1,146** Lansing-area elementary students at the Arbor Day Celebration at Potter Park Zoo on April 24.

Pay It Forward

To celebrate the 78th anniversary of MSUFCU, **35** employees paid it forward at **18** different organizations over **seven** days. Among other events, employees handed out CATA bus passes, paid for coffees, and covered admission into Impression 5 museum for community members.

MYOI

Michigan Youth Opportunities Initiative (MYOI) was the center of this year's Charity Campaign. Employees raised money, participated in activities, and volunteered with youth who are transitioning out of foster care.

$69,415 RAISED BY EMPLOYEES

Sparrow Telethon

Fourteen MSUFCU employees volunteered at the 27th Annual Children's Miracle Network Telethon held at Sparrow Hospital. Over **$860,000** was raised for the Sparrow Children's Center, which provides support to families and helps pay for treatment.

Art from the Heart

More than **40** artists from the Peckham Community Partnership Foundation displayed over **100** pieces of artwork in MSUFCU's Headquarters lobby throughout May. Peckham provides professional, individual instruction in the visual arts.

Teddy Bear Picnic

MSUFCU participated in and sponsored the Teddy Bear Picnic by having a tent with face painting, free gifts, and clowns making balloon animals. Nearly **1,200** community members attended the event.

Capital Area United Way

Employees raised a milestone amount for the Capital Area United Way! They also volunteered at the Lansing Food Bank and Capital Area Humane Society among many other organizations for United Way.

$100,000 RAISED BY EMPLOYEES


TOP
100
NATIONAL
MICHIGAN
UNION

2015 RECOGNITION

Best and Brightest Places to Work For®

Best of the Best Overall by West Michigan's 101 Best and Brightest Places to Work For
National Best and Brightest Companies to Work For
National Best and Brightest in Wellness

Credit Union Journal

Best Credit Unions to Work For

Detroit Free Press

Fifth Top Workplace in the Large Employer Category

Governor's Fitness Council

Michigan Fitness Foundation Outstanding Healthy Workplace Award

Great Places to Work Institute

100 Best Places to Work for Millenials
100 Best Places to Work for Women

Michigan Community Service Commission

Corporate Community Leader Governor's Service Award

National Heart Association

Fit and Friendly Worksite

Principal Financial Group

10 Best Companies for Employee Financial Security

2015 MSUFCU COMMITTEES

ASSET LIABILITY MANAGEMENT COMMITTEE MEMBERS

The Asset Liability Management Committee (ALCO) monitors the Credit Union's interest rate risk, liquidity position, investment portfolio, and key ratios. ALCO also analyzes new products, pricing strategies, and the impact of changing interest rates on MSUFCU's financial and competitive position.

Jack Brick, Co-Chair, Board Liaison
Angela Brown, Board Liaison
Thomas Cooper
Nancy Hollis
Elizabeth Lawrence
Steven Lovejoy
Robert Patterson

April Clobes
Sara Dolan, Co-Chair
Dennis Dorogi
Jeff Jackson

SUPERVISORY COMMITTEE MEMBERS

The Supervisory Committee protects our membership by enforcing bylaws, overseeing internal and external audits, and hiring external financial statement auditors. In doing so, they review information far beyond established federal regulations.

Robert Wiseman, Chair
Gregory Deppong, Board Liaison
Sarah Blanck
Francisco Villarruel
Jeff Williams
Kristine Zayko

