

**MINNESOTA CREDIT
UNION NETWORK, INC.**
ST. PAUL, MINNESOTA
AUDITED
FINANCIAL STATEMENTS
December 31, 2015 and 2014

INDEPENDENT AUDITOR'S REPORT

AND

BASIC FINANCIAL STATEMENTS

MINNESOTA CREDIT UNION NETWORK, INC.,
SUBSIDIARIES, AND AFFILIATE
ST. PAUL, MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Minnesota Credit Union Network, Inc., Subsidiaries, and Affiliate
St. Paul, Minnesota

We have audited the accompanying financial statements of the Minnesota Credit Union Network, Inc. (a non-profit organization), Subsidiaries, and Affiliate, which comprise the Consolidated Statements of Financial Position as of December 31, 2015 and 2014, and the related Consolidated Statements of Activities and Changes in Net Assets, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based upon 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Minnesota Credit Union Network, Inc., Subsidiaries, and Affiliate as of December 31, 2015 and 2014, and the results of its consolidated activities, consolidated changes in net assets, and consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Peffer & Wallace, Ltd.

Cambridge, Minnesota
March 9, 2016

Certified Public Accountants

**MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31, 2015 and 2014

| ASSETS | <u>2015</u> | <u>2014</u> |
|--|----------------------------|----------------------------|
| Current Assets: | | |
| Cash | \$ 3,883,733 | \$ 4,649,477 |
| Accounts receivable | 652,734 | 650,042 |
| Related party receivables | 90,497 | 169,717 |
| Prepaid income taxes | - | 10,297 |
| Prepaid expenses | <u>105,110</u> | <u>90,115</u> |
| Total Current Assets | 4,732,074 | 5,569,648 |
| Properties and Equipment at Cost, Net of Accumulated Depreciation | 217,761 | 281,523 |
| Investments and Other Assets: | | |
| Intangibles - ProDraft Services, Inc. - customer list | 200,000 | 200,000 |
| Intangibles - ProDraft Services, Inc. - non-compete | 5,000 | 5,000 |
| Intangibles - ProDraft Services, Inc. - goodwill | 138,189 | 138,189 |
| Cash restricted for long-term use - CU Unity/scholarships | 292,628 | 291,855 |
| Investments - deferred compensation | 54,901 | 55,378 |
| Minnesota Credit Union System, Inc. | 1,000 | 1,000 |
| Credit Union House, LLC | 80,675 | 80,675 |
| CUNA Strategic Services, Inc. | 25,560 | 25,560 |
| CU Co-op Systems | 20,000 | 20,000 |
| Minnesota Credit Union Services Corporation | 4,375 | 4,375 |
| National Credit Union Service Corporation | <u>6,370</u> | <u>6,370</u> |
| Total Investments and Other Assets | 828,698 | 828,402 |
| Total Assets | <u><u>\$ 5,778,533</u></u> | <u><u>\$ 6,679,573</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts payable | \$ 1,228,386 | \$ 2,665,721 |
| Related party payables | 1,857 | - |
| Accrued expenses | <u>501,612</u> | <u>457,467</u> |
| Total Current Liabilities | 1,731,855 | 3,123,188 |
| Deferred Income Taxes | 138,998 | 129,618 |
| Accrued Net Pension Liability | 211,731 | 168,410 |
| Deferred Compensation Liability | 89,901 | 55,378 |
| Net Assets: | | |
| Net assets - temporarily restricted | 508,418 | 477,767 |
| Net assets - unrestricted | <u>3,097,630</u> | <u>2,725,212</u> |
| Total Net Assets | 3,606,048 | 3,202,979 |
| Total Liabilities and Net Assets | <u><u>\$ 5,778,533</u></u> | <u><u>\$ 6,679,573</u></u> |

See Notes To Financial Statements.

MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
& CHANGES IN NET ASSETS
Years Ended December 31, 2015 and 2014

| | 2015 | 2014 |
|---|----------------------------|----------------------------|
| Unrestricted Revenues & Gains: | | |
| Membership dues | \$ 1,424,805 | \$ 1,376,986 |
| CUNA Mutual incentive income | 624,146 | 526,783 |
| Other incentive income | 331,207 | 325,784 |
| Item processing income | 2,095,699 | 2,001,673 |
| Management fees - related party - SSC | 41,204 | 40,347 |
| Interest and dividends | 4,258 | 3,953 |
| Other income | 299,937 | 312,160 |
| Total Unrestricted Revenues & Gains | <u>4,821,256</u> | <u>4,587,686</u> |
| Net Assets Released From Restrictions By Payments | <u>344,565</u> | <u>393,811</u> |
| Total Unrestricted Revenues, Gains, and Support | <u>5,165,821</u> | <u>4,981,497</u> |
| Costs and Expenses: | | |
| Meetings | 15,304 | 22,111 |
| Management fees | - | 316,000 |
| Salaries | 1,917,816 | 1,871,267 |
| Payroll taxes | 153,396 | 143,347 |
| Insurance benefits | 402,797 | 427,205 |
| Retirement - 401(k) | 90,844 | 92,569 |
| Retirement - defined benefit plan expense (benefit) | 43,321 | 176,637 |
| Deferred compensation expense | 35,000 | 25,378 |
| Staff development and personnel services | 62,908 | 34,341 |
| Dues and subscriptions | 33,251 | 35,590 |
| Travel | 106,645 | 126,648 |
| Rent | 172,441 | 176,669 |
| Operational insurance | 58,601 | 59,705 |
| Equipment repairs and maintenance | 192,316 | 150,694 |
| Depreciation | 155,853 | 246,918 |
| Telephone | 73,440 | 75,704 |
| Supplies, postage and reproduction | 36,301 | 36,413 |
| General | 64,274 | 79,864 |
| Audit | 46,362 | 53,855 |
| Legislative and legal | 143,360 | 144,177 |
| Advertising, educational programs, and credit union support | 236,446 | 259,708 |
| Political contributions and fundraising costs | 37,228 | 41,514 |
| Return collection, commissions, and service fees | 324,466 | 157,527 |
| Loss on disposition of assets | 667 | 115,644 |
| Contributions and scholarships | 183,741 | 162,963 |
| Total Costs & Expenses | <u>4,586,778</u> | <u>5,032,448</u> |
| Net Increase (Decrease) in Unrestricted Net Assets | <u>579,043</u> | <u>(50,951)</u> |
| Temporarily Restricted Revenues & Gains: | | |
| Contributions | 374,362 | 400,953 |
| Interest and dividends | 854 | 753 |
| Net assets released from restrictions by payments | <u>(344,565)</u> | <u>(393,811)</u> |
| Increase (Decrease) in Temporarily Restricted Net Assets | <u>30,651</u> | <u>7,895</u> |
| Increase in Net Assets - Before Income Taxes | <u>609,694</u> | <u>(43,056)</u> |
| Income Tax Expense | <u>206,625</u> | <u>(22,027)</u> |
| INCREASE (DECREASE) IN NET ASSETS | <u>403,069</u> | <u>(21,029)</u> |
| NET ASSETS AT BEGINNING OF YEAR | <u>3,202,979</u> | <u>3,224,008</u> |
| NET ASSETS AT END OF YEAR | <u><u>\$ 3,606,048</u></u> | <u><u>\$ 3,202,979</u></u> |

