

**AMERICA'S CHRISTIAN CREDIT UNION
REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010**

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REPORT OF INDEPENDENT AUDITORS

Members of the Supervisory Committee and
Board of Directors
America's Christian Credit Union
Glendora, California

We have audited the accompanying statement of financial condition of America's Christian Credit Union (the Credit Union) as of March 31, 2011 and 2010, and the related statements of income, members' equity and comprehensive income, and cash flows for the years then ended. These financial statements are the responsibility of the Credit Union's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of America's Christian Credit Union as of March 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Spokane, Washington
July 22, 2011

AMERICA'S CHRISTIAN CREDIT UNION
STATEMENT OF FINANCIAL CONDITION

ASSETS

	March 31,	
	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 7,294,739	\$ 11,307,805
Other investments	150,216	119,851
Federal Home Loan Bank stock	1,488,400	1,406,300
Loans receivable, net of allowance for loan losses of \$2,872,490 and \$1,719,707 in 2011 and 2010, respectively	211,971,231	200,814,544
Loan servicing assets	1,389,300	1,500,379
Accrued interest receivable	1,208,244	1,155,241
Premises and equipment, net	17,114,487	17,337,614
Share insurance deposits	1,907,644	1,808,957
Deferred compensation investments	12,418,600	11,746,953
Other assets	1,385,496	1,133,641
	<u>\$ 256,328,357</u>	<u>\$ 248,331,285</u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Members' share and savings accounts	\$ 219,333,636	\$ 205,474,496
Borrowed funds	13,000,000	19,500,000
Accrued expenses and other liabilities	1,287,991	2,347,283
Deferred compensation payable	1,578,449	1,192,203
	<u>235,200,076</u>	<u>228,513,982</u>

COMMITMENTS AND CONTINGENCIES (Notes 7 and 12)

MEMBERS' EQUITY

Regular reserve	6,257,336	6,257,336
Undivided earnings	15,206,149	13,818,789
Accumulated other comprehensive loss	(335,204)	(258,822)
	<u>21,128,281</u>	<u>19,817,303</u>

TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 256,328,357</u>	<u>\$ 248,331,285</u>
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AMERICA'S CHRISTIAN CREDIT UNION
STATEMENT OF INCOME

	Year Ended March 31,	
	2011	2010
Interest income:		
Interest on loans to members	\$ 14,825,999	\$ 14,875,079
Interest on investment securities and cash equivalents	12,519	19,376
Total interest income	<u>14,838,518</u>	<u>14,894,455</u>
Interest expense:		
Dividends on members' share and savings accounts	3,901,311	4,668,672
Interest on borrowed funds	429,419	818,691
Total interest expense	<u>4,330,730</u>	<u>5,487,363</u>
Net interest income	10,507,788	9,407,092
Provision for loan losses	1,677,857	1,497,000
Net interest income after provision for loan losses	<u>8,829,931</u>	<u>7,910,092</u>
Noninterest income:		
Fees and charges	1,855,394	1,785,672
Gains on loan participations sold	482,096	459,900
Other noninterest income	1,400,221	939,619
Other nonoperating income	36,301	23,962
Total noninterest income	<u>3,774,012</u>	<u>3,209,153</u>
Total income	<u>12,603,943</u>	<u>11,119,245</u>
Noninterest expense:		
Compensation and benefits	5,932,651	5,550,526
Occupancy	997,360	949,851
Operations	1,769,795	1,645,260
Professional and outside services	1,201,448	1,214,831
Educational and promotional	741,157	713,936
NCUSIF stabilization expense	434,128	104,847
Other expense	140,044	112,524
Total noninterest expense	<u>11,216,583</u>	<u>10,291,775</u>
Nonoperating gain (loss):		
Impairment loss, Kansas Corporate Credit Union	-	(26,320)
NCUSIF recovery	-	920,922
Total nonoperating gain	<u>-</u>	<u>894,602</u>
NET INCOME	<u>\$ 1,387,360</u>	<u>\$ 1,722,072</u>

