



2015

Annual Report



MSIC is the nation's oldest deposit insurer for credit unions. Today, MSIC provides excess deposit insurance for 85 member institutions operating in Massachusetts which hold \$18 billion in assets and serve over 1.5 million consumers.

The MSIC Center for Credit Union Governance is a division of MSIC and provides Custom Performance Reports, innovative programming and educational events, consulting and strategic planning services, director training, a speaker's bureau, merger advisory services and other custom engagements to credit unions across the nation.

The MSIC Liquidity Reserve Fund (LRF) is a depository and lending facility created by a new Massachusetts law which allows MSIC to help transfer excess liquidity throughout the MSIC collaborative system. First established in December 2014, the LRF now holds nearly \$30 million in deposits from member credit unions and will soon offer an important source of emergency liquidity for smaller credit union members. The LRF also provides MSIC with an important tool to provide enhanced yields to credit union participants, and gives MSIC added flexibility in managing its deposit insurance risk.

2015 Annual Report
Issued: January 20, 2016
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We live in interesting times.

INNOVATION
VOLATILITY
CHANGE
DISRUPTION
NEW TECHNOLOGIES
NEW COMMUNICATION METHODS
PAYMENT SYSTEM REVISIONS
NEW CONSUMER BEHAVIOR
CHANGING ATTITUDES LED BY MILLENNIALS

Credit unions were created out of a need for innovation in difficult times to serve the needs of consumers. For over 100 years our movement has grown, adapted and thrived.

Today, we are stronger than ever with over 100 million credit union members across the nation and over \$1 trillion in assets. We are well positioned to innovate, adapt and thrive in the years to come.

The American economy is strengthening. Interest rates, after a long time at extremely low levels, are beginning to rise to more normal levels. Loan demand is up. Credit union delinquencies are down and capital remains high.

And most importantly, credit unions' relationship with their members remains strong; consumers know their credit union has their best interest foremost in mind.

As the movement adapts and innovates, so too does MSIC.

MSIC remains a very strong and powerful financial institution and an effective voice for credit unions.

MSIC insured deposits are \$829 million. For the first time in our 54 year history, assets under management exceeded \$100 million during the fiscal year ended September 30, 2015. Our capital (The Insurance Fund) now exceeds \$60 million and our capital ratio is 59.57%. MSIC's insurance coverage ratio, at approximately 7.3% is the highest of any deposit insurer in the nation, including the FDIC and the NCUSIF. Even in the face of a continuing interest rate environment that has seen generational low rates, MSIC returned to substantial profitability during the fiscal year.

MSIC's deposit insurance risk remains extremely low. Our 85 member credit unions hold over \$18 billion in total assets and serve over 1.5 million consumers. MSIC member institutions are well managed, have high capital, and improving earnings and loan demand. MSIC's program of active risk management has helped member institutions thrive, and MSIC has provided a number of value-added services to members throughout the year, including strategic planning services, consulting engagements, investment guidance, and merger advisory services.

During the summer of 2014 MSIC had another major legislative victory with the enactment of legislation that expanded our investment powers and allows for Credit Union Service Organization (CUSO) investment activity. That legislation became effective during fiscal year 2015 and MSIC is well along in the implementation of these new powers. MSIC also continues to deliver impact for our movement with a substantial number of advocacy activities both on Beacon Hill and in Washington, D.C.

During the year, MSIC initiated its new Liquidity Reserve Fund (LRF). As of September 30, 2015 the LRF held total assets of just under \$30 million.

This new power has given MSIC the ability to efficiently transfer excess liquidity throughout the MSIC membership base, and will help smaller institutions, in particular, with any emergency liquidity needs. In addition, because of MSIC's unique financial structure as a deposit insurer, it has the financial capability to offer member institutions an enhanced yield on their deposits with the LRF. We anticipate future growth of the LRF in the year to come.

MSIC's Center for Credit Union Governance (Center) continued to provide high quality services to member institutions during the year. In January 2015 the Center provided workshops relating to the effective use of corporate counsel and effective communication strategies for credit union executives, as part of its Annual Meeting of Members in Springfield, Massachusetts. At the Annual Meeting Larry Blankenberger, Region 1 Director of the NCUA, was MSIC's keynote speaker and provided members with a regulatory update regarding NCUA issues and objectives. In the summer of 2015 the Center issued another Massachusetts Economic Report to help member institutions with their strategic planning processes.

On September 29, 2015 the Center organized a Participation Loan Workshop which provided world-class guidance and information to member institutions to help them increase loan demand. Throughout the year, MSIC staff made substantive presentations on a wide range of subjects, from New Consumer Behavior, Central Banking Issues, Global Financial Stability, Systemic Risk and New Developments in Strategy Development, all intended to help member institutions thrive.

The Center's Custom Performance Reports (CPR) are now distributed and used by over 1,050 credit unions, or approximately 17% of the entire U.S. Credit Union Movement.

We have every expectation that this record of success and innovation for MSIC and our 85 member institutions will continue. And MSIC will continue to work hard to deliver high quality services to help our members thrive for many years to come.

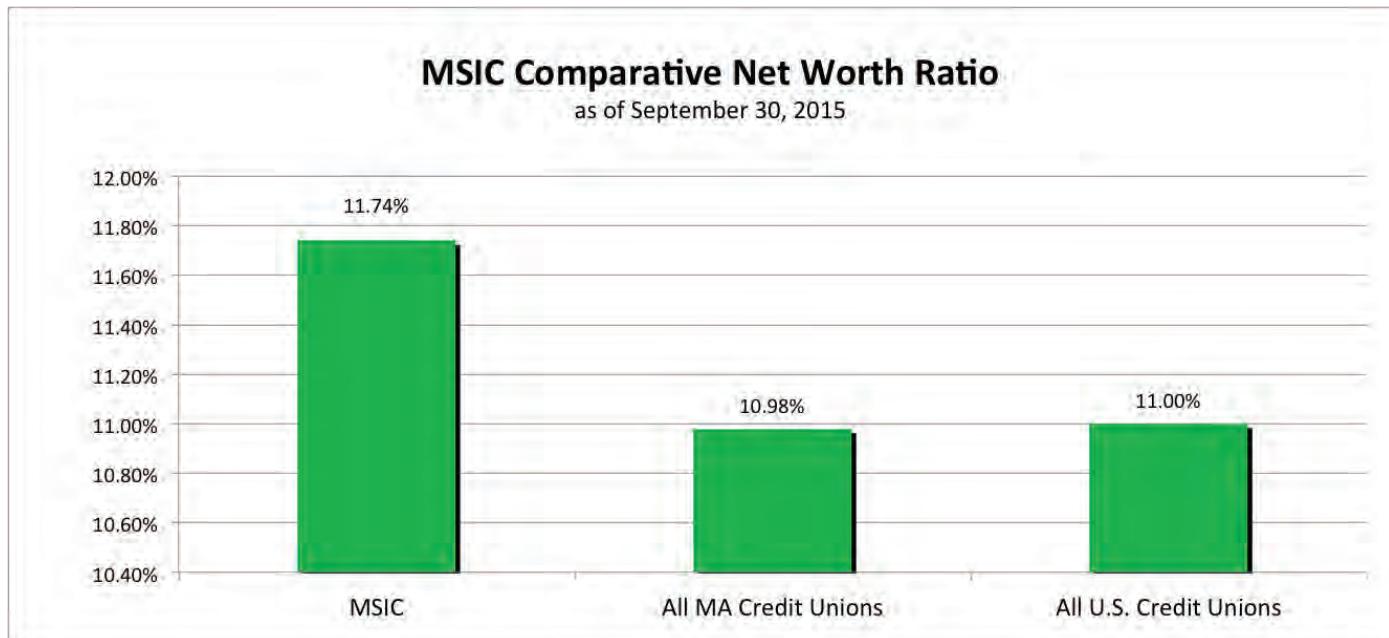
The Center's Custom Performance Reports (CPR) are now distributed and used by over 1,050 credit unions, or approximately 17% of the entire U.S. Credit Union Movement.



Member Report

As the economy continues its recovery, MSIC member credit unions, in turn, continue to gain strength and are in sound financial condition with solid capital, good asset quality and improving earnings as evidenced by various metrics. In many instances, though not all, MSIC members are faring better than their counterparts in Massachusetts and also nationwide.