April Clobes
Jim Hunsanger

2015 AMBASSADORS

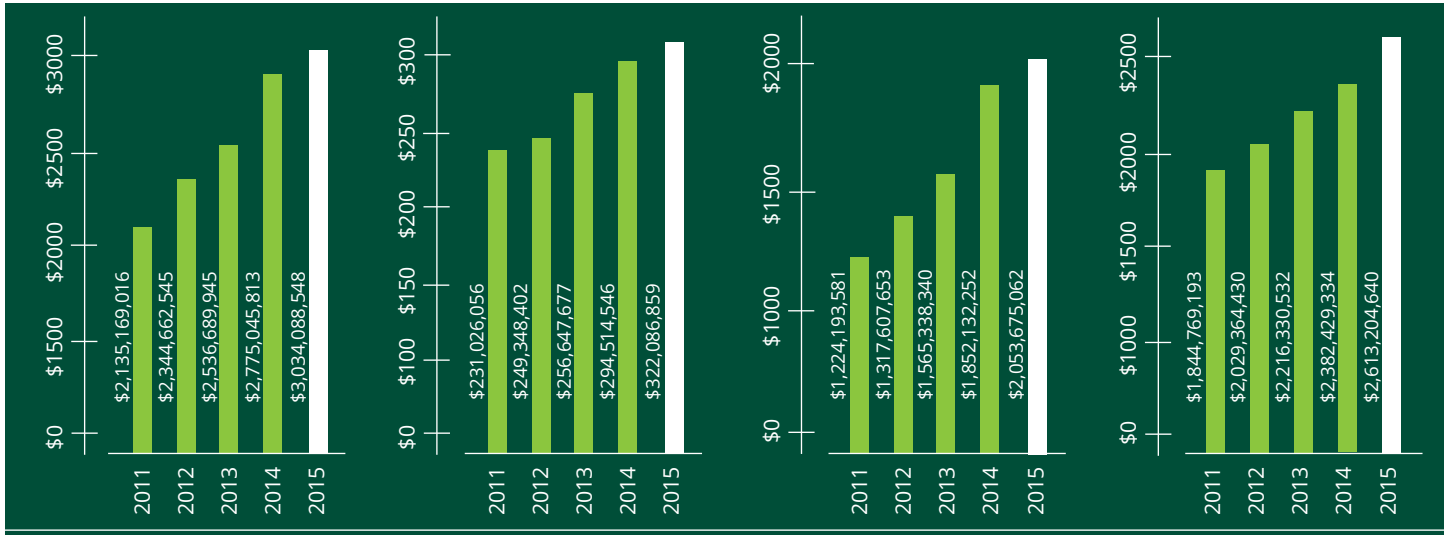
MICHIGAN STATE UNIVERSITY AMBASSADORS

Kim Allan
Kim Arthur
Elaine Bailey
Diane Barker
Audree Baxter
Bill Beekman
Bridget Behe
Ernest Betts
Cherie Booms
Jack Brick
Jeff Brodie
William Brosmann
Angela Brown
Blair Bullard
Trace Camacho
Terry Cannon
Christine Carter
Sue Carter
Stella Cash
Karen Cline
Zachary Constan
Kat Cooper
Douglas Cron
Carmellia Davis-King
Kathleen Deneau
Ken Deneau
Sue Depoorter
Gregory Deppong
Lynne Devereaux
Lisa Dunlap
Jodee Fortino
Natisha Foster
Karen Grannemann
Marilee Griffith
Jodi Hancock
Rosemarie Harman
Paul Heberlein
Mary Lou Heberlein
Lisa Hinds
Charles Hornburg
Angela Howard-Montie
Cheryl Howell
Michael Hudson
Laurie Huntley
Erin Johnson
Darlene Johnson
Ed Karazim
Fred Kayne
Sally Keisling
Darrell King
Michael Kolar
Denni Kraft
William Latta
Rhonda Lienhart
Janet Lillie
Angela Matlock
Dean Matsudo
Denise Maybank
Chandos McCoy
Matt McKune
June Messner
Robert Meyer
Kathleen Mills
Carol Noud
Melony Peabody
Karyn Pearl
Debbie Powell
Marilyn Powell
Marcia Ratliff
Sonya Ribnicky
John Roberts
Judith Salminen
Angelica Santos
Mary Schwalm
Lori Senecal
Nancy Sheldon
Nina Silbergleit
Cristine Stock
Lori Strom
Laurel Switzenberg
Paula Terzian
Bob Thomas
Victoria Tryban
Marsha Walsh
Susan Waltersdorf
S. Faye Watson
Jeff Williams
Keith Williams
Nancy Yeadon

OAKLAND UNIVERSITY AMBASSADORS

David Archbold
Dawn Aubry
Scott Barns
Nancy Barton-Kenney
Lorna Bearup
Patrick Bennett
David Birkholz
Charles Brown
Sheila Carpenter
Virginia Cloutier
Eric Condic
Ann Dunlop
Pieter Frick
Sandy Gabert
Kitty Gentile
Frank Giblin
Geraldine Graham
Cora Hanson
Robert Hanson
Susan Hartman
Mary Isaacs
Greg Jordan
Ellen Keaton
Sandy Kern
Bonnie Koch
Kelly Lenda
Julie McCarrel
Barbara McDowell
Kimberly McWain
Deborah Middlebrook
Jean Ann Miller
George Preisinger
Eleanor Reynolds
Katherine Rowley
Gail Ryckman
Laura Schartman
Val Schnable
Maura Selahowski
Leigh Settlemoir Dzwik
Steven Shablin
Tammye Stoves
Linda Switzer
Mohan Tanniru
Ronald Tracy
Chris Turkopp
Geoffrey Upward
Jayson Vanlandeghem
David Vartanian
Tricia Westergaard
Hazen Wilcox