AMERICA'S CHRISTIAN CREDIT UNION
STATEMENT OF MEMBERS' EQUITY AND COMPREHENSIVE INCOME

	<u>Total</u>	<u>Regular Reserve</u>	<u>Undivided Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Comprehensive Income (Loss)</u>
Balance, March 31, 2009	\$ 17,884,893	\$ 6,257,336	\$ 12,096,717	\$ (469,160)	
Net income	1,722,072	-	1,722,072	-	\$ 1,722,072
Other comprehensive income					
Change in postretirement benefit plan	<u>210,338</u>	<u>-</u>	<u>-</u>	<u>210,338</u>	<u>210,338</u>
Comprehensive income					<u>\$ 1,932,410</u>
Balance, March 31, 2010	19,817,303	6,257,336	13,818,789	(258,822)	
Net income	1,387,360	-	1,387,360	-	\$ 1,387,360
Other comprehensive loss					
Change in postretirement benefit plan	<u>(76,382)</u>	<u>-</u>	<u>-</u>	<u>(76,382)</u>	<u>(76,382)</u>
Comprehensive income					<u>\$ 1,310,978</u>
Balance, March 31, 2011	<u>\$ 21,128,281</u>	<u>\$ 6,257,336</u>	<u>\$ 15,206,149</u>	<u>\$ (335,204)</u>	

AMERICA'S CHRISTIAN CREDIT UNION
STATEMENT OF CASH FLOWS

	Year Ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,387,360	\$ 1,722,072
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	614,283	614,549
Provision for loan losses	1,677,857	1,497,000
Amortization of loan origination fees	437,661	450,513
Gain on sale of loan participations	(482,096)	(459,900)
Amortization of servicing rights	712,622	576,422
Recovery on NCUSIF deposit	-	(920,922)
(Gain) loss on sale of premises and equipment	(9,792)	7,215
Changes in assets and liabilities:		
Accrued interest receivable	(53,003)	1,199,217
Other assets	(251,854)	(488,518)
Accrued expenses and other liabilities	(1,059,292)	(1,591,089)
Deferred compensation payable	386,246	104,588
Net cash provided by operating activities	<u>3,359,992</u>	<u>2,711,147</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capitalization of loan servicing asset	(601,543)	(459,900)
(Increase) decrease in other investments	(30,365)	26,320
Purchase of Federal Home Loan Bank stock	(82,100)	(85,400)
Loans to members, net of principal collections	(43,806,455)	(34,265,567)
Increase in NCUSIF deposit	(98,687)	(254,288)
Change in deferred compensation investments	(748,029)	(1,722,118)
Proceeds from the sale of premises and equipment	37,982	9,969
Proceeds from sale of loan participations	31,016,346	31,468,061
Purchases of premises and equipment	(419,346)	(1,746,417)
Net cash used by investing activities	<u>(14,732,197)</u>	<u>(7,029,340)</u>

AMERICA'S CHRISTIAN CREDIT UNION
STATEMENT OF CASH FLOWS

	Year Ended March 31,	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' share and savings accounts	\$ 13,859,140	\$ 11,097,885
Repayments of borrowed funds	<u>(6,500,000)</u>	<u>(3,500,000)</u>
Net cash provided by financing activities	<u>7,359,140</u>	<u>7,597,885</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,013,065)	3,279,692
Cash and cash equivalents, beginning of year	<u>11,307,805</u>	<u>8,028,113</u>
Cash and cash equivalents, end of year	<u>\$ 7,294,740</u>	<u>\$ 11,307,805</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest:		
Dividends on members' share and savings accounts	\$ 3,901,311	\$ 4,668,672
Interest on borrowed funds	<u>429,419</u>	<u>818,691</u>
	<u>\$ 4,330,730</u>	<u>\$ 5,487,363</u>

Note 1 - Summary of Significant Accounting Policies

Nature of operations:

America's Christian Credit Union (the Credit Union), formerly Nazarene Credit Union, is a state chartered credit union organized under the State of California Credit Union Act and administratively responsible to the State of California Department of Financial Institutions. In April 2003, the Credit Union expanded its field of membership to include churches and church members, schools, organizations, and affiliates of all Wesleyan based Christian denominations. The Credit Union's primary source of revenue is interest income from providing loans to its members.