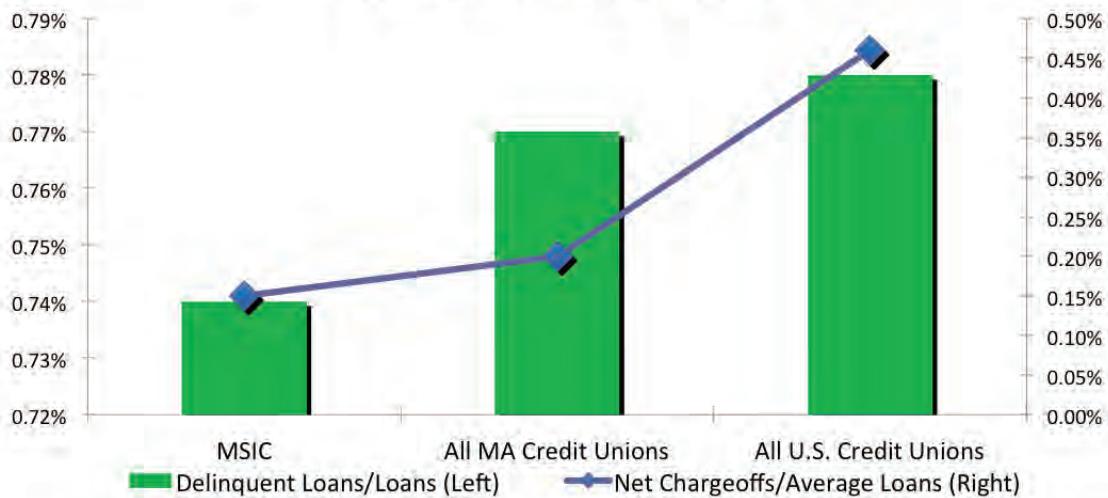
As of September 30, 2015, the aggregate net worth ratio of MSIC members was 11.74%, slightly above the 11.70% of year-end 2014 and somewhat above the 11.63% of year-end 2013. MSIC members maintain a substantial capitalization advantage over the Massachusetts and nationwide credit union industries of seventy-six and seventy-four basis points, respectively.



Asset quality indicators for MSIC members have been tracking upward in recent years, mirroring the improvement in the economy. As of September 30, 2015 delinquencies at member institutions were 0.74% of loans, down from 0.80% at year-end 2014 and well below the 0.93% as of year-end 2013. The membership had a three basis point positive differential to all Massachusetts credit unions and a four basis point positive differential to the industry nationwide. Similarly, net chargeoffs were 0.15% of average loans annualized through the first nine months of 2015, below the 0.19% for 2014 and well below the 0.28% for 2013. Here again, there was a positive difference compared to Massachusetts credit unions, five basis points, and to those nationally, thirty-one basis points.

Member Report

MSIC Comparative Delinquency and Net Chargeoff Ratios as of September 30, 2015

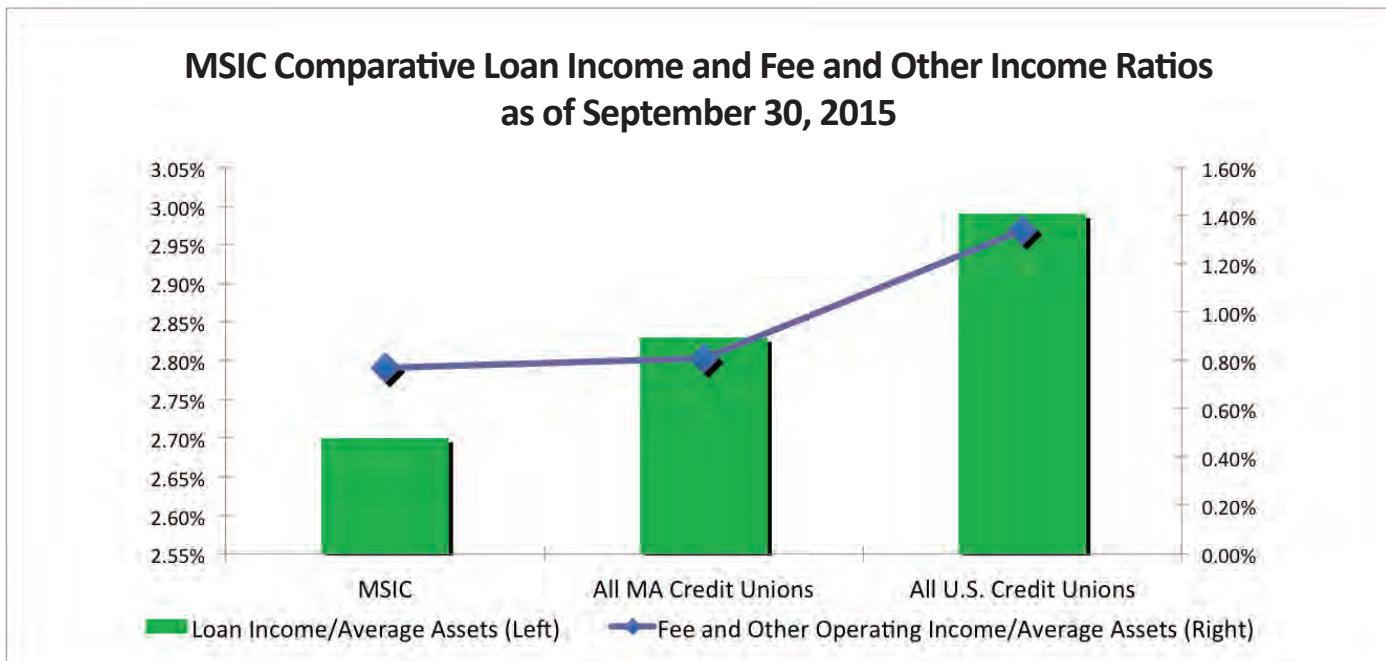
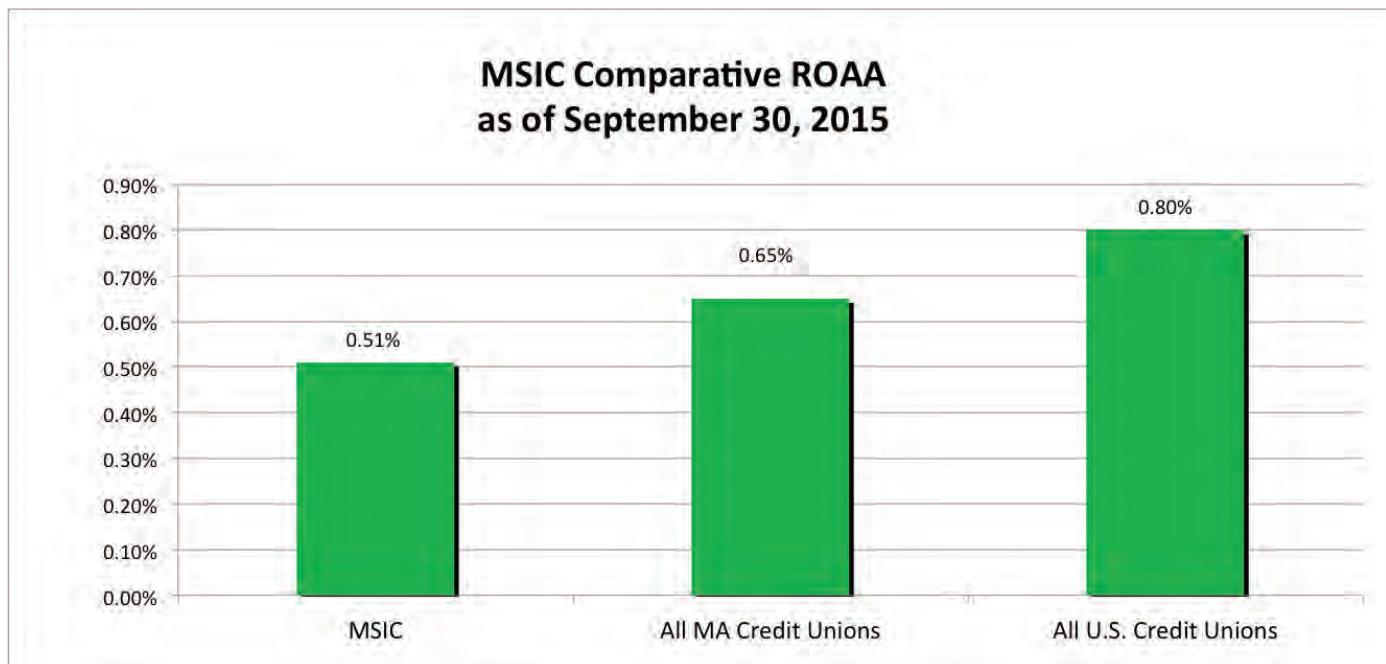


Members' earnings have been improving, though they have not yet returned to the level of a few years ago. For the first nine months of 2015, MSIC members had a collective ROAA of 0.51% annualized, slightly above 2014's 0.47% and the 0.48% for 2013. MSIC members trail their Massachusetts counterparts as a whole by fourteen basis points and the industry nationally by twenty-nine basis points. This negative differential reflects the higher level of mortgage loans in MSIC members' loan portfolios and overall lower fee and other operating income generated by MSIC members when compared to the Massachusetts industry and the industry nationwide. Despite this difference, members' earnings are solid enough to support future growth while maintaining adequate capital.