2015 STATEMENT OF FINANCIAL CONDITION

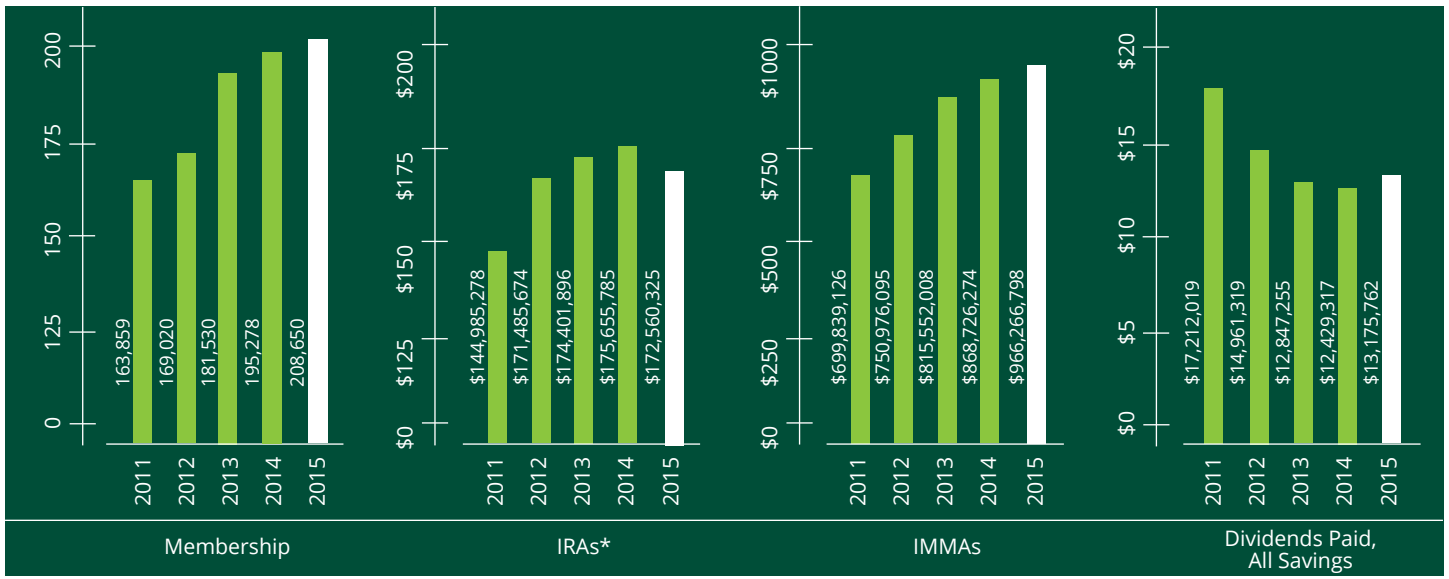


Total Assets

Total Reserves

Loans Outstanding (net)

Total Shares



Membership

IRAs*

IMMAs

Dividends Paid, All Savings

*IRAs consist of IMMAs and Share Certificates

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Michigan State University Federal Credit Union
East Lansing, Michigan

Report on the Financial Statements
We have audited the accompanying financial statements of Michigan State University Federal Credit Union, which comprise the statements of financial condition as of December 31, 2015 and 2014, and the related statements of income and comprehensive income, 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 audit 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan State University Federal Credit Union as of December 31, 2015 and 2014, 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.

Crowe Horwath LLP

Grand Rapids, Michigan
February 16, 2016

STATEMENTS OF FINANCIAL CONDITION

	AT YEAR END December 31, 2015	AT YEAR END December 31, 2014
ASSETS		
Cash on hand and funds on deposit with other financial institutions	$ 28,896,448	$ 32,731,317
Interest-bearing balances with other financial institutions	123,828,662	87,382,968
Cash and cash equivalents	152,725,110	120,114,285
Securities available for sale	598,349,092	605,321,526
Other investments	8,350,400	9,351,700
Time deposits with other financial institutions	46,308,000	28,446,000
Loans to members - net	2,053,675,062	1,852,132,252
Premises and equipment - net	103,674,566	92,253,044
NCUSIF deposit	23,200,028	20,894,048
Business owned life insurance	33,303,396	32,323,885
Other assets	14,502,894	14,209,073
Total assets	**$ 3,034,088,548**	**$ 2,775,045,813**
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares	$ 2,613,204,640	$ 2,382,429,334
Borrowed funds	55,000,000	60,000,000
Post-retirement benefit liability	22,286,963	21,893,449
Accrued expenses and other liabilities	21,510,086	16,208,484
Total liabilities	2,712,001,689	2,480,531,267
Members' equity	322,086,859	294,514,546
Total liabilities and members' equity	**$ 3,034,088,548**	**$ 2,775,045,813**

See accompanying notes.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	FOR THE YEARS ENDED December 31, 2015	December 31, 2014
Interest income		
Loans	$ 99,563,020	$ 87,474,080
Investment securities, other investments, and time deposits	9,055,858	10,545,366
Interest-bearing balances with other financial institutions	174,672	95,020
	108,793,550	98,114,466
Interest expense		
Members' shares	13,175,762	12,429,317
Borrowed funds	1,916,413	1,617,697
	15,092,175	14,047,014
NET INTEREST INCOME	93,701,375	84,067,452
Provision for loan losses	12,461,096	5,504,732
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	81,240,279	78,562,720
Noninterest income		
Fees and charges	13,338,318	12,628,560
Visa interchange	17,599,607	17,192,407
Other	2,914,989	2,325,192
	33,852,914	32,146,159
Noninterest expense		
Compensation and benefits	43,361,685	38,708,867
Operating expenses	36,269,377	34,285,474
Occupancy	6,630,011	6,106,149
Other	1,295,439	1,557,306
	87,556,512	80,657,796
NET INCOME	**$ 27,536,681**	**$ 30,051,083**

See accompanying notes.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	FOR THE YEARS ENDED December 31, 2015	December 31, 2014
NET INCOME	**$ 27,536,681**	**$ 30,051,083**
Other comprehensive income		
Securities available for sale:		
Unrealized holding gains (losses) on securities available for sale	(1,438,494)	15,552,628
Reclassification adjustment for losses (gains) included in net income (presented in noninterest income - other)	(272,141)	(120,117)
Defined benefit pension plans:		
Net gain (loss) arising during the year on postretirement benefit plan	1,130,234	(7,706,968)
Reclassification adjustment for net gain (loss) amortized into postretirement benefit plan expense (presented in noninterest expense — compensation and benefits)	616,033	90,243
Total other comprehensive income	35,632	7,815,786
COMPREHENSIVE INCOME	**$ 27,572,313**	**$ 37,866,869**

See accompanying notes.