See Notes To Financial Statements.

**MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2015 and 2014

| Cash Flows From Operating Activities: | 2015 | 2014 |
|---|--------------|--------------|
| Increase (Decrease) in Net Assets | \$ 403,069 | \$ (21,029) |
| Adjustments to reconcile net income to net cash used by operating activities: | | |
| Depreciation | 155,853 | 246,918 |
| Deferred taxes | 9,380 | (57,969) |
| Loss on disposition of assets | 667 | 115,644 |
| (Increase) Decrease in: | | |
| Accounts receivable | 308 | (86,342) |
| Related party receivables | 77,445 | (133,810) |
| Prepaid expenses | (4,698) | 120,674 |
| Increase (Decrease) in: | | |
| Related party payables | 3,632 | (3,794) |
| Accounts payable | (1,440,335) | 1,434,738 |
| Deferred compensation liability | 34,523 | 25,378 |
| Accrued pension liability | 43,320 | 98,278 |
| Accrued expenses | 44,146 | 1,259 |
| Net Cash From Operating Activities | (672,690) | 1,739,945 |
| Cash Flows From Investing Activities: | | |
| Acquisition of investments - mutual funds - deferred comp. | 477 | (30,378) |
| Proceeds from disposition of assets | - | 42,472 |
| Acquisition of furniture, equipment, vehicles, and leasehold improvements | (92,758) | (108,564) |
| Net Cash Used In Investing Activities | (92,281) | (96,470) |
| Increase (Decrease) In Cash | (764,971) | 1,643,475 |
| Cash Balance Beginning of Year | 4,941,332 | 3,297,857 |
| Cash Balance End of Year | \$ 4,176,361 | \$ 4,941,332 |
| Classification of Cash on the Consolidated Statements of Financial Position: | | |
| Cash in Current Assets | \$ 3,883,733 | \$ 4,649,477 |
| Cash in Investments and Other Assets | \$ 292,628 | \$ 291,855 |
| Supplemental Cash Flow Disclosures: | | |
| Cash payments for income taxes | \$ 25,440 | \$ 1,239 |

See Notes to Financial Statements.

MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

Note 1 **Summary of Significant Accounting Policies:**

The Minnesota Credit Union Network, Inc. (Network), a non-stock, IRC 501(c)(6) tax-exempt organization, serves as a trade association for credit unions, providing legislative, research, public relations, educational and service development support for the Minnesota credit union movement. Its membership is comprised of local credit unions in the State of Minnesota. The Network has established the Minnesota Credit Union Network Service Corporation (NSC), a wholly owned subsidiary of the Network, which provides business services and products to the local credit unions. The separate income of NSC is subject to applicable income taxes. On December 31, 2011, the Minnesota Item Processing Corporation (MNIPC) became a wholly owned subsidiary of NSC as a result of MNIPC's redemption of all other shareholders of that corporation. The Network also controls the Minnesota Credit Union Foundation, a non-profit Minnesota corporation organized to raise and expend funds to benefit the credit union movement.

The consolidated financial statements include the accounts of the Network, NSC (and MNIPC), and the Foundation. All significant intercompany balances and transactions have been eliminated in consolidation. The Minnesota Credit Union System, Inc. has not been consolidated, due to its role as a conduit for handling payroll and benefits on a break-even basis.

Management fees billed to the Network and NSC by Minnesota Credit Union System, Inc., for personnel related costs are reflected in the financial statements as salary, payroll taxes, and benefits.

For purposes of the Statements of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. At times, balances in the various cash accounts are in excess of insured limits.

Accounts receivable are recorded at their estimated net realizable value which management believes is face value. Credit terms are extended to customers in the normal course of business. The Company considers the past payment history and current financial condition of the customer when determining whether a write-off or write-down is necessary. Interest is not charged on the balances.

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets. The Network capitalizes equipment when it is deemed probable that the estimated useful life exceeds one year.

Investments in the common stock of Minnesota Credit Union System, Inc., Minnesota Credit Union Services Corporation, CU Cooperative Systems, Inc., National Credit Union Service Corporation, CUNA Strategic Services, Inc., and Credit Union House, LLC are recorded at cost. The Company considers the economic condition of the underlying company when determining whether a write-down of the investment is required. There have been no reclassifications of these Level Three investments since their acquisition.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2015 and 2014

Note 1 Summary of Significant Accounting Policies - continued:

Intangible assets and investments in marketable securities are reviewed for reviewed for potential impairment on at least an annual basis or whenever circumstances exist that indicate that carrying amounts may not be recoverable.

Revenues and costs associated with the educational programs and seminars are netted and reported as other income. Advertising and promotion expenses are expensed as incurred.

The Network, its subsidiaries, and its affiliate only takes tax positions that they believe have a more likely than not probability of being upheld under examination. The Network's income tax returns for Federal and State are open for examination for tax years 2015, 2014, 2013, and 2012.

The Network considers subsequent events up to the date of the auditor's report, which is the date that the financial statements are available to be issued.

Note 2 Property and Equipment:

The following is a schedule of property and equipment, by major category of assets:

| | 2015 | | 2014 | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Original Cost | A/ Dep.& Imp. | Original Cost | A/ Dep.& Imp. |
| Automobiles | \$ 211,110 | \$ 118,998 | \$ 211,110 | \$ 76,776 |
| Furniture, equipment, software | 990,866 | 865,218 | 1,343,168 | 1,225,608 |
| Leasehold improvements | 860,732 | 860,731 | 860,732 | 831,103 |
| | <u>\$ 2,062,708</u> | <u>\$ 1,844,947</u> | <u>\$ 2,415,010</u> | <u>\$ 2,133,487</u> |

Depreciation expense charged to operations was \$155,853 in 2015 and \$246,918 in 2014.