With a coverage ratio of approximately 7.35%, the highest of any deposit insurer in the nation, the MSIC insurance system enters 2016 with a solid foundation. We currently project financial progress to continue into the new year, as MSIC members are positioned for ongoing success in light of their overall sound financial condition.

As a result of the positive condition of the membership and MSIC's strong financial condition, we project that MSIC's deposit insurance risk will remain low for the foreseeable future.

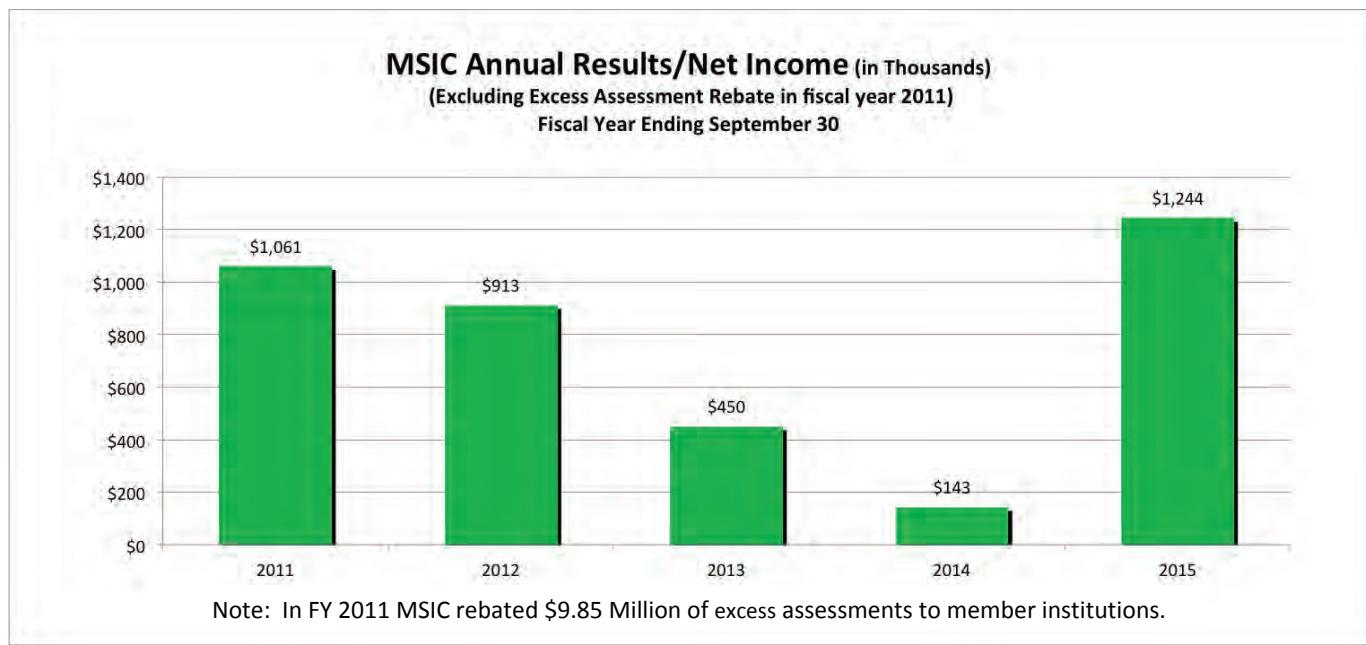
Member Report



Financial Report

Driven by the successful launch of the Liquidity Reserve Fund and the corresponding increase in net yield on average interest earning assets and net interest income, MSIC reported a substantial improvement in net income for the year ended September 30, 2015. Net income was also bolstered by significant increases in member assessment revenue and recoveries of capital infusions, all of which contributed to MSIC's continued status as a financially strong organization.

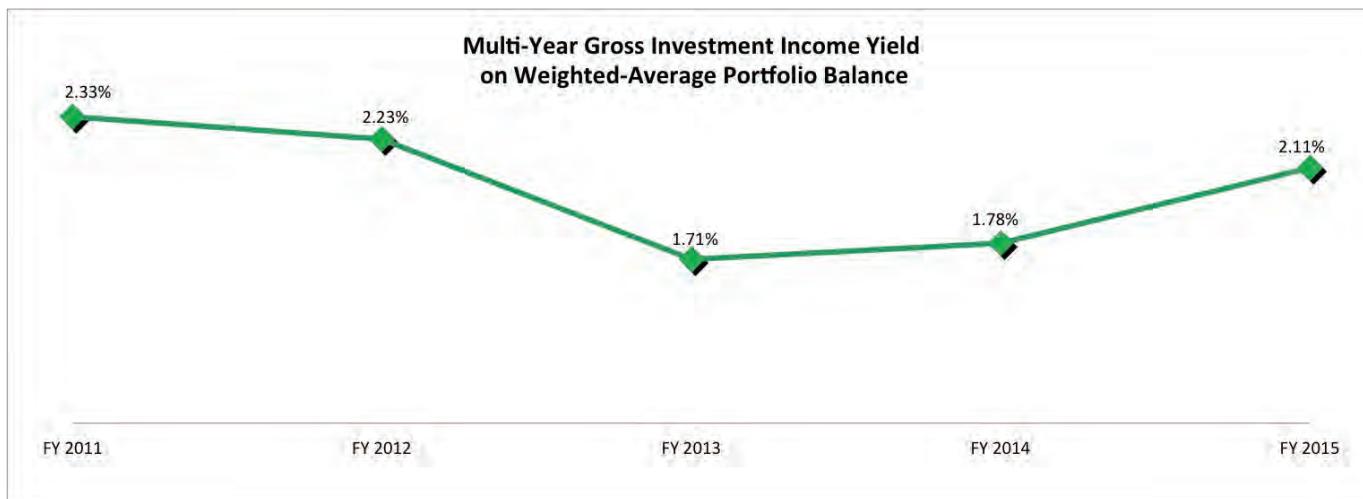
Net income for the year ended September 30, 2015 amounted to \$1,244,000 compared to \$143,000 for the year ended September 30, 2014.



The increasing trend in interest income and interest earning asset yield, observed in fiscal year 2014, continued into fiscal year 2015. Total interest income amounted to \$2,079,000 in fiscal year 2015 compared to \$1,325,000 in fiscal year 2014, or an increase of \$754,000 or 56.96%.

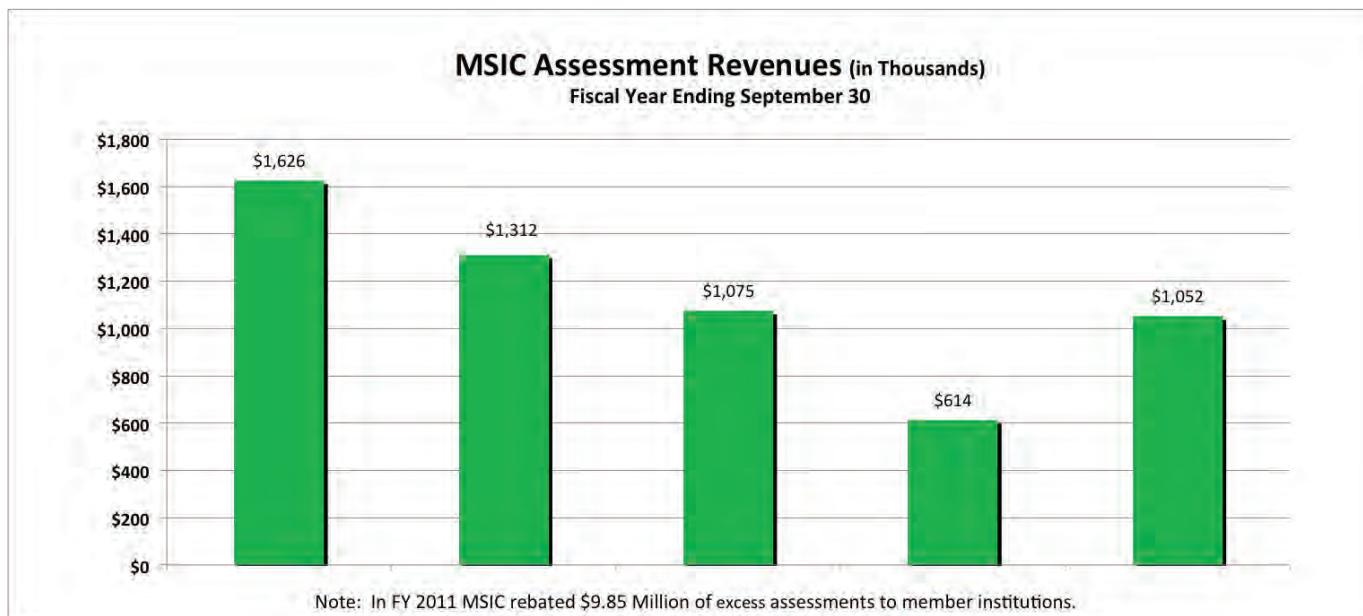
The overall improvement in interest earning asset performance was largely due to a restructuring of the investment portfolio in the later part of 2014, as well as the introduction of the Liquidity Reserve Fund as an additional source of investment income. Net interest income amounted to \$1,719,000 in fiscal year 2015 compared to \$1,234,000 in fiscal year 2014, or an increase of \$485,000 or 28.23%. Of this increase, \$293,000 was attributed to volume or growth in average interest earning assets, while nearly \$192,000 was a result of improvement in yields. The yield on interest earning assets improved to 2.11% in fiscal year 2015 from 1.78% in fiscal year 2014. The net interest margin improved to 1.74% in fiscal year 2015 from 1.66% in fiscal year 2014.