STATEMENTS OF MEMBERS' EQUITY

	REGULAR RESERVE	UNDIVIDED EARNINGS	EQUITY ACQUIRED IN MERGERS	ACCUMULATED OTHER COMPREHENSIVE LOSS	**MEMBERS' EQUITY**
BALANCE — JANUARY 1, 2014	$17,980,012	$256,942,329	$3,825,906	$(22,100,570)	$256,647,677
Net income	-	30,051,083	-	-	30,051,083
Total other comprehensive income	-	-	-	7,815,786	7,815,786
BALANCE — DECEMBER 31, 2014	17,980,012	286,993,412	3,825,906	(14,284,784)	294,514,546
Net income	-	27,536,681	-	-	27,536,681
Total other comprehensive income	-	-	-	35,632	35,632
BALANCE — DECEMBER 31, 2015	**$17,980,012**	**$314,530,093**	**$3,825,906**	**$(14,249,152)**	**$322,086,859**

See accompanying notes.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED December 31, 2015	December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$27,536,681	$30,051,083
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	8,377,452	7,174,323
Net amortization of securities	3,580,998	4,558,091
Provision for loan losses	12,461,096	5,504,732
Net gain on sale of securities available for sale	(272,141)	(120,117)
Write-down of other investments	-	336,613
Earnings on business owned life insurance	(979,511)	(843,721)
Net change in:		
Other assets	1,510,359	1,549,531
Postretirement benefit liability	2,139,781	964,755
Accrued expenses and other liabilities	5,301,602	(4,191,283)
Net cash from operating activities	**59,656,317**	**44,984,007**
CASH FLOWS FOR INVESTING ACTIVITIES		
Proceeds from maturities of securities available for sale	30,000,000	121,000,000
Proceeds from sales of securities available for sale	28,556,687	22,926,825
Proceeds from mortgage backed securities principal repayments	66,868,554	66,037,317
Purchases of securities available for sale	(123,472,299)	(124,555,403)
Redemptions (purchases) of other investments	1,001,300	(1,802,000)
Proceeds from time deposits with other institutions	50,610,000	22,595,000
Purchases of time deposits in other institutions	(68,472,000)	(22,728,000)
Purchases of business owned life insurance	-	(5,239,900)
Net change in loans to members	(215,808,086)	(295,431,856)
Increase in NCUSIF deposit	(2,305,980)	(1,096,670)
Purchases of premises and equipment	(19,798,974)	(12,556,775)
Net cash for investing activities	(252,820,798)	(230,851,462)

See accompanying notes.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED December 31, 2015	December 31, 2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' shares	230,775,306	166,098,802
Proceeds from Federal Home Loan Bank advances	-	40,000,000
Repayment of Federal Home Loan Bank advances	(5,000,000)	(10,000,000)
Net cash from financing activities	225,775,306	196,098,802
Net change in cash and cash equivalents	32,610,825	10,231,347
Beginning cash and cash equivalents	120,114,285	109,882,938
ENDING CASH AND CASH EQUIVALENTS	**$ 152,725,110**	**$ 120,114,285**
Supplemental cash flow information:		
Cash paid for interest	15,103,390	14,018,185
Supplemental noncash disclosures:		
Transfers from loans to other real estate owned	$2,034,992	3,389,028
Transfers of other real estate owned to loans	230,812	255,816

See accompanying notes.

NOTE 1
Summary of Significant Accounting Policies

Nature of Business: Michigan State University Federal Credit Union (the "Credit Union") is a federally chartered credit union regulated by the National Credit Union Administration and insured by the National Credit Union Share Insurance Fund. The Credit Union operates branches in the metropolitan Lansing and Oakland County areas.

The Credit Union grants consumer loans (including credit card loans), various types of mortgage loans, and business loans to its members. The Credit Union's primary field of membership includes students, alumni, and employees of Michigan State University and Oakland University. Oakland University is served under the registered trade name Oakland University Credit Union. The majority of member loans are secured by collateral including, but not limited to, members' shares, vehicles, real estate, and other consumer assets. Deposit services include interest and noninterest bearing checking accounts, savings accounts, money market accounts, certificates, and IRAs. Other services include mobile applications, computer and telephone transactions as well as automated teller machines.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Cash and Cash Equivalents: For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, funds on deposit with other financial institutions, federal funds sold, and interest bearing deposits with other financial institutions with original maturities of one year or less. Net cash flows are reported for member loan and share accounts.

Securities: Securities are classified as available for sale when they might be sold before maturity. Securities classified as available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income and as a separate component of members' equity. Interest income includes amortization or accretion of purchase premium or discount. Premiums and discounts on securities are amortized or accreted on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through the statements of income. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the statements of income and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Other Investments: The Credit Union is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors any may invest in additional amounts. The Credit Union held $7,563,600 and $8,564,900 of Federal Home Loan Bank of Indianapolis (FHLBI) capital stock at December 31, 2015 and 2014, respectively. The stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income in interest income-investment securities, other investments and time deposits with other financial institutions on the statements of income.

Other investments also include our investment in Alloya Corporate Credit Union's permanent capital base, which is required to be maintained for full participation as a member credit union. The deposit was $786,800 at both December 31, 2015 and 2014, respectively. The deposit is not insured by the NCUSIF. Interest on the deposit is paid quarterly based on available earnings at interest rates approved by Alloya's Board of Directors. In the event a member credit union withdraws from Alloya, the deposit would be repaid in one installment three years after notice of withdrawal is given.

Time Deposits with Other Financial Institutions: Time deposits with other financial institutions consist of $40,000,000 of certificates of deposit with Alloya Corporate Credit Union which mature in 2016 ($35,000,000) and 2017 ($5,000,000) and $6,308,000 of FDIC insured certificates of deposit with contractual maturities of $5,208,000 in 2016, $108,000 in 2017, and $992,000 in 2018.

NOTE 1
Summary of Significant Accounting Policies

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and recorded in the statements of income. At December 31, 2015, loans held for sale were not material to the financial statements of the Credit Union and were included in loans to members-net on the statements of financial condition. There were no loans held for sale as of December 31, 2014.