Use of estimates in preparing financial statements:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and cash equivalents:

Cash consists of funds due from banks, corporate credit unions, and cash in vaults and on hand. For purposes of the statement of cash flows, the Credit Union considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Federal Home Loan Bank (FHLB) stock:

The Credit Union's investment in FHLB stock is carried at par value (\$100 per share), which reasonably approximates its fair value. As a member of the FHLB system, the Credit Union is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1% of its outstanding mortgage loans or 5% of advances from the FHLB. The Credit Union may request redemption at par value of any stock in excess of the amount the Credit Union is required to hold. Stock redemptions are at the discretion of the FHLB. The Credit Union had \$1,488,400 and \$1,406,300 in class B stock at March 31, 2011 and 2010, respectively.

Western Corporate Federal Credit Union capital shares:

As a member of Western Corporate Federal Credit Union (WesCorp), the Credit Union purchased WesCorp capital shares in accordance with its Advances, Security, and Deposit Agreement. On March 19, 2009, the National Credit Union Association (NCUA) took conservatorship of WesCorp. Based on this action, the financial condition of WesCorp was evaluated, and the member capital was deemed to be fully impaired. The Credit Union marked their member capital shares to zero in 2009.

During September 2010, the NCUA formed a "bridge" corporation, Western Bridge Corporate Federal Credit Union (Western Bridge), to facilitate that essential services are provided, while isolating legacy assets at WesCorp. Additionally, the NCUA implemented a new regulatory framework for the corporate system. The Credit Union will have approximately 24 months to decide to recapitalize Western Bridge under the new framework, or to use a new service provider.

Loans to members:

The Credit Union grants mortgage, member business, and consumer loans to members, including faith based organizations. A substantial portion of the loan portfolio is represented by automobile and real estate loans to members. A members' ability to honor their loan agreements is dependent primarily upon the economic stability of the various groups comprising the Credit Union's field of membership.

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Loans to members (continued):

Loans the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan origination fees and costs. Interest on loans is recognized over the term of the loan and is generally calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time a loan is 60 days delinquent. Consumer loans are typically charged off no later than 180 days past due. Loans may be charged off at an earlier date if collection of principal or interest is considered doubtful. Past due loan status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if management believes, after considering economic conditions, business conditions, and collection efforts, that collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the straight-line method, which approximates the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience.

Allowance for loan losses:

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss, and the levels of nonperforming loans. General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default derived from the Credit Union's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment.

Note 1 - Summary of Significant Accounting Policies (Continued)

Allowance for loan losses (continued):

Specific allowances for loan losses are established for large or restructured impaired loans on an individual basis as required by the accounting by creditors for impairment of a loan. The Credit Union also modifies certain loans to borrowers that are experiencing financial difficulties. If these modifications are deemed a concession, under current standards, the loan is classified as impaired and evaluated for impairment. Examples of concessions include extensions of maturity, providing a below market interest rate, and forgiveness of interest or principal. The specific allowances established for these loans are based on an analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral.

Transfers of financial assets:

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Credit Union, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

Off-balance sheet credit related financial instruments:

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Loan servicing assets:

Servicing assets are recognized separately through the sale of functional assets. Servicing rights resulting from the sale or securitization of loans originated by the Credit Union are initially measured at fair value at the date of transfer. The Credit Union subsequently measures each class of servicing asset using the amortization method. Under the amortization method, loan servicing rights are amortized into noninterest income in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment based on the fair value annually.

Fair value is based on market prices for comparable loan servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds, and default rates and losses. These variables change periodically as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing rights and may result in a reduction in noninterest income.

Premises and equipment:

Land is carried at cost. Buildings and improvements and furniture and equipment are carried at cost, less accumulated depreciation. Buildings and improvements and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Valuation of long-lived assets:

The Credit Union, using its best estimates based on reasonable and supportable assumptions and projections, reviews assets for impairment whenever events or changes in circumstances have indicated the carrying amount of its