Financial Report



MSIC's liquid assets (cash, equivalents, and certificates of deposit and investment securities with maturities of one year or less) totaled \$11.6 million or 11.37% of total assets at September 30, 2015 and \$17.2 million or 23.1% at September 30, 2014. At September 30, 2015 the weighted average life of the certificates of deposit and investment securities portfolio stood at 45.0 months compared to 53.4 months at September 30, 2014.

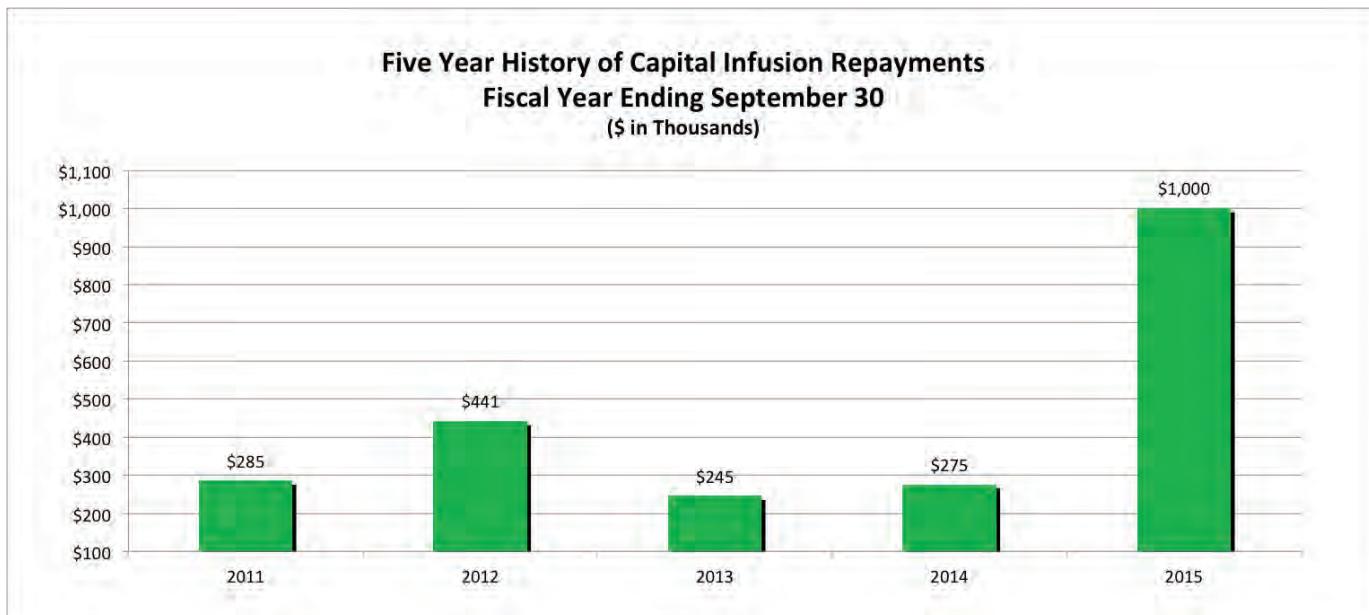
The recovery in the growth of insured excess shares accounted for the \$438,000 increase in member assessment revenue to \$1,052,000 in fiscal year 2015 from \$614,000 in fiscal year 2014.



In fiscal year 2015, the insured excess shares reported a 10.53% growth rate. This growth reflects the surge in consumer savings, a trend generated mostly by cautious consumer spending after the effects of the global economic crisis and the ongoing European debt crisis. This rise in insured excess shares and the correlating increase in member assessment revenue were two of the main reasons for the increase in net income during fiscal year 2015.

Financial Report

Realized investment gains-on-sale totaled \$83,000 during fiscal year 2015 compared to \$171,000 during the prior fiscal year. However, recoveries of Capital Assistance amounted to \$1,000,000 in fiscal year 2015 versus \$275,000 in fiscal year 2014, which helped offset the impact of the decline in realized investment gains. This repayment was received solely from one member institution, as part of a merger agreement of the repaying member institution with another member institution.



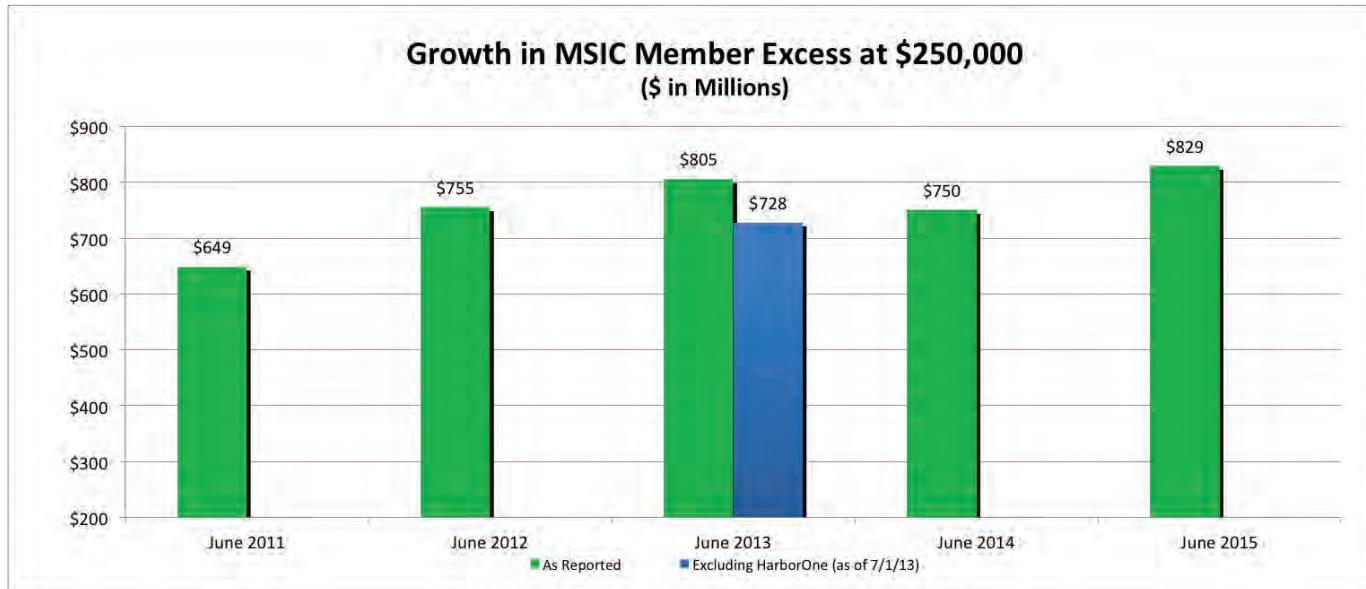
During fiscal year 2015, MSIC maintained no reserve for specifically identified troubled member credit unions and no general or allocated reserve based on historical data. Since there were no qualitative factors that would indicate a need for a general component to the insurance loss reserve, the reserve was considered unnecessary.

For the fiscal years ended September 30, 2015 and 2014, total overhead expense (excluding interest expense) amounted to \$2,651,000 and \$2,381,000, respectively, or an increase of \$270,000 or 11.34%. As a percent of average total assets, overhead expense equaled 2.66% in fiscal year 2015 and 3.22% in fiscal year 2014. This percentage reduction is a clear indication of MSIC's continued ability to grow its balance sheet without a corresponding increase in overhead expense.