Mortgage loans originated for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans: The Credit Union grants mortgage, business, and consumer loans to members. A substantial portion of the loan portfolio is represented by mortgage loans throughout the metropolitan Lansing and Oakland County areas. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances less net deferred loan origination fees, less an 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 fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the level-yield method over the contractual life of the loan without anticipating prepayment.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual 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. Under the cost recovery method, interest income is not recognized till the loan balance is reduced to zero. Under the cash basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current or future payments are reasonably assured.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance for loan losses is evaluated on a regular basis by management of the Credit Union and is based upon a periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the member's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions.

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the member is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired. Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Credit Union determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses on loans individually identified as impaired.

Factors considered by the Credit Union in determining impairment include payment status, collateral value, and the profitability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. The Credit Union determines the significance of payment delays and payment shortfalls on a case by case basis, taking into consideration all of the circumstances surrounding the loan and the member, including the length of the delay, the reasons for the delay, the member's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Credit Union does not separately identify individual consumer and mortgage loans for impairment disclosures unless the loan is a troubled debt restructuring. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

NOTE 1
Summary of Significant Accounting Policies

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component covers all other loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Credit Union over the most recent three years on a weighted basis. The following portfolio segments have been identified:

Consumer loans – term loans or lines of credit for the purchase of consumer goods, vehicles, or unsecured signature loans. The risk characteristics of the loans in this segment vary depending on the type of collateral but generally repayment is expected from a member continuing to generate a cash flow that supports the calculated payment obligation. Within this segment, the Credit Union has identified classes of secured, unsecured, and other consumer loans.

Mortgage – loans to purchase or refinance single family residences and loans for home improvement. The risks associated with this segment are generally dependent on the overall real estate environment and individual payment obligations. Real estate which secures these types of loans can be subject to market valuation and can be unstable for a variety of reasons. Within this segment, the Credit Union has identified classes of first mortgages and home equity loans.

Business – loans to businesses that are sole proprietorships, partnerships, and corporations. These loans are for commercial or professional purposes. The risk characteristics vary depending on the members' business and industry as repayment is typically dependent on the cash flows generated from the businesses. No separate classes of loans have been identified for this portfolio segment.

Servicing: When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value with the earnings effect recorded in noninterest income-other on the statements of income. Fair value is based on market prices for comparable mortgage servicing contracts, when available or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. At year-end 2015, mortgage servicing rights were included in other assets on the statements of financial condition and were not material to the financial statements of the Credit Union. At year-end 2014, there were no mortgage servicing rights.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into grouping based on predominant risk characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Credit Union later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income through noninterest income-other. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses. No impairment has been recorded at year-end 2015.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal, or a fixed amount per loan and are recognized as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fee income earned on such loans is included in noninterest income-other and was not material during 2015. There was no servicing fee income recorded in 2014.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Credit Union, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Foreclosed Assets: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, less costs to sell, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by the Credit Union and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in noninterest expense-operating expenses on the statements of income. The carrying value of foreclosed assets, included in other assets on the statements of financial condition, was $1,028,000 and $1,180,000 at year-end 2015 and 2014, respectively.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on 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 shorter of the lease term or the life of the leasehold improvements.

NCUSIF Deposit: The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1 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.

Business Owned Life Insurance: The Credit Union has purchased life insurance policies on certain key executives. Business owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Members' Shares: Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share 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 management of the Credit Union and approved 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.

Income Taxes: The Credit Union is exempt, by statute, from federal and state income taxes.

Retirement Plans: Postretirement benefit plan expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Employee 401(k) expense is the amount of matching contributions. Postretirement benefit plan and 401(k) expense is included in noninterest expense-compensation and benefits on the statements of income.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale and postretirement benefits which are also recognized as separate components of members' equity.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and business letters of credit, issued to meet member financing needs. The face amount for these items represents the exposure to loss, before considering member collateral or ability to repay. Such financial instruments are recorded when they are funded.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Subsequent Events: The financial statements and related disclosures include evaluation of events up through and including February 16, 2016 which is the date the financial statements were available to be issued.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or members' equity.

NOTE 2
Securities

The amortized cost and fair value of securities available for sale, and gross unrealized gains and losses recognized in accumulated other comprehensive loss, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2015				
U.S. government and federal agency obligations	$320,736,119	$267,714	$(643,007)	$320,360,826
Mortgage-backed securities — residential	283,505,298	130,453	(5,647,485)	277,988,266
	$604,241,417	$398,167	$(6,290,492)	$598,349,092
2014				
U.S. government and federal agency obligations	$247,642,156	$878,377	(186,269)	$248,334,264
Mortgage-backed securities — residential	361,861,060	538,972	(5,412,770)	356,987,262
	$609,503,216	$1,417,349	$(5,599,039)	$605,321,526

At December 31, 2015 and 2014, securities with a carrying value of approximately $584,982,000 and $584,209,000, respectively, were pledged as collateral to secure borrowed funds.

The contractual scheduled maturities of securities available for sale at December 31, 2015 are shown below:

	Amortized Cost	Fair Value
Due in one year or less	$100,855,964	$100,939,800
Due from one through five years	219,880,155	219,421,026
Mortgage-backed securities — residential	283,505,298	277,988,266
	$604,241,417	$598,349,092

Information pertaining to securities with gross unrealized losses at December 31, 2015 and 2014, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
2015						
U.S. government and federal agency obligations	$(643,007)	$204,438,586	$ -	$ -	$(643,007)	$204,438,586
Mortgage-backed securities — residential	(1,735,798)	123,927,185	(3,911,687)	120,976,317	(5,647,485)	244,903,502
	$(2,378,805)	$328,365,771	$(3,911,687)	$120,976,317	$(6,290,492)	$449,342,088
2014						
U.S. government and federal agency obligations	$(51,713)	$50,762,507	$(134,556)	$19,894,792	$(186,269)	$70,657,299
Mortgage-backed securities — residential	(107,749)	33,208,142	(5,305,021)	240,211,960	(5,412,770)	273,420,102
	$(159,462)	$83,970,649	$(5,439,577)	$260,106,752	$(5,599,039)	$344,077,401

The Credit Union's mortgage-backed securities portfolio consists primarily of securities issued by U.S. government agencies. Unrealized losses on securities have not been recognized into income because the issuers' bonds are of high credit quality, and management does not intend to sell and it is likely management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to market conditions and changes in interest rates. The fair value is expected to recover as the bonds approach their maturity date.