Note 3 Investments:

Investments - Marketable Securities:

During 2014, the Network began investing in marketable securities related to the deferred compensation plan discussed in Note 7. The Network carries these investments in marketable securities with readily determinable fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities and changes in net assets. The investments held at December 31, 2015 and 2014 are virtually all in mutual funds, holding both debt and equity positions. Due to their fair value being determined based upon quoted market values for identical investments, these funds are classified as Level One investments. The fair value of these mutual funds and money market funds as of December 31, 2015 and 2014 are recapped as follows:

| | 12/31/2015 | 12/31/2014 |
|------------------------------|------------------|------------------|
| Mutual funds | \$ 53,417 | \$ 30,378 |
| Cash in money market | 1,484 | - |
| In transit cash from accrual | - | 25,000 |
| | <u>\$ 54,901</u> | <u>\$ 55,378</u> |

**MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2015 and 2014

Note 3 Investments:

Investments - Closely Held Entities:

Minnesota Credit Union System, Inc. (System Corp.), is owned and operated by the Network for the purpose of centralizing the payroll and personnel functions of the Network, Minnesota Item Processing and Minnesota Credit Union Services, operating on a break-even basis.

Credit Union House, LLC is an entity organized to acquire and operate a building in Washington, D.C., to be utilized for various credit union related functions. The Network invested in the LLC in 2001, currently holding a 1.66% stake in the entity.

CUNA Service Group, Inc. (CSG), is a corporation organized and operated to promote marketing and program services for credit unions. The Network, via its subsidiary NSC, owns 1,750.71 shares, carried at a cost of \$25,560.

CU Cooperative Systems, Inc. is a corporation organized and operated to provide ATM Network, shared branching, and other EFT services to its members. The Network, via its subsidiary, owns ten shares of Class B shares, representing .07% of the outstanding shares. NSC purchased these shares in December of 2013.

Minnesota Credit Union Services Corporation (CUSO)/(SSC), is a separate corporation formed by the Network to develop and operate a shared service network. The Network, via NSC, owns 28 shares of class B common stock, carried at a cost of \$4,375. The Class A common stock is owned by various member credit unions. Control of the Company is vested in a majority vote of the Class A and Class B shares.

National Credit Union Service Corporation (CUSC), is a corporation organized and operated to provide State credit union leagues the ability to offer shared services to their respective member credit unions. The Network, via its subsidiary NSC, owns 130,000 shares of CUSC stock, carried at a cost of \$6,370.

Note 4 Intangibles:

As part of the 2013 purchase of the assets of ProDraft Services, Inc., MNIPC acquired intangible assets of \$343,189. These assets are not subject to amortization, rather, they are evaluated for impairment on at least an annual basis. This evaluation is based upon the expected future cash flows associated with this acquisition. As of December 31, 2015 and 2014, no adjustment for impairment was deemed necessary. The following is a schedule of these intangible assets

| | 12/31/2015 | 12/31/2014 |
|-----------------------|------------|------------|
| Customer list | \$ 200,000 | \$ 200,000 |
| Non-compete agreement | 5,000 | 5,000 |
| Goodwill | 138,189 | 138,189 |
| | \$ 343,189 | \$ 343,189 |

**MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2015 and 2014

Note 5 **Lines of Credit:**

The Network, NSC, and MNIPC have a total of five settlement account loans established, all with floating interest rates, with Alloya Corporate Federal Credit Union. These accounts are secured by accounts receivable, cash, and investments. There were no advances as of December 31, 2015 and 2014. The total borrowing capacity under these five lines is \$793,000 as of December 31, 2015.

Note 6 **Lease Commitment:**

In July of 2015, the Network entered into a new seven year lease for its office location in downtown St. Paul, Minnesota. This new lease provides for a total of 9,198 square feet of office and storage space. Of this total area, 2,608 square feet was sub-leased in a seven-year lease to Minnesota Item Processing Corporation (MNIPC). The lease includes 23 parking spaces, of which seven are subleased to MNIPC. The lease term began September 1, 2015 and terminates August 31, 2022. The lease provides for annual rents beginning at \$163,986, escalating after two years to \$172,886 for years three through seven. The sub-lease rents agreed to by MNIPC are exactly the same terms as the Network's lease. The sub-lease rents to be received are \$46,344 for the first two years and \$48,654 for years three through seven. The lessor provides all normal operating expenses in connection with this lease.

Note 7 **Deferred Compensation Plan:**

During 2013, the Network established a non-qualified deferred compensation plan, currently including one executive employee of the Network. Under this plan, the Network periodically makes discretionary contributions to an account. The Network invests these funds in cash or other investments accounts in accordance with their investment policy (see Note 3). Distributions under this plan are made beginning at age 65, and are paid out over a three year period. Early distributions are payable in the event of death, disability, or involuntary separation. During 2013, the Network contributed \$30,000 to this account, which was solely invested in cash as of December 31, 2013. During 2014, the Network began investing in mutual funds. As of December 31, 2014, the Network had mutual funds valued at \$30,378 and had accrued additional contributions in transit of \$25,000 for this plan. The total deferred compensation liability was \$89,901 and \$55,378 as of December 31, 2015 and 2014, respectively.

Note 8 **Retirement Plans:**

401(k) Plan

The Network sponsors a 401(k) profit sharing plan maintained by the Minnesota Credit Union System Corp. for employees of the System Corporation. Under the plan, eligible employees have the option to contribute up to 100% of cash compensation not to exceed the dollar limit established by the Internal Revenue Code. The plan provides for a maximum six percent employer matching contribution. Matching contributions, net of forfeitures, were \$90,844 and \$92,569 for 2015 and 2014, respectively.

**MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2015 and 2014

Note 8 Retirement Plans - continued:

Defined Benefit Plan

The Network sponsors a defined benefit pension plan on behalf of the employees and former employees of the Minnesota Credit Union System, Inc. The Network has frozen the plan effective March 1, 2006. No new or additional benefits will be accrued under the plan after this date. Benefits earned prior to this date are not affected and will be funded and paid in accordance with the terms of the plan. The funded status of defined benefit pension plans is fully recognized in the balance sheet and the measurement date is as of the balance sheet date. The accounting standards require that for-profit entities, (SSC, a related party - see Note 3 and Note 9), record the changes in the funded status as an adjustment of "Accumulated Other Comprehensive Income." Non-profit entities and subsidiaries of non-profit entities, (MCUN, NSC, and MNIPC), are required to record the effect in the "Statement of Activities" as a charge to "Unrestricted Net Assets."

Expected long-term return on plan assets is determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio.

Pension fund is invested entirely in fixed income investments (Level Two) to safeguard the benefits promised to employees.

The discount rate is determined using the Mercer Pension Discount Index Rate for an Average Plan (www.mercer.com/pensiondiscount). The result is rounded to the nearest quarter percent.

Required information concerning the plan is as follows:

| | 12/31/15 | 12/31/14 |
|--|--------------|--------------|
| Fair value of Plan assets at end of year | \$ 818,133 | \$ 922,565 |
| Projected and accumulated benefit obligation | (1,029,864) | (1,094,500) |
| Funded status at end of year - all a non-current liability | \$ (211,731) | \$ (171,935) |
| Funded status by entity: | | |
| MCUN | \$ (100,540) | \$ (80,329) |
| NSC | (46,590) | (39,971) |
| MNIPC | (64,601) | (48,110) |
| MCUSC | - | (3,525) |
| Plan Total | \$ (211,731) | \$ (171,935) |
| Net periodic pension cost - by entity: | | |
| MCUN | \$ 20,872 | \$ 12,020 |
| NSC | 17,033 | 5,981 |
| MNIPC | 6,837 | 7,199 |
| MCUSC | (3,641) | 527 |
| Plan Total | \$ 41,101 | \$ 25,727 |

**MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2015 and 2014

Note 8 Retirement Plans - continued:

| Defined Benefit Plan - continued | | 12/31/15 | 12/31/14 |
|--|--|--------------|--------------|
| Employer contributions - by entity: | MCUN | \$ - | \$ 37,376 |
| | NSC | - | 18,600 |
| | MNIPC | - | 22,384 |
| | MCUSC | - | 1,640 |
| | Plan Total | \$ - | \$ 80,000 |
| Benefits paid - by entity: | MCUN | \$ 57,445 | \$ 119,151 |
| | NSC | 40,112 | 236,700 |
| | MNIPC | 5,307 | - |
| | MCUSC | 17,677 | - |
| | Plan Total | \$ 120,541 | \$ 355,851 |
| Components of net periodic benefit cost - for the Plan: | | | |
| | Interest cost | \$ 43,779 | \$ 59,295 |
| | Expected (return) loss on plan assets | (55,353) | (70,625) |
| | Amortization of net loss (gain) | 52,675 | 37,057 |
| | Net Periodic Benefit cost | 41,101 | 25,727 |
| | Net loss (gain) | 51,370 | 192,038 |
| | Amortization of net (loss) gain | (52,675) | (37,058) |
| | Total recognized in other comprehensive income and net periodic pension cost | \$ 39,796 | \$ 180,707 |
| Amounts recognized in accumulated other comprehensive or unrestricted net assets - by entity: | | | |
| | MCUN (Charged to unrestricted net assets) | \$ 20,210 | \$ 86,815 |
| | NSC (Charged to unrestricted net assets) | 6,620 | 34,272 |
| | MNIPC (Charged to unrestricted net assets) | 16,492 | 55,550 |
| | MCUSC (Charged to accum. other comprehensive income) | (3,526) | 4,070 |
| | Total for the Plan | \$ 39,796 | \$ 180,707 |
| Cumulative amounts recognized of net loss (gain) in accumulated other comprehensive income (loss) and unrestricted net assets - by entity: | | | |
| | MCUN/NSC | \$ (296,185) | \$ (323,015) |
| | MNIPC | (24,811) | (41,303) |
| | MCUSC | - | (21,528) |
| | Plan Total | \$ (320,996) | \$ (385,846) |

**MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2015 and 2014

Note 8 Retirement Plans - continued:

| Defined Benefit Plan - continued | 12/31/15 | 12/31/14 |
|---|------------|----------|
| Weighted Average Assumptions: | | |
| Discount rate - post and pre-retirement | 4.50% | 4.00% |
| Expected return on plan assets | 6.00% | 6.00% |
| Rate of compensation increase | 0.00% | 0.00% |
| Measurement date | 12/31/15 | 12/31/14 |
| Asset allocation by asset category - debt securities | 100% | 100% |
| Future Cash Flows: | | |
| Expected contributions for 2016 | | |
| MCUN | unknown | |
| NSC | unknown | |
| MNIPC | unknown | |
| MCUSC | \$ - | |
| Plan Total | unknown | |
| Expected benefit payments for 2016 - plan total | \$ 2,326 | |
| Expected benefit payments for 2017 - plan total | 8,436 | |
| Expected benefit payments for 2018 - plan total | 7,828 | |
| Expected benefit payments for 2019 - plan total | 7,382 | |
| Expected benefit payments for 2020 - plan total | 182,723 | |
| Expected benefit payments for 5 years thereafter - plan total | 642,118 | |
| Total | \$ 850,813 | |

Note 9 Related Party Transactions:

Management Fee Agreement

Management fees received from SSC was \$41,204 and \$40,347 in 2015 and 2014, respectively.

Minnesota Credit Union System, Inc.

All personnel of the Network, Network Services Corporation, and Minnesota Item Processing Corporation are employees of the System Corp. Billings from the System Corp. are recorded as salaries, payroll taxes, and benefits expenses.

**MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2015 and 2014

Note 9 Related Party Transactions - continued:

Related Party Receivables and Payables

The Network periodically pays expenses on behalf of the Minnesota Credit Union Services Corporation, and Minnesota Credit Union System, Inc. Balances due from (to) these advances to (from) related parties as of December 31, 2015 and 2014 are as follows:

| | 12/31/2015 | 12/31/2014 |
|---|------------|------------|
| Minnesota Credit Union Services Corporation | \$ (1,857) | \$ 8,211 |
| Minnesota Credit Union System, Inc. | 90,497 | 161,506 |
| | \$ 88,640 | \$ 169,717 |

The Minnesota Credit Union System, Inc., to offset its liability to the Network, has the following assets, liabilities, and equity on its balance sheet:

| | 12/31/2015 | 12/31/2014 |
|------------------|------------|------------|
| Cash | \$ 64,334 | \$ 140,177 |
| Prepaid expense | 29,342 | 32,045 |
| Accounts payable | (2,179) | (9,716) |
| Equity | (1,000) | (1,000) |
| | \$ 90,497 | \$ 161,506 |

Note 10 Temporarily Restricted Funds:

The Network collects voluntary dues and contributions from member credit unions that are used to encompass its broader strategic focus on consumer awareness and to help credit unions grow market share, in alignment with the Network's strategic plan. Temporarily restricted funds supporting the credit union movement (CU Awareness Fund - formerly MNAP) and (CU Advocacy Fund), to provide funding for future legislative education regarding credit union issues (Credit Union Unity - formerly Credit Union Defense), and to directly donate to political campaigns (CUPAC - formerly CUVOL). The Foundation's Credit Unions for Kids Fund raises funds for Gillette's Children's Specialty Hospital. The Minnesota Family Involvement Council (FIC) is a committee of the Foundation that works to enhance the future of the credit union movement by providing financial awareness solutions. The FIC conducts an annual scholarship program, awarding funds to Minnesota credit union members throughout the state, an endeavor made possible through its annual silent auction fundraiser. These funds are received subject to the donor imposed restrictions, and, as such, are segregated into separate funds to account for qualifying disbursements.

**MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2015 and 2014

Note 11 Income Taxes:

Income taxes are computed and allocated based on each entity's share of the consolidated taxable income of the Minnesota Credit Union Network Services Corporation and Minnesota Item Processing Corporation. The deferred provision for income taxes reflects an assumed tax rate applied to the change in deferred tax assets and/or liabilities for each entity. The components of income tax expense (benefit) are as follows:

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|--------------------|
| Federal tax - current provision - NSC | \$ 65,727 | \$ 24,371 |
| Federal tax - current provision - MNIPC | 80,672 | - |
| State tax - current provision - NSC | 17,269 | 4,701 |
| State tax - current provision - MNIPC | 33,577 | 6,870 |
| Federal tax - deferred provision - NSC | (535) | (18,620) |
| Federal tax - deferred provision - MNIPC | 8,893 | (24,160) |
| State tax - deferred provision - NSC | (2,795) | (7,085) |
| State tax - deferred provision - MNIPC | 3,817 | (8,104) |
| Total | <u>\$ 206,625</u> | <u>\$ (22,027)</u> |

Amounts prepaid (payable) for income taxes are as follows:

| | <u>12/31/2015</u> | <u>12/31/2014</u> |
|---------|---------------------|-------------------|
| Federal | \$ (122,027) | \$ 5,629 |
| State | (39,481) | 4,668 |
| Total | <u>\$ (161,508)</u> | <u>\$ 10,297</u> |

The effective tax rates for NSC and MNIPC are different than what would be expected if the Federal and State tax rates were applied to income from continuing operations primarily because of income and expenses included and deducted for financial reporting purposes in a different year than for tax purposes, such as vacation pay accruals, defined benefit accruals, depreciation expense, and gains on acquisition. These book/tax differences give rise to the deferred tax liability on the statement of financial position. These components of the deferred tax asset (liability) are summarized as follows:

| | | <u>12/31/2015</u> | <u>12/31/2014</u> |
|-------------------------------------|-------|---------------------|---------------------|
| Depreciation | NSC | \$ 47,529 | \$ 61,625 |
| Depreciation | MNIPC | (7,032) | 10,196 |
| Amortization | MNIPC | (22,083) | (8,708) |
| Vacation accruals and pension costs | NSC | 37,487 | 20,061 |
| Vacation accruals and pension costs | MNIPC | 35,893 | 18,000 |
| Basis differences in investments | NSC | (230,792) | (230,792) |
| Net deferred tax liability | | <u>\$ (138,998)</u> | <u>\$ (129,618)</u> |

**MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2015 and 2014

Note 12 Concentrations of Risk:

The Network's wholly owned subsidiary, NSC, receives incentive income from various organizations and, as a result, is dependent on those organizations continued commitment to continue funding these incentive programs.

Note 13 Agency Transactions:

When collecting their dues, the Network also collects dues for CUNA. These collections are treated as liabilities and remitted shortly after they are collected.

Note 14 Expenses by Functional Classification:

For 2015 and 2014, the Network estimates its expenses in its non-profit General Fund and temporarily restricted funds to be approximately 85% program services, 13% management and general, and 2% fundraising. For 2015 and 2014, the Network estimates its expenses to be approximately 92% program services, 1% management and general, and 7% fundraising.

ACCOMPANYING INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING INFORMATION

To the Board of Directors
Minnesota Credit Union Network, Inc., Subsidiaries, and Affiliate
St. Paul, Minnesota

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying consolidating information for the year ended December 31, 2015, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Peffer & Wallace, Ltd.