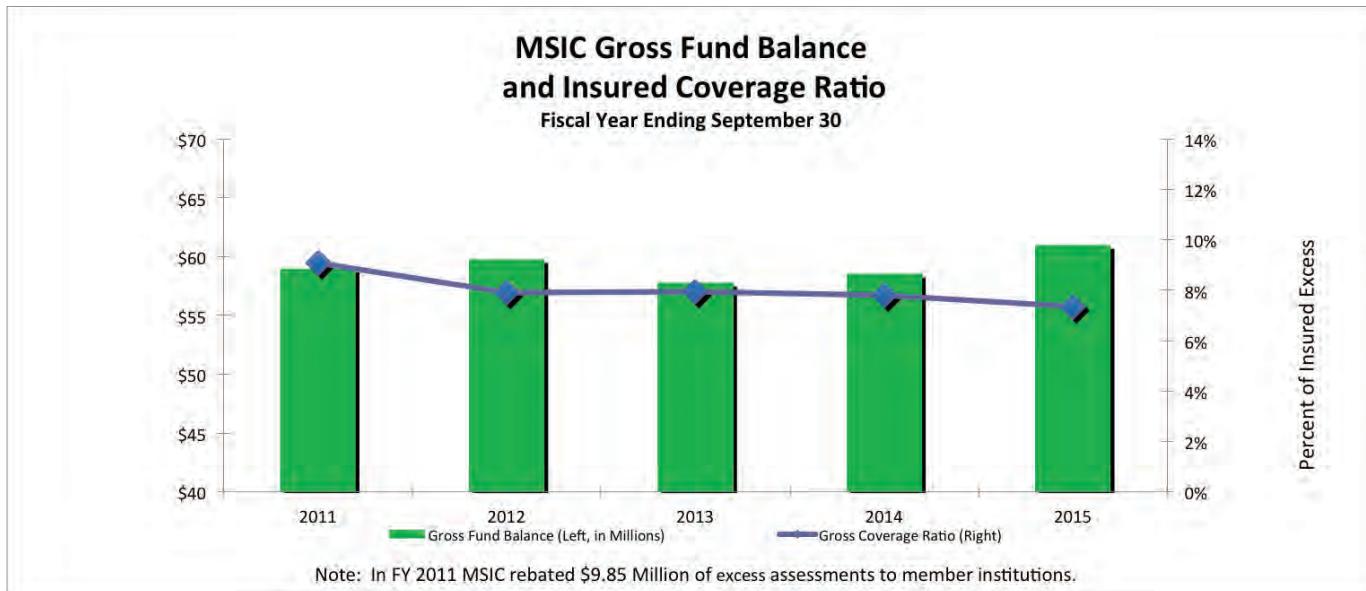
With the introduction of the Liquidity Reserve Fund in fiscal year 2015, MSIC's total assets increased \$27.7 million to \$102.4 million at September 30, 2015 from \$74.7 million at September 30, 2014. Also, MSIC's Insurance Fund increased \$2,454,000 during fiscal year 2015 to \$60,972,000 at September 30, 2015 from \$58,518,000 at September 30, 2014. The increase in the Insurance Fund was attributed to a \$1,210,000 increase in unrealized gains on investment securities to \$354,000 from a loss of \$856,000, and net income of \$1,244,000. As a result of the increase in total assets, MSIC's capital ratio decreased to 59.57% at September 30, 2015 from 78.38% at September 30, 2014.

During fiscal year 2015, insured excess shares increased by \$79.0 million or 10.53% to \$829.0 million.

Financial Report



The ratio of Insurance Fund balance to insured excess shares equaled 7.35% and 7.80% at September 30, 2015 and 2014, respectively. This remains the strongest coverage ratio for deposit insurers in the nation.



During fiscal year 2015, the Division of Banks increased MSIC's borrowing capacity with the Federal Home Loan Bank of Boston to \$40.0 million. As of September 30, 2015, only \$11.4 million out of the \$40.0 million capacity has been used. Should the need ever arise, MSIC's borrowing capacity with the Federal Home Loan Bank of Boston is available to support its liquidity position.

Independent Auditors' Report



To the Audit Committee of Massachusetts Credit Union Share Insurance Corporation

Report on the Financial Statements

We have audited the accompanying balance sheets of Massachusetts Credit Union Share Insurance Corporation (the "Corporation") as of September 30, 2015 and 2014, and the related statements of income, comprehensive income, 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.

Auditors' Responsibility

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

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

procedures selected depend on the auditors' 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 Corporation'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 Corporation'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 the Corporation as of September 30, 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.

Marcum LLP

Boston, MA
December 22, 2015

Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

BALANCE SHEETS

SEPTEMBER 30, 2015 AND 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 5,771,346	\$ 4,890,793
Certificates of deposit	20,189,556	15,698,391
Securities available-for-sale, at fair value	70,562,111	36,442,238
Securities held-to-maturity, at cost	3,950,709	15,729,546
Federal Home Loan Bank stock, at cost	995,600	874,900
Accrued interest receivable	478,420	663,137
Premises and equipment, net	138,789	159,890
Other assets	<u>274,507</u>	<u>201,771</u>
Total Assets	<u>\$ 102,361,038</u>	<u>\$ 74,660,666</u>
Liabilities and Equity		
Liabilities		
Liquidity reserve fund deposits	\$ 29,588,136	\$ --
Federal Home Loan Bank advances	11,400,000	16,000,000
Accounts payable and accrued expenses	<u>400,796</u>	<u>143,035</u>
Total Liabilities	<u>41,388,932</u>	<u>16,143,035</u>
Equity		
Retained earnings	60,617,986	59,373,702
Accumulated other comprehensive income	<u>354,120</u>	<u>(856,071)</u>
Total Equity	<u>60,972,106</u>	<u>58,517,631</u>
Total Liabilities and Equity	<u>\$ 102,361,038</u>	<u>\$ 74,660,666</u>

Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

STATEMENTS OF INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Revenue		
Insurance assessments	\$ 1,052,184	\$ 613,763
Investment income	2,078,924	1,324,493
Recoveries of capital assistance	1,000,000	275,000
Gain on sales of securities	82,893	170,950
Recovery of insurance loss reserve	--	189,550
Other income	<u>41,842</u>	<u>41,398</u>
Total Revenue	<u>4,255,843</u>	<u>2,615,154</u>
Expenses		
Salaries and benefits	1,455,789	1,392,591
Interest expense	360,065	90,911
Other general and administrative	<u>1,195,705</u>	<u>988,699</u>
Total Expenses	<u>3,011,559</u>	<u>2,472,201</u>
Net Income	<u>\$ 1,244,284</u>	<u>\$ 142,953</u>

Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Net Income	<u>\$ 1,244,284</u>	<u>\$ 142,953</u>
Other Comprehensive Income		
Unrealized holding gains on securities available-for-sale	1,293,084	949,319
Reclassification adjustment for gains realized in income	<u>(82,893)</u>	<u>(170,950)</u>
Total Other Comprehensive Income	<u>1,210,191</u>	<u>778,369</u>
Comprehensive Income	<u><u>\$ 2,454,475</u></u>	<u><u>\$ 921,322</u></u>

Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

STATEMENTS OF EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balances, September 30, 2013	\$ 59,230,749	\$ (1,634,440)	\$ 57,596,309
Net income	142,953	--	142,953
Other comprehensive income	--	<u>778,369</u>	<u>778,369</u>
Balances, September 30, 2014	59,373,702	(856,071)	58,517,631
Net income	1,244,284	--	1,244,284
Other comprehensive income	--	<u>1,210,191</u>	<u>1,210,191</u>
Balances, September 30, 2015	<u>\$ 60,617,986</u>	<u>\$ 354,120</u>	<u>\$ 60,972,106</u>

Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities		
Net income	\$ 1,244,284	\$ 142,953
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	64,078	66,199
Amortization of premiums on securities, net	(187,865)	(130,961)
Gain on sales of securities	(82,893)	(170,950)
Net change in:		
Accrued interest receivable	184,717	(5,799)
Other assets	(72,736)	(18,921)
Accounts payable and accrued expenses	257,761	(80,108)
Reserve for insurance losses	--	(189,550)
Total adjustments	<u>163,062</u>	<u>(530,090)</u>
Net Cash Provided by (Used in) Operating Activities	<u>1,407,346</u>	<u>(387,137)</u>
Cash Flows from Investing Activities		
Maturities of certificates of deposit	12,334,774	14,220,173
Purchases of certificates of deposit	(16,825,939)	(3,363,616)
Proceeds from sales of available-for-sale securities	4,182,893	8,960,339
Proceeds from maturities, calls and principal payments of available-for-sale securities	19,840,000	3,062,568
Proceeds from maturities, calls and principal payments of held-to-maturity securities	11,800,000	--
Purchases of available-for-sale securities	(56,682,980)	(10,700,605)
Purchases of held-to-maturity securities	--	(15,719,327)
Purchases of Federal Home Loan Bank stock	(120,700)	(65,700)
Purchases of premises and equipment	(42,977)	--
Net Cash Used in Investing Activities	<u>(25,514,929)</u>	<u>(3,606,168)</u>
Cash Flows from Financing Activities		
Increase in liquidity reserve fund deposits	29,588,136	--
Proceeds from Federal Home Loan Bank advances	4,000,000	--
Paydowns of Federal Home Loan Bank advances	(8,600,000)	--
Net Cash Provided by Financing Activities	<u>24,988,136</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>880,553</u>	<u>(3,993,305)</u>
Cash and Cash Equivalents, Beginning of Year	<u>4,890,793</u>	<u>8,884,098</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,771,346</u>	<u>\$ 4,890,793</u>
Supplemental Disclosures		
Change in unrealized gain on securities available-for-sale	<u>\$ 1,210,191</u>	<u>\$ 778,369</u>
Cash paid for interest	<u>\$ 120,420</u>	<u>\$ 90,403</u>
Vehicle trade-in for new equipment	<u>\$ 16,000</u>	<u>\$ --</u>

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1 – NATURE OF THE BUSINESS

The Massachusetts Credit Union Share Insurance Corporation (“MSIC” or the “Corporation”) is incorporated under the laws of the Commonwealth of Massachusetts for the purpose of creating and maintaining a fund for the insurance of shares and deposits of credit unions doing business in Massachusetts which are established under the laws of the Commonwealth of Massachusetts or of the United States. The Corporation is supervised by the Massachusetts Commissioner of Banks.

The Corporation’s role is that of an excess deposit insurer. Primary federal deposit insurance for MSIC member credit unions is provided by the National Credit Union Share Insurance Fund (“NCUSIF”), which is administered by the National Credit Union Administration (“NCUA”), an independent federal regulatory agency. Accounts insured by the NCUSIF are generally insured up to a maximum of \$250,000 per insured depositor. The Corporation insures the amounts in excess of the \$250,000 per insured depositor.

The Corporation has also established a fund, known as the Liquidity Reserve Fund (the “Fund”), for the purpose of promoting liquidity resources for its members. Approved members may maintain deposit balances with the Fund and other approved members may borrow from the Fund. Member deposits in the Fund are general liabilities of the Corporation, but have a preferential position over deposit insurance claims. The Corporation began accepting subscriptions for the Fund on September 15, 2014 and has received deposits totaling \$29,250,000 as of September 30, 2015. The total balance of those deposits including any accrued interest on those deposits is \$29,588,136.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared on the accrual basis of accounting for all significant items of income and expenses.

USE OF ESTIMATES AND RESERVE FOR INSURANCE LOSSES

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 those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the reserve for insurance losses.

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES AND RESERVE FOR INSURANCE LOSSES (CONTINUED)

The Corporation's policy is to reserve for anticipated insurance losses when, in the opinion of management, such losses become probable of occurrence and the amount can be reasonably estimated. The amount of the reserve, if any, is management's best estimate within a range of potential losses. It is an amount that management believes will be adequate to absorb potential losses. Management bases its determination on the review of its members' financial data (including regulatory call reports), consultation with regulatory authorities and recent historical experience.

Substantial weight is accorded to indications from regulatory authorities that a member credit union has an extremely high or near-term possibility of failure. The reserve would reflect the level of reported excess deposits insured, net of management's estimate of expected share and deposit adjustments and recoveries. The reserve is adjusted to a level deemed appropriate by management through a charge or credit to operations. Actual losses are charged to the reserve when realized. As of September 30, 2015 and 2014, the Corporation determined no reserve for insurance losses was required.

REGULATORY MATTERS

Prior to 1994, as one of the safety and soundness prerequisites for obtaining federal insurance, credit unions had to meet specified capital levels as determined by the NCUA. This capital level varied by credit union based on the asset quality of the institution as evaluated by the NCUA. As the predecessor primary insurer and as a condition for credit unions obtaining federal primary insurance, the Corporation had infused capital, under capital infusion agreements, totaling \$6,271,893 into those credit unions that were deemed capital-deficient by the NCUA.

The Capital infusion agreements provide for the repayment of the infused capital at a future date when the credit union's net capital exceeds percentages defined in the agreement and said repayment receives regulatory approvals. However, due to the uncertainty as to when the regulatory approvals will be attained, management has elected to treat future repayments of capital assistance as revenue in the period received.

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REGULATORY MATTERS (CONTINUED)

A historical summary of financial assistance provided by the Corporation under capital infusion agreements, and related repayments, through September 30, 2015 is as follows:

	Capital Infused	Payments Received	Remaining Balance
Naveo Credit Union (formerly CPCU Credit Union)	\$ 1,511,420	\$ (38,486)	\$ 1,472,934
F.H.B.T. Credit Union (merged with Freedom CU)	68,102	(68,102)	--
St. Jean's Credit Union	4,036,462	(3,010,000)	1,026,462
Greater Springfield Credit Union	30,984	(30,984)	--
University Credit Union (merged with Metro CU)	356,289	(356,289)	--
First Citizens' Federal Credit Union	<u>268,636</u>	<u>--</u>	<u>268,636</u>
	<u>\$ 6,271,893</u>	<u>\$ (3,503,861)</u>	<u>\$ 2,768,032</u>

Following is a summary of payments received included in the accompanying statements of income as recoveries of capital assistance for the years ended September 30, 2015 and 2014:

	2015	2014
St. Jean's Credit Union	\$ 1,000,000	\$ 275,000

CASH AND CASH EQUIVALENTS

The Corporation considers its holdings in short-term money market accounts and other deposit accounts with original maturities of three months or less to be cash equivalents. The Corporation maintains balances in financial institutions which may at times exceed federally insured limits. At September 30, 2015, substantially all cash and cash equivalents were insured with primary and secondary insurance.

CERTIFICATES OF DEPOSIT

Certificates of deposits mature within three years and are carried at cost.

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT SECURITIES

Trading Securities:

Securities that are held for short-term resale are classified as trading account securities and recorded at their fair values. Realized and unrealized gains and losses on trading account securities are included in other income. The Corporation had no trading securities during the years ended September 30, 2015 and 2014.

Securities Held-to-Maturity:

Government and federal agency securities that management has the positive intent and ability to hold to maturity regardless of market conditions, liquidity needs or changes in general economic conditions are classified as held-to-maturity. These securities are reported at cost and adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using methods approximating the interest method over the period to contractual maturity, adjusted for anticipated prepayments.

Securities Available-for-Sale:

Securities classified as available-for-sale consist of investment securities with readily determinable fair values that the Corporation intends to hold for an indefinite period of time but not necessarily until maturity. These securities are carried at estimated fair value based on information provided by a third party pricing service with any unrealized gains and losses excluded from net income and reported in accumulated other comprehensive income, which is reported as a separate component of equity. The amortization of premiums and the accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Realized gains (losses) on the sale of securities available-for-sale are determined using the specific-identification method based on the adjusted cost basis of the specific securities sold and included in noninterest income and, when applicable, are reported as a reclassification adjustment in other comprehensive income.

Each reporting period, the Corporation evaluates all securities with a decline in fair value below the amortized cost of the investment to determine whether or not the impairment is deemed to be other-than-temporary (“OTTI”).

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT SECURITIES (CONTINUED)

OTTI is required to be recognized if: (1) the Corporation intends to sell the security; (2) it is “more likely than not” that the Corporation will be required to sell the security before recovery of its amortized cost basis; or (3) for debt securities, the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. Marketable equity securities are evaluated for OTTI based on the severity and duration of the impairment and, if deemed to be other than temporary, the declines in fair value are reflected in earnings as realized losses. For all impaired debt securities that the Corporation intends to sell, or more likely than not will be required to sell, the full amount of the depreciation is recognized as OTTI through earnings. Credit-related OTTI for all other impaired debt securities is recognized through earnings. Non-credit related OTTI for such debt securities is recognized in other comprehensive income/loss.

FEDERAL HOME LOAN BANK STOCK

The Corporation, as a member of the Federal Home Loan Bank of Boston (“FHLB”), is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. Management reviews for impairment based on the ultimate recoverability of the cost basis in the FHLB stock. As of September 30, 2015 and 2014, no impairment has been recognized.

PREMISES AND EQUIPMENT

Equipment, computer software and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the respective assets or the terms of the lease, if shorter, ranging from three to six years. Expenditures for improvements which extend the life of an asset are capitalized and depreciated over the asset’s remaining useful life.