NOTE 3
Loans to Members

The composition of loans to members, by portfolio segment and class, at December 31 was:

	2015	2014
CONSUMER		
Secured	$639,395,729	$587,957,522
Unsecured	318,400,739	302,804,841
Other	44,729,823	37,003,631
MORTGAGE		
First mortgage	836,396,408	728,479,043
Home equity	123,804,983	121,001,256
BUSINESS	106,433,112	88,600,555
	2,069,160,794	1,865,846,848
Net deferred loan origination costs	1,596,883	1,454,279
Less allowance for loan losses	17,082,615	15,168,875
Loan to members - net	$2,053,675,062	$1,852,132,252

Substantially all the allowance for loan losses is allocated to portfolio segments of loans collectively. The following table presents the activity in the allowance for loan losses by portfolio segment:

December 31, 2015	Consumer	Mortgage	Business	Total
Allowance for loan losses:				
Beginning balance	$10,126,264	$3,642,963	$1,399,648	$15,168,875
Provisions for loan losses	11,895,095	30,801	535,200	12,461,096
Loans charged-off	(10,891,203)	(1,068,676)	(89,015)	(12,048,894)
Recoveries	1,397,397	104,141	-	1,501,538
Total ending allowance balance	$12,527,553	$2,709,229	$1,845,833	$17,082,615

December 31, 2014				
Allowance for loan losses:				
Beginning balance	$9,438,401	$6,503,715	$1,255,955	$17,198,071
Provisions for loan losses	6,849,367	(1,664,370)	319,235	5,504,232
Loans charged-off	(7,698,793)	(1,328,181)	(175,542)	(9,202,516)
Recoveries	1,537,289	131,799	-	1,669,088
Total ending allowance balance	$10,126,264	$3,642,963	$1,399,648	$15,168,875

As of December 31, 2015 and 2014, the Credit Union had 28 and 25 loans with a balance of approximately $3,669,000 and $3,260,000, respectively, considered to be troubled debt restructurings (TDRs). These loans are classified as impaired loans and individually evaluated for impairment. Most of these loans were first mortgage loans. The allowance allocated to these loans at year-end 2015 and 2014 is $602,000 and $757,000, respectively.

In almost all cases, these loans are delinquent and being provided for in the allowance for loan losses computation and, as a result, the restructuring of these loans did not add a material amount to the allowance for loan losses upon their modification. Modifications agreed to by the Credit Union consisted of term extensions and lowered interest rates. No principal or interest was forgiven. During 2015 and 2014, loans classified as troubled debt restructurings that ultimately defaulted were not material to the financial statements.

Nonaccrual loans and loans past due 90 days still on accrual include smaller balance homogeneous loans that are collectively evaluated for impairment.

The following tables present the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of December 31, 2015 and 2014:

2015	Nonaccrual	Loans Past Due Over 90 Days Still Accruing
CONSUMER		
Secured	$2,934,559	$ -
Unsecured	1,780,577	-
Other	151,167	-
MORTGAGE		
First mortgage	2,528,962	-
Home equity	212,462	-
BUSINESS	435,847	-
Total	$8,043,574	$ -

2014	Nonaccrual	Loans Past Due Over 90 Days Still Accruing
CONSUMER		
Secured	$2,418,450	$ -
Unsecured	1,929,517	-
Other	110,486	-
MORTGAGE		
First mortgage	2,793,942	-
Home equity	164,044	-
BUSINESS	83,614	-
Total	$7,500,053	$ -

The following table presents the aging of the recorded investment in past due loans as of December 31, 2015 and 2014 by class of loans:

2015	30 - 59 Days Past Due	60 - 89 Days Past Due	> 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
CONSUMER						
Secured	$5,873,648	$2,374,851	$2,934,559	$11,183,058	$628,212,671	$639,395,729
Unsecured	2,952,281	981,973	1,780,577	5,714,831	312,685,908	318,400,739
Other	436,285	256,442	151,167	843,894	43,885,929	44,729,823
MORTGAGE						
First mortgage	4,289,682	1,459,462	2,528,962	8,278,106	828,118,302	836,396,408
Home equity	361,786	209,181	212,462	783,429	123,021,554	123,804,983
BUSINESS	123,819	92,872	435,847	652,538	105,780,574	106,433,112
Total	$14,037,501	$5,374,781	$8,043,574	$27,455,856	$2,041,704,938	$2,069,160,794

2014						
CONSUMER						
Secured	$5,543,907	$2,050,697	$2,418,450	$10,013,054	$577,944,468	$587,957,522
Unsecured	2,866,564	766,655	1,929,517	5,562,736	297,242,105	302,804,841
Other	214,460	191,157	110,486	516,103	36,487,528	37,003,631
MORTGAGE						
First mortgage	4,614,522	1,613,388	2,793,942	9,021,852	719,457,191	728,479,043
Home equity	599,698	345,809	164,044	1,109,551	119,891,705	121,001,256
BUSINESS	9,782	41,121	83,614	134,517	88,466,038	88,600,555
Total	$13,848,933	$5,008,827	$7,500,053	$26,357,813	$1,839,489,035	$1,865,846,848

In the normal course of business, the Credit Union extends credit to directors, supervisory committee members, and executive officers. The aggregate loans to these individuals at December 31, 2015 and 2014 are $2,997,000 and $3,432,000, respectively.