Cambridge, Minnesota
March 9, 2016

Certified Public Accountants

MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2015

| ASSETS | MCUN RESTRICTED | | | | | | | CONSOLIDATED | | FOUND- | | CONSOLIDATED |
|--|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-----------------------|-------------|---------------------|
| | GENERAL FUND | FUNDS & CUPAC | ELIMIN. | MCUN | NSC | MNIPC | ELIMIN. | NSC | ATION | ELIMIN. | | |
| Current Assets: | | | | | | | | | | | | |
| Cash | \$ 532,746 | \$ 33,373 | \$ - | \$ 566,119 | \$ 1,385,975 | \$ 1,818,308 | \$ - | \$ 3,204,283 | \$ 113,331 | \$ - | \$ - | \$ 3,883,733 |
| Accounts receivable | 9,811 | - | - | 9,811 | 460,503 | 181,766 | - | 642,269 | 3,654 | (3,000) | - | 652,734 |
| Related party / fund receivables | 270,611 | 148,656 | (148,656) | 270,611 | 127,832 | - | (126,144) | 1,688 | - | (181,802) | - | 90,497 |
| Prepaid expenses | 48,518 | - | - | 48,518 | 20,798 | 35,794 | - | 56,592 | - | - | - | 105,110 |
| Total Current Assets | 861,686 | 182,029 | (148,656) | 895,059 | 1,995,108 | 2,035,868 | (126,144) | 3,904,832 | 116,985 | (184,802) | - | 4,732,074 |
| Property and Equipment, Net | 61,406 | - | - | 61,406 | 95,841 | 60,514 | - | 156,355 | - | - | - | 217,761 |
| Investments and Other Assets: | | | | | | | | | | | | |
| Intangibles - ProDraft Services, Inc. | - | - | - | - | - | 343,189 | - | 343,189 | - | - | - | 343,189 |
| Cash restricted for LT use - CU Unity/scholarships | - | 262,628 | - | 262,628 | - | - | - | - | 30,000 | - | - | 292,628 |
| Investments - deferred compensation | 54,901 | - | - | 54,901 | - | - | - | - | - | - | - | 54,901 |
| Subsidiary - Network Service Corporation | 2,324,900 | - | - | 2,324,900 | - | - | - | - | - | (2,324,900) | - | - |
| Subsidiary - Minnesota Item Processing Corp. | - | - | - | - | 644,567 | - | (644,567) | - | - | - | - | - |
| Minnesota Credit Union System, Inc. | 1,000 | - | - | 1,000 | - | - | - | - | - | - | - | 1,000 |
| Credit Union House, LLC | 80,675 | - | - | 80,675 | - | - | - | - | - | - | - | 80,675 |
| CUNA Strategic Services, Inc. | - | - | - | - | 25,560 | - | - | 25,560 | - | - | - | 25,560 |
| CU Cooperative Systems, Inc. | - | - | - | - | 20,000 | - | - | 20,000 | - | - | - | 20,000 |
| Minnesota Credit Union Services Corporation | - | - | - | - | 4,375 | - | - | 4,375 | - | - | - | 4,375 |
| National Credit Union Service Corporation | - | - | - | - | 6,370 | - | - | 6,370 | - | - | - | 6,370 |
| Total Investments and Other Assets | 2,461,476 | 262,628 | - | 2,724,104 | 700,872 | 343,189 | (644,567) | 399,494 | 30,000 | (2,324,900) | - | 828,698 |
| Total Assets | \$ 3,384,568 | \$ 444,657 | \$ (148,656) | \$ 3,680,569 | \$ 2,791,821 | \$ 2,439,571 | \$ (770,711) | \$ 4,460,681 | \$ 146,985 | \$ (2,509,702) | \$ - | \$ 5,778,533 |
| LIABILITIES AND NET ASSETS | | | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | | | |
| Accounts payable | \$ 46,958 | \$ 161 | \$ - | \$ 47,119 | \$ 3,886 | \$ 1,180,381 | \$ - | \$ 1,184,267 | \$ - | \$ (3,000) | \$ - | \$ 1,228,386 |
| Related party / fund payables | 152,201 | - | (148,656) | 3,545 | 10,647 | 294,669 | (126,144) | 179,172 | 942 | (181,802) | - | 1,857 |
| Accrued expenses | 134,005 | - | - | 134,005 | 260,022 | 107,585 | - | 367,607 | - | - | - | 501,612 |
| Total Current Liabilities | 333,164 | 161 | (148,656) | 184,669 | 274,555 | 1,582,635 | (126,144) | 1,731,046 | 942 | (184,802) | - | 1,731,855 |
| Deferred Income Taxes | - | - | - | - | 145,776 | (6,778) | - | 138,998 | - | - | - | 138,998 |
| Accrued Net Pension Liability | 100,540 | - | - | 100,540 | 46,590 | 64,601 | - | 111,191 | - | - | - | 211,731 |
| Deferred Compensation Liability | 89,901 | - | - | 89,901 | - | - | - | - | - | - | - | 89,901 |
| Net Assets | | | | | | | | | | | | |
| Common stock | - | - | - | - | 1,000 | 74 | (74) | 1,000 | - | (1,000) | - | - |
| Additional paid in capital | - | - | - | - | 38,524 | 59,926 | (59,926) | 38,524 | - | (38,524) | - | - |
| Retained earnings | - | - | - | - | 2,285,376 | 739,113 | (584,567) | 2,439,922 | - | (2,439,922) | - | - |
| Net Assets - Temporarily Restricted | - | 444,496 | - | 444,496 | - | - | - | - | 63,922 | - | - | 508,418 |
| Net Assets - Unrestricted | 2,860,963 | - | - | 2,860,963 | - | - | - | - | 82,121 | 154,546 | - | 3,097,630 |
| Total Net Assets | 2,860,963 | 444,496 | - | 3,305,459 | 2,324,900 | 799,113 | (644,567) | 2,479,446 | 146,043 | (2,324,900) | - | 3,606,048 |
| Total Liabilities and Net Assets | \$ 3,384,568 | \$ 444,657 | \$ (148,656) | \$ 3,680,569 | \$ 2,791,821 | \$ 2,439,571 | \$ (770,711) | \$ 4,460,681 | \$ 146,985 | \$ (2,509,702) | \$ - | \$ 5,778,533 |