VALUATION OF LONG-LIVED ASSETS

The Company accounts for the valuation of long-lived assets under FASB ASC 360, *Property, Plant and Equipment*. This guidance requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset.

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

VALUATION OF LONG-LIVED ASSETS (CONTINUED)

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

INSURANCE ASSESSMENTS AND REFUNDS

The Corporation recognizes revenue from insurance assessments at the time a member credit union is assessed. The amount of the initial assessment is based on the application of 1.25% to excess shares and deposits at the date of approval for insurance. Future assessments are made on any increase in excess shares and deposits.

RECOVERIES

Recoveries of previously charged-off assets and capital assistance are recorded as revenue on a cash basis, or when the amount is quantifiable and collectability is assured.

INCOME TAXES

The Corporation is exempt from federal and Massachusetts state and local taxes under Internal Revenue Code Section 501(c)(6) and Massachusetts General Laws, except on net income derived from unrelated business activities. The Corporation derives income from the sale of Custom Performance Reports and investment income generated by borrowed funds, which are considered unrelated business activities; however, no significant taxable income has been generated during the years ended September 30, 2015 and 2014.

The Corporation recognizes and measures its unrecognized tax positions and assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period.

The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. Interest and penalties associated with unrecognized tax positions, if any, would be classified as additional income taxes in the statements of activities. The Corporation did not identify any uncertain tax positions at September 30, 2015 and 2014. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress.

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPREHENSIVE INCOME

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities are reported as a separate component of the retained earnings section of the balance sheets, such items, along with net income, are components of comprehensive income.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 22, 2015, which is the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

NOTE 3 - CASH AND CASH EQUIVALENTS

At September 30, 2015 and 2014, cash and cash equivalents are comprised of the following:

	2015	2014
Corporate credit union deposits	\$ 339,842	\$ 201,369
Other interest-bearing deposits	<u>5,431,504</u>	<u>4,689,424</u>
	<u><u>\$ 5,771,346</u></u>	<u><u>\$ 4,890,793</u></u>

NOTE 4 - CERTIFICATES OF DEPOSIT

Certificates of deposit by maturity and weighted average interest rate at September 30, 2015, are as follows:

	Amount	Weighted Average Rate
Due in 1 year or less	\$ 5,864,618	0.90%
Due after 1 year through 3 years	13,189,688	1.24%
Due after 3 years through 5 years	<u>1,135,250</u>	2.00%
	<u><u>\$ 20,189,556</u></u>	1.18%

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 5 - INVESTMENTS

Investment securities have been classified according to management's intent. The amortized cost and estimated fair value of investment securities, with gross unrealized gains and losses are as follows:

Securities available-for-sale at September 30 consisted of the following:

	September 30, 2015			
	Amortized Cost	Gross Gains	Gross Losses	Fair Value
U.S. government and government-sponsored enterprise obligations	\$ 70,207,991	\$ 479,500	\$ (125,380)	\$ 70,562,111
September 30, 2014				
	Amortized Cost	Gross Gains	Gross Losses	Fair Value
U.S. government and government-sponsored enterprise obligations	\$ 37,298,309	\$ 47,537	\$ (903,608)	\$ 36,442,238

Securities held-to-maturity at September 30 consisted of the following:

	September 30, 2015			
	Amortized Cost	Gross Gains	Gross Losses	Fair Value
U.S. government and government-sponsored enterprise obligations	\$ 3,950,709	\$ 168,127	\$ --	\$ 4,118,836
September 30, 2014				
	Amortized Cost	Gross Gains	Gross Losses	Fair Value
U.S. government and government-sponsored enterprise obligations	\$ 15,729,546	\$ 107,985	\$ (4,043)	\$ 15,833,488

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 5 – INVESTMENTS (CONTINUED)

The amortized cost and estimated fair value of debt securities by contractual maturity at September 30, 2015 is shown below. Expected maturities may differ from contractual maturities because the borrowers may have full or partial call rights.

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due after 1 year through 5 years	\$ 3,989,856	\$ 4,013,952	\$ --	\$ --
Due after 5 years through 10 years	<u>66,218,135</u>	<u>66,548,159</u>	<u>3,950,709</u>	<u>4,118,836</u>
	<u><u>\$ 70,207,991</u></u>	<u><u>\$ 70,562,111</u></u>	<u><u>\$ 3,950,709</u></u>	<u><u>\$ 4,118,836</u></u>

For the years ended September 30, 2015 and 2014, proceeds from sales of securities available-for-sale amounted to \$4,182,893 and \$8,960,339, with gross realized gains of \$82,893 and \$170,950, respectively. At September 30, 2015 and 2014, securities available-for-sale with an estimated fair value of \$17,406,835 and \$17,784,621, respectively, and securities held-to-maturity with an estimated fair value of \$4,118,836 and \$0, respectively, were pledged to secure the advances with the Federal Home Loan Bank of Boston (Reference to Note 8). In addition, at September 30, 2015 and 2014, securities available-for-sale with an estimated fair value of \$1,978,072 and \$297,902, respectively, were pledged to secure a line of credit with another financial institution (Reference to Note 9).

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 5 - INVESTMENTS (CONTINUED)

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

	September 30, 2015					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for sale securities:						
U.S. government and government-sponsored enterprise obligations	\$ 6,981,180	\$ (8,342)	\$ 10,373,275	\$ (117,038)	\$ 17,354,455	\$ (125,380)
September 30, 2014						
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	Available for sale securities:					
U.S. government and government-sponsored enterprise obligations	\$ 2,786,104	\$ (3,571)	\$ 30,651,098	\$ (900,037)	\$ 33,437,202	\$ (903,608)
Held-to-maturity securities:						
U.S. government and government-sponsored enterprise obligations	\$ 2,491,050	\$ (4,043)	\$ --	\$ --	\$ 2,491,050	\$ (4,043)

At September 30, 2015, seven debt securities had unrealized losses; all of which were available-for-sale securities, while at September 30, 2014, nineteen debt securities had unrealized losses, eighteen of which were available-for-sale securities and one of which was held-to-maturity. The depreciation is primarily a reflection of changing interest rates. All of these securities are guaranteed by U.S. government agencies or government-sponsored enterprises. Accordingly, it is expected that the securities would not be settled at a price less than the par value of the investment. Because the decline in fair value is attributable to changes in interest rates and not to credit quality, and because the Corporation does not intend to sell the investments and it is not likely that the Corporation will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Corporation does not consider these investments to be other-than-temporarily impaired at either September 30, 2015 and 2014.

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 6 - PREMISES AND EQUIPMENT

A summary of premises and equipment at September 30 is as follows:

	2015	2014
Furniture, fixtures and equipment	\$ 347,363	\$ 342,225
Software	127,468	127,468
Leasehold improvements	<u>31,142</u>	<u>31,142</u>
	505,973	500,835
Less: accumulated depreciation and amortization	<u>(367,184)</u>	<u>(340,945)</u>
	<u>\$ 138,789</u>	<u>\$ 159,890</u>

Depreciation and amortization expense for the years ended September 30, 2015 and 2014 amounted to \$64,078 and \$66,199, respectively.

NOTE 7 – LIQUIDITY RESERVE FUND DEPOSITS

At September 30, 2015, approximate scheduled maturities of liquidity reserve fund deposits are as follows:

One year or less	\$ 14,374,176
After one year through three years	<u>15,213,960</u>
	<u>\$ 29,588,136</u>

Interest rates paid on the liquidity reserve fund deposits range from 0.50% to 1.55% as of September 30, 2015. Interest expense on the liquidity reserve fund deposits amounted to \$249,134 for the year ended September 30, 2015.

NOTE 8 - FEDERAL HOME LOAN BANK ADVANCES

At September 30, 2015, Federal Home Loan Bank Advances consist of advances amounting to \$11,400,000 from the Federal Home Loan Bank of Boston (“FHLB”) which mature at various dates through March 2018 with interest rates ranging from 0.65% to 1.35%. Principal maturities under these advances are \$9,400,000 and \$2,000,000 for the years ending September 30, 2016 and 2018, respectively.

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 8 - FEDERAL HOME LOAN BANK ADVANCES (CONTINUED)

The Corporation has agreements with the FHLB whereby the Corporation may borrow additional funds. The Corporation's borrowing capacity is determined primarily by the amount of qualifying collateral held in custody by the FHLB, which consists of available-for-sale securities and held-to-maturity securities, and by owning a requisite amount of capital stock of the FHLB. The Massachusetts Commissioner of Banks has authorized up to \$40,000,000 in borrowing capacity with the FHLB. Any additional borrowings with the FHLB would require the Corporation to purchase additional FHLB stock above the amounts invested at September 30, 2015.