Loans on which the accrual of interest has been discontinued amounted to approximately $8,044,000 and $7,500,000 at December 31, 2015 and 2014, respectively. If interest on these loans had been accrued, such income would have been approximately $250,000 and $238,000 at December 31, 2015 and 2014, respectively. Impaired loans are not material to the financial statements as of December 31, 2015 and 2014.

For purposes of this disclosure, recorded investment includes unpaid principal balance, net of any partial charge offs. Accrued interest receivable is not included in recorded investment as the current balance of accrued interest receivable is not material for this presentation.

The credit quality indicators used for monitoring performance by the Credit Union are primarily performance based and include past due status and nonaccrual status, as previously presented above.

Loans sold to and serviced for others are not included in the statements of financial condition and aggregated to approximately $11,000,000 at year-end 2015.

NOTE 4
Premises and Equipment

Premises and equipment at December 31 year-end are summarized as follows:

	2015	2014
Land	$14,746,802	$13,934,885
Buildings and improvements	87,854,598	82,222,166
Furniture and equipment	23,609,417	22,024,083
Software and EDP	22,396,839	19,928,211
Leasehold improvements	2,536,251	2,536,251
Construction in progress	10,490,835	3,084,594
	161,634,742	143,730,190
Less: accumulated depreciation	(57,960,176)	(51,477,146)
	$103,674,566	$92,253,044

Premises and equipment includes approximately $10,418,000 of capitalized costs related to the construction of the Credit Union's second office facility on the headquarters campus, expected to be completed and placed in service in 2017 with a total investment of approximately $48,700,000.

The Credit Union leases certain branch offices. One of the lease commitments is with Michigan State University and expires in 2021.

Pursuant to the terms of the noncancelable lease agreements in effect at December 31, 2015 pertaining to buildings, future minimum lease commitments under various operating leases are approximately as follows:

2016	$225,322
2017	169,711
2018	171,135
2019	144,201
2020	128,503
	$838,872

Total lease expense was approximately $189,000 and $172,000 for the years ended December 31, 2015 and 2014, respectively.

The land on which two branch locations are located are leased from Michigan State University for $1 each. The leases expire in the year 2069 and 2110, respectively.

NOTE 5
Members' Shares

A summary of members' share accounts at December 31 year-end:

	2015	2014
Regular shares	$358,415,387	$311,942,689
Share draft	393,149,585	332,516,904
Money market checking	46,034,117	40,207,641
Insured money management accounts	966,266,798	868,726,274
Business deposits	147,706,952	122,752,085
Share certificates	701,631,801	706,283,741
	$2,613,204,640	$2,382,429,334

The aggregate amount of members' share certificate accounts in denominations of $250,000 or more at December 31, 2015 and 2014 approximated $56,220,000 and $52,699,000, respectively.

At December 31, 2015, scheduled maturities of share certificates were approximately as follows:

2016	$321,969,986
2017	139,827,975
2018	92,027,407
2019	74,489,520
2020	60,653,771
2021 and after	12,663,142
	$701,631,801

In the normal course of business, the Credit Union's directors, supervisory committee members, and executive officers maintain deposit accounts. The total amount of these shares at December 31, 2015 and 2014 was approximately $1,906,000 and $2,132,000, respectively.

NOTE 6
Borrowed Funds

The Credit Union had advances outstanding from the Federal Home Loan Bank of Indianapolis totaling $55,000,000 and $60,000,000 at December 31, 2015 and 2014, respectively. The advances require monthly interest payments based on the rate at the time each advance was taken. The interest rates ranged from 2.52% to 5.02%, with a weighted average interest rate of 3.35% at December 31, 2015. The interest rates ranged from 2.52% to 5.02%, with a weighted average interest rate of 3.47% at December 31, 2014. The advances are collateralized by qualifying securities.

The Credit Union has approximately $827,511,000 and $750,107,000 in additional borrowing capacity with the Federal Home Loan Bank of Indianapolis at December 31, 2015 and December 31, 2014, respectively.

The contractual maturities of borrowed funds are as follows:

2016	$5,000,000
2017	10,000,000
2018	-
2019	-
2020	-
After 2020	40,000,000
	$55,000,000

NOTE 7
Line of Credit

The Credit Union has an available line of credit with Alloya Corporate Credit Union totaling $100,000,000. There were no amounts outstanding on the line of credit at December 31, 2015 and 2014. Alloya Corporate Credit Union has a blanket pledge on all Credit Union assets as collateral for borrowings on this line of credit. Alloya rescinds any rights to qualifying securities pledged as collateral on the Federal Home Loan Bank of Indianapolis advances.

NOTE 8
Postretirement Benefit Plans

The Credit Union provides continued health and dental insurance to eligible retirees, their spouses, and eligible dependents in addition to a $5,000 death benefit to a designated beneficiary. An employee is eligible for these benefits after retiring at age 62 with at least 15 years of service or at least 25 years of service without regard to age. The Credit Union records postretirement benefits that require the accrual of the expected cost of retiree benefits during the years that the employees render the necessary service to be entitled to receive such postretirement benefits.