See Auditor's Report on Accompanying Information

MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2015

| UNRESTRICTED NET ASSETS | MCUN | | RESTRICTED | | MCUN | NSC | MNIPC | ELIMIN. | CONSOLIDATED | | ELIMIN. | CONSOLIDATED |
|--|-------------------|----------------|-------------|-------------------|-------------------|-------------------|------------------|-------------|-------------------|-------------------|---------------------|-------------------|
| | GENERAL FUND | FUNDS & CUPAC | ELIMIN. | ELIMIN. | | | | | NSC | ATION | | |
| Unrestricted Revenues & Gains: | | | | | | | | | | | | |
| Membership dues | \$ 1,424,805 | \$ - | \$ - | \$ 1,424,805 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,424,805 |
| CUNA Mutual incentive income | - | - | - | - | 624,146 | - | - | - | 624,146 | - | - | 624,146 |
| Other incentive income | - | - | - | - | 331,207 | - | - | - | 331,207 | - | - | 331,207 |
| Item processing income | - | - | - | - | - | 2,095,699 | - | - | 2,095,699 | - | - | 2,095,699 |
| Management fees - related parties, MNIPC & SSC | - | - | - | - | 241,204 | - | (200,000) | - | 41,204 | - | - | 41,204 |
| Interest & dividends | 1,246 | - | - | 1,246 | 2,727 | 285 | - | - | 3,012 | - | - | 4,258 |
| Income from subsidiary | 143,715 | - | - | 143,715 | - | - | - | - | - | (143,715) | - | - |
| Rent income | 78,951 | - | - | 78,951 | - | - | - | - | - | (78,951) | - | - |
| Other income | 143,826 | - | - | 143,826 | 104,615 | - | - | - | 104,615 | 51,496 | - | 299,937 |
| Total Unrestricted Revenues & Gains | 1,792,543 | - | - | 1,792,543 | 1,303,899 | 2,095,984 | (200,000) | - | 3,199,883 | 51,496 | (222,666) | 4,821,256 |
| Net Assets Released From Restrictions By Payments | - | 218,616 | - | 218,616 | - | - | - | - | - | 129,449 | (3,500) | 344,565 |
| Total Unrestricted Revenues, Gains & Support | 1,792,543 | 218,616 | - | 2,011,159 | 1,303,899 | 2,095,984 | (200,000) | - | 3,199,883 | 180,945 | (226,166) | 5,165,821 |
| Costs and Expenses: | | | | | | | | | | | | |
| Meetings | 7,061 | - | - | 7,061 | 7,061 | - | - | - | 7,061 | 1,182 | - | 15,304 |
| Management fees | - | - | - | - | - | 200,000 | (200,000) | - | - | - | - | - |
| Salaries | 785,787 | - | - | 785,787 | 619,767 | 512,262 | - | - | 1,132,029 | - | - | 1,917,816 |
| Payroll taxes | 64,286 | - | - | 64,286 | 48,373 | 40,737 | - | - | 89,110 | - | - | 153,396 |
| Insurance benefits | 140,269 | - | - | 140,269 | 107,558 | 154,970 | - | - | 262,528 | - | - | 402,797 |
| Retirement - 401(k) | 36,640 | - | - | 36,640 | 31,707 | 22,497 | - | - | 54,204 | - | - | 90,844 |
| Retirement - defined benefit plan | 20,209 | - | - | 20,209 | 6,620 | 16,492 | - | - | 23,112 | - | - | 43,321 |
| Deferred compensation expense | 35,000 | - | - | 35,000 | - | - | - | - | - | - | - | 35,000 |
| Staff development and personnel services | 18,776 | - | - | 18,776 | 12,463 | 31,669 | - | - | 44,132 | - | - | 62,908 |
| Dues and subscriptions | 18,878 | - | - | 18,878 | 8,858 | 5,515 | - | - | 14,373 | - | - | 33,251 |
| Travel | 64,703 | - | - | 64,703 | 37,126 | 4,816 | - | - | 41,942 | - | - | 106,645 |
| Rent | 124,183 | - | - | 124,183 | 48,258 | 78,951 | - | - | 127,209 | - | (78,951) | 172,441 |
| Operational insurance | 12,598 | - | - | 12,598 | 12,598 | 33,405 | - | - | 46,003 | - | - | 58,601 |
| Equipment repair and maintenance | 7,655 | - | - | 7,655 | 7,654 | 177,007 | - | - | 184,661 | - | - | 192,316 |
| Depreciation | 49,933 | - | - | 49,933 | 52,913 | 53,007 | - | - | 105,920 | - | - | 155,853 |
| Telephone | 14,610 | - | - | 14,610 | 15,967 | 42,863 | - | - | 58,830 | - | - | 73,440 |
| Supplies, postage and reproduction | 12,708 | - | - | 12,708 | 8,574 | 14,908 | - | - | 23,482 | 111 | - | 36,301 |
| General | 37,109 | 577 | - | 37,686 | 14,339 | 11,884 | - | - | 26,223 | 365 | - | 64,274 |
| Audit | 9,275 | - | - | 9,275 | 7,225 | 29,062 | - | - | 36,287 | 800 | - | 46,362 |
| Legislative and legal | 98,204 | - | - | 98,204 | 146 | 45,010 | - | - | 45,156 | - | - | 143,360 |
| Advertising, education, CU support, & publications | 8,099 | 195,939 | - | 204,038 | 10,311 | 21,123 | - | - | 31,434 | 974 | - | 236,446 |
| Political contributions and fundraising costs | - | 22,100 | - | 22,100 | - | - | - | - | - | 15,128 | - | 37,228 |
| Return collection, commissions, and service fees | - | - | - | - | - | 324,466 | - | - | 324,466 | - | - | 324,466 |
| Loss (gain) on sale or exchange of assets | - | - | - | - | - | 667 | - | - | 667 | - | - | 667 |
| Contributions, scholarships, and transfers | - | - | - | - | 23,000 | 500 | - | - | 23,500 | 163,741 | (3,500) | 183,741 |
| Total Costs & Expenses | 1,565,983 | 218,616 | - | 1,784,599 | 1,080,518 | 1,821,811 | (200,000) | - | 2,702,329 | 182,301 | (82,451) | 4,586,778 |
| Increase (Decrease) in Unrestricted Net Assets From Continuing Operations | \$ 226,560 | \$ - | \$ - | \$ 226,560 | \$ 223,381 | \$ 274,173 | \$ - | \$ - | \$ 497,554 | \$ (1,356) | \$ (143,715) | \$ 579,043 |

See Auditor's Report on Accompanying Information

MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2015

| | MCUN GENERAL FUND | RESTRICTED FUNDS & CUPAC | ELIMIN. | MCUN | NSC | MNIPC | ELIMIN. | CONSOLIDATED NSC | FOUND- ATION | ELIMIN. | CONSOLIDATED |
|--|-------------------------|--------------------------------|---------|--------------|--------------|------------|--------------|---------------------|-----------------|----------------|--------------|
| Increase (Decrease) in Unrestricted Net Assets: | \$ 226,560 | \$ - | \$ - | \$ 226,560 | \$ 223,381 | \$ 274,173 | \$ - | \$ 497,554 | \$ (1,356) | \$ (143,715) | \$ 579,043 |
| TEMPORARILY RESTRICTED NET ASSETS | | | | | | | | | | | |
| Temporarily Restricted Revenues & Gains: | | | | | | | | | | | |
| Contributions | - | 246,280 | - | 246,280 | - | - | - | - | 131,582 | (3,500) | 374,362 |
| Interest & dividends | - | 774 | - | 774 | - | - | - | - | 80 | - | 854 |
| Net assets released from restrictions by payments | - | (218,616) | - | (218,616) | - | - | - | - | (129,449) | 3,500 | (344,565) |
| Increase (Decrease) in Temporarily Restricted Assets | - | 28,438 | - | 28,438 | - | - | - | - | 2,213 | - | 30,651 |
| Increase (Decrease) in Net Assets - Before Income Taxes | 226,560 | 28,438 | - | 254,998 | 223,381 | 274,173 | - | 497,554 | 857 | (143,715) | 609,694 |
| Income Tax Expense (Benefit) | - | - | - | - | 79,666 | 126,959 | - | 206,625 | - | - | 206,625 |
| INCREASE (DECREASE) IN NET ASSETS | 226,560 | 28,438 | - | 254,998 | 143,715 | 147,214 | - | 290,929 | 857 | (143,715) | 403,069 |
| NET ASSETS AT BEGINNING OF YEAR | 2,634,403 | 416,058 | - | 3,050,461 | 2,181,185 | 651,899 | (644,567) | 2,188,517 | 145,186 | (2,181,185) | 3,202,979 |
| NET ASSETS AT END OF YEAR | \$ 2,860,963 | \$ 444,496 | \$ - | \$ 3,305,459 | \$ 2,324,900 | \$ 799,113 | \$ (644,567) | \$ 2,479,446 | \$ 146,043 | \$ (2,324,900) | \$ 3,606,048 |

See Auditor's Report on Accompanying Information

MINNESOTA CREDIT UNION NETWORK, INC., SUBSIDIARIES, AND AFFILIATE
CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

| | MCUN GENERAL FUND | RESTRICTED FUNDS & CUPAC | ELIMIN. | MCUN | NSC | MNIPC | ELIMIN. | CONSOLIDATED NSC | FOUND- ATION | ELIMIN. | CONSOLIDATED |
|--|-------------------------|--------------------------------|-------------|-------------------|---------------------|---------------------|-------------|---------------------|-------------------|--------------|---------------------|
| Cash Flows From Operating Activities: | | | | | | | | | | | |
| Net increase (decrease) in net assets | \$ 226,560 | \$ 28,438 | \$ - | \$ 254,998 | \$ 143,715 | \$ 147,214 | \$ - | \$ 290,929 | \$ 857 | \$ (143,715) | \$ 403,069 |
| Add (deduct) non-cash items: | | | | | | | | | | | |
| Depreciation | 49,933 | - | - | 49,933 | 52,913 | 53,007 | - | 105,920 | - | - | 155,853 |
| Deferred income taxes | - | - | - | - | (3,330) | 12,710 | - | 9,380 | - | - | 9,380 |
| (Gain) Loss on disposition of assets | - | - | - | - | - | 667 | - | 667 | - | - | 667 |
| Income from subsidiary | (143,715) | - | - | (143,715) | - | - | - | - | - | 143,715 | - |
| Changes In Current Operating Items | | | | | | | | | | | |
| Providing (Requiring) Cash: | | | | | | | | | | | |
| Accounts receivable | 7,083 | - | - | 7,083 | (52,403) | 45,614 | - | (6,789) | 7,014 | (7,000) | 308 |
| Related party receivables | 8,074 | (25,491) | - | (17,417) | (32,199) | - | 118,822 | 86,623 | - | 8,239 | 77,445 |
| Prepaid expenses | (10,688) | - | - | (10,688) | 5,948 | 42 | - | 5,990 | - | - | (4,698) |
| Related party payables | (58,569) | - | - | (58,569) | 10,647 | 178,292 | (118,822) | 70,117 | 324 | (8,240) | 3,632 |
| Accounts payable | 14,660 | 160 | - | 14,820 | (13,928) | (1,448,228) | - | (1,462,156) | - | 7,001 | (1,440,335) |
| Deferred compensation liability | 34,523 | - | - | 34,523 | - | - | - | - | - | - | 34,523 |
| Accrued pension liability | 20,211 | - | - | 20,211 | 6,619 | 16,491 | - | 23,110 | - | - | 43,321 |
| Accrued expenses | (63,878) | - | - | (63,878) | 159,301 | (51,278) | - | 108,023 | - | - | 44,145 |
| Net Cash Flow From Operating Activities | 84,194 | 3,107 | - | 87,301 | 277,283 | (1,045,469) | - | (768,186) | 8,195 | - | (672,690) |
| Cash Flows From Investing Activities: | | | | | | | | | | | |
| Investments in mutual funds | 477 | - | - | 477 | - | - | - | - | - | - | 477 |
| Acquisition of furniture, equipment, vehicles, & L/H | (13,798) | - | - | (13,798) | (51,378) | (27,582) | - | (78,960) | - | - | (92,758) |
| Net Cash Flow From Investing Activities | (13,321) | - | - | (13,321) | (51,378) | (27,582) | - | (78,960) | - | - | (92,281) |
| Cash Flows From Financing Activities: | | | | | | | | | | | |
| Net Cash Flow From Financing Activities | - | - | - | - | - | - | - | - | - | - | - |
| Net Increase (Decrease) In Cash | 70,873 | 3,107 | - | 73,980 | 225,905 | (1,073,051) | - | (847,146) | 8,195 | - | (764,971) |
| Cash Beginning Of Year | 461,873 | 292,894 | - | 754,767 | 1,160,070 | 2,891,359 | - | 4,051,429 | 135,136 | - | 4,941,332 |
| Cash End Of Year | \$ 532,746 | \$ 296,001 | \$ - | \$ 828,747 | \$ 1,385,975 | \$ 1,818,308 | \$ - | \$ 3,204,283 | \$ 143,331 | \$ - | \$ 4,176,361 |
| Classification of Cash: | | | | | | | | | | | |
| Cash in Current Assets | \$ 532,746 | \$ 33,373 | \$ - | \$ 566,119 | \$ 1,385,975 | \$ 1,818,308 | \$ - | \$ 3,204,283 | \$ 113,331 | \$ - | \$ 3,883,733 |
| Cash in Investments and Other Assets | \$ - | \$ 262,628 | \$ - | \$ 262,628 | \$ - | \$ - | \$ - | \$ - | \$ 30,000 | \$ - | \$ 292,628 |
| Supplemental Cash Flow Disclosures: | | | | | | | | | | | |
| Cash Paid For Income Taxes | \$ - | \$ - | \$ - | \$ - | \$ 25,440 | \$ - | \$ - | \$ 25,440 | \$ - | \$ - | \$ 25,440 |

See Auditor's Report on Accompanying Information