Interest expense on the FHLB borrowings amounted to \$110,931 and \$90,911 for the years ended September 30, 2015 and 2014, respectively.

NOTE 9 – LINE OF CREDIT

The Corporation entered into a \$200,000 secured line of credit agreement with a financial institution. This line of credit incurs interest on outstanding balances at 1.99% as of September 30, 2015. The line of credit is secured by an available-for-sale security held at this institution. There were no amounts outstanding on this line of credit at September 30, 2015.

NOTE 10 - DEFINED CONTRIBUTION PLAN

The Corporation has a defined contribution plan intended to qualify under Section 401(k) of the Internal Revenue Code, covering substantially all employees. Under the terms of the plan, the Corporation contributes an amount equal to 10% of an eligible employee's compensation. Each employee reaching the age of 21 and having completed at least ninety days of service automatically becomes a participant in the plan. Participants are fully vested in 30% of the Corporation's contribution, considered a Safe Harbor Non-Elective contribution. The remaining 70% of the Corporation's contribution is a profit sharing contribution in which participants are 20% vested after two years of service, 40% vested after three years of service, 60% vested after four years of service, 80% vested after five years of service, and fully vested after six years of service. For the years ended September 30, 2015 and 2014, expenses attributable to the plan amounted to \$62,109 and \$66,638, respectively.

NOTE 11 - RELATED PARTY TRANSACTIONS

A majority of the Corporation's fifteen directors are associated with member credit unions, some of which conduct transactions with the Corporation in the ordinary course of business.

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 12 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding commitments and contingencies which are not reflected in the Corporation's financial statements as follows:

EMPLOYMENT AGREEMENT

The Corporation has entered into an employment agreement with its President and Chief Executive Officer that generally provides for a specified minimum annual compensation and certain benefits. However, such employment may be terminated for cause, as defined, without incurring any continuing obligations. The agreement matures on January 31, 2018.

OPERATING LEASE COMMITMENTS

The Corporation leases office space pursuant to the terms of a non-cancelable lease agreement, which expires in September 2018, with an option to extend the lease for an additional five years. The Corporation is also responsible for common area charges under the lease. The future minimum rental commitments under this agreement are as follows:

Years ending September 30:

2016	\$ 218,625
2017	222,750
2018	<u>226,875</u>
	<u>\$ 668,250</u>

Total rent expense for the years ended September 30, 2015 and 2014 amounted to \$228,316 and \$220,077, respectively.

DIRECTORS' FEES

In accordance with the Corporation's policy, outside directors (i.e. non-credit union executives) receive compensation of \$1,000 for attending each Board meeting in person and \$500 for attending via conference call. Compensation is \$500 for attending a committee meeting in person and \$250 for attending via conference call. During the years ended September 30, 2015 and 2014 compensation paid to outside directors totaled \$17,750 and \$23,250, respectively.

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 13 - CONCENTRATION

The Corporation is restricted by Massachusetts regulatory policy to provide excess deposit insurance to credit unions whose main offices are located within the Commonwealth of Massachusetts.

NOTE 14 - FAIR VALUE MEASUREMENTS

DETERMINATION OF FAIR VALUE

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on quoted market prices. However, in many instances, there are no quoted market prices for the Corporation's assets and liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement.

FAIR VALUE HIERARCHY

This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

- Level 1** Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2** Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

A description of the valuation techniques applied to the Corporation's major categories of assets and liabilities measured at fair value on a recurring basis follows:

Investment securities available-for-sale – These investment securities are measured at fair value in level 2 and are based on independent, unadjusted market-based prices received from a third-party pricing service that utilizes pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads, and new issue data.

Fair values of financial instruments measured on a recurring basis at September 30, 2015 and 2014 are as follows:

	Fair Value Measurements Using:			
	Total	Level 1	Level 2	Level 3
<u>September 30, 2015</u>				
Securities available for sale:				
U.S. government and government-sponsored enterprise obligations	\$ 70,562,111	\$ --	\$ 70,562,111	\$ --
<u>September 30, 2014</u>				
Securities available for sale:				
U.S. government and government-sponsored enterprise obligations	\$ 36,442,238	\$ --	\$ 36,442,238	\$ --

There were no liabilities measured at fair value on a recurring basis at September 30, 2015 and 2014.

There were no transfers between Level 1, Level 2 and Level 3, during either of the years ended September 30, 2015 and 2014. There were no assets or liabilities measured at fair value on a non-recurring basis at either September 30, 2015 and 2014.

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

SUMMARY OF THE FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values and related carrying amounts of the Corporation's financial instruments at September 30 are as follows. Certain financial instruments and all nonfinancial instruments are exempt from disclosure requirements. Accordingly, the aggregate fair value amounts presented herein may not necessarily represent the underlying fair value of the Corporation.

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 5,771,346	\$ 5,771,346	\$ 4,890,793	\$ 4,890,793
Certificates of deposit	20,189,556	20,232,000	15,698,391	15,679,000
Investment securities available-for-sale	70,562,111	\$ 70,562,111	36,442,238	36,442,238
Investment securities held-to-maturity	3,950,709	4,118,836	15,729,546	15,833,488
Stock in the Federal Home Loan Bank of Boston	995,600	\$ 995,600	874,900	874,900
Accrued interest receivable	478,420	\$ 478,420	663,137	663,137
Financial liabilities:				
Liquidity reserve fund deposits	29,588,136	29,652,000	-	--
Advances from Federal Home Loan Bank	11,400,000	11,449,000	16,000,000	16,040,000

The carrying amounts in the preceding table are included in the balance sheets under the applicable captions.

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents:

The carrying amounts reported in the consolidated statements of financial conditions for cash and cash equivalents approximate those assets fair value.

Certificates of deposit:

Fair values of certificates of deposit are estimated using discounted cash flow analysis based upon current rates for similar types of deposits.

Notes to Financial Statements

MASSACHUSETTS CREDIT UNION SHARE INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

SUMMARY OF FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Investment Securities (Including Available-for-Sale and Held-to-Maturity Securities):

The fair values of investment securities, excluding stock in the Federal Home Loan Bank of Boston, are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Stock in the Federal Home Loan Bank of Boston:

The carrying value is deemed to approximate fair value based on the redemption provisions of the Federal Home Loan Bank.

Accrued Interest Receivable:

The carrying amount of accrued interest receivable approximates fair value.

Liquidity Reserve Fund Deposits:

The fair value of liquidity reserve fund deposits, which are term deposits, are based on the discounted value of contractual cash flows using interest rates currently offered for deposits of similar maturities.

Advances from Federal Home Loan Bank:

Fair values of long-term Federal Home Loan Bank borrowings are estimated by discounting the future cash payment using rates currently available to the Corporation for borrowings with similar terms and maturities.

2015 Board of Directors, as of September 30, 2015

Daniel E. Waltz

Chairman

Director Since 2003
President/CEO
Southern Mass Credit Union

Michael E. Murphy

Director Since 1990
President/CEO
Holyoke Credit Union

Kenneth M. DelRossi

Director Since 1997
President/CEO
Align Credit Union

Gregori A. Martucci

Director Since 2010
Regional Sales Manager
Shaw Industries, Inc.

Pamela McCarty

Director Since 2012
CEO
MyCom Federal Credit Union

Paul N. Noce

Vice Chairman

Director Since 2003
President/CEO
Energy Credit Union

James L. Carlson

Director Since 1993
President/CEO
Sharon Credit Union

Diane M. Peralta, C.P.A.

Director Since 2001
Partner, Mercandante &
Mercandante, P.C., CPAs

Dr. Richard N. Mitchell, M.D., Ph.D.

Director Since 2011
Professor of Pathology, Harvard
Medical School and Brigham
and Women's Hospital.

Ralph P. Moore

Director Since 2014
President/CEO
600 Atlantic Federal Credit Union

Debbie C. Guiney

Director Since 1989
President/CEO
AllCom Credit Union

Michael N. Lussier

Director Since 1993
President/CEO
Webster First Federal Credit Union

Tina M. Sbrega

Director Since 2009
President/CEO
GFA Federal Credit Union

John D. Finnegan, Esq.

Director Since 2011
Attorney at Law
Tarlow, Breed, Hart
& Rodgers, P.C.

2015 MSIC Staff

Michael C. Hanson
President and CEO

Jack A. Macomber
Treasurer

Jonathan S. Fine
Director
Credit Union Monitoring

Tony St.Pierre
Vice President
Technology & Security
Office Operations

Virginia B. Daleba
Controller

Erika J. Morin
Executive Assistant

James Boachie
Accountant

James P. Nagy
Member Service Ambassador



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