The plan eligibility requirements were amended for employees hired after December 31, 2009. Dependents of retirees will no longer be covered by the plan. Further, the percentage of premiums that will be paid by the Credit Union will vary depending upon the retirement age of the employee. Employees hired after December 31, 2015 will not be eligible for postretirement benefits.

Obligations and Funded Status

	2015	2014
Accumulated benefit obligation	$22,286,963	$21,893,449
Funded status at end of year	$(22,286,963)	$(21,893,449)

Amounts recognized in accumulated other comprehensive loss at December 31 year-end consist of:

	2015	2014
Net actuarial loss	$8,356,827	$10,103,094

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income:

	2015	2014
Net periodic benefit cost	$2,507,130	$1,284,558
Net loss (gain) recognized in other comprehensive income	(1,746,267)	7,616,725
Total recognized in net periodic benefit cost and other comprehensive income	$760,863	$8,901,283
Employer contributions	$369,915	$319,802
Benefits paid	369,915	319,802

The estimated net loss for the postretirement benefit plan that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is $471,012.

Assumptions — Actuarial assumptions used to determine benefit obligations and net periodic benefit costs for the years ended December 31 are as follows:

	2015	2014
Weighted average discount rate	4.50%	4.50%
Increase in future healthcare costs		
Healthcare cost trend rate assumed for next year	7.00	8.00
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.00	4.00
Year that the rate reaches the ultimate trend rate	2019	2019

Estimated Future Benefit Payments and Contributions — Projected future benefit payments, which reflect expected future service, as appropriate, are presented below. Expected contributions from the Credit Union are substantially the same as projected benefit payments.

2016	$397,480
2017	427,062
2018	476,163
2019	509,150
2020	558,436
2021-2025	3,548,573
	$5,916,864

NOTE 9
Pension Plans

All full time and part time employees are eligible to contribute to the Credit Union's 401(k) plan. Employees who have been on staff at least 12 months, have worked at least 1,000 hours, and are 21 years of age or older are eligible for the Credit Union's matching contribution. Employees may contribute up to 100 percent of their compensation (subject to IRS limits) and the Credit Union will make a matching contribution equal to 200 percent of the employees' 401(k) elective deferral contributions up to 5 percent of the employees' salary. The 401(k) plan expense was approximately $2,275,000 and $2,003,000 for 2015 and 2014, respectively. In addition, the Credit Union pays the administrative costs of the plan.

The Credit Union also has a 457(b) plan for certain key employees to allow these employees to defer income in excess of the 401(k) plan contribution limits. The Credit Union does not make any contributions to this plan.

NOTE 10
Off-Balance-Sheet Activities

The Credit Union is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit which include lines of credit, credit cards, and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

The Credit Union's exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as it does for those loans recorded in the financial statements.

At December 31 year-end, the following financial instruments were outstanding whose contract amounts represent credit risk:

	CONTRACT OR NOTIONAL AMOUNT	
	2015	2014
Commitments to grant mortgage and consumer loans	$26,592,000	$33,605,000
Commitments to grant business loans	3,505,000	16,536,000
Unfunded commitments under lines of credit	742,818,000	689,394,000
Unfunded commitments under overdraft protection programs	77,306,000	69,433,000

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case by case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include consumer assets, residential real estate, and member share balances.

Unfunded commitments under revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing members. These lines of credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Credit Union is committed.

NOTE 11
Capital Requirements

The Credit Union is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off balance sheet items as calculated under accounting principles generally accepted in the United States of America. 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) to total assets (as defined). Credit unions are also required to calculate a risk based net worth requirement (RBNWR) which establishes whether or not the credit union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR ratio at December 31, 2015 and 2014 was 5.74% and 5.90%, respectively. The minimum ratio to be considered complex under the regulatory framework is 6.00%. Management believes, as of December 31, 2015 and 2014, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2015, the most recent call reporting period, and December 31, 2014, the Credit Union was categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7.00% of assets. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual capital amounts and ratios at December 31 year-end are also presented in the table below:

	ACTUAL		REQUIRED FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION REGULATIONS	
2015	Amount	Ratio	Amount	Ratio	Amount	Ratio
Net Worth	$336,336,010	11.08%	$182,071,000	6.00%	$212,416,000	7.00%
2014						
Net Worth	$308,799,329	11.13%	$166,503,000	6.00%	$194,253,000	7.00%

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

NOTE 12
Fair Value

The following table presents information about the Credit Union's assets measured at fair value on a recurring basis at December 31, 2015 and 2014 and the valuation techniques used by the Credit Union to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Credit Union has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Fair values are also valued through matrix pricing models developed by sources considered by management to be reliable. Matrix pricing, which is a mathematical technique commonly used to price securities that are not actively traded, values securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Credit Union's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

For the years ended December 31, 2015 and 2014, there were no assets measured at fair value on a recurring basis using Level 1 or Level 3 inputs. There were also no material fair value measurements on a nonrecurring basis as of those dates.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
U.S. government and federal agency obligations	$ -	$ 320,360,826	$ -	$ 320,360,826
Mortgage-backed securities — residential	$ -	277,988,266	$ -	277,988,266
	$ -	$ 598,349,092	$ -	$ 598,349,092

Assets Measured at Fair Value on a Recurring Basis at December 31, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2014
U.S. government and federal agency obligations	$ -	$ 248,334,264	$ -	$ 248,334,264
Mortgage-backed securities — residential	$ -	356,987,262	$ -	356,987,262
	$ -	$ 605,321,526	$ -	$ 605,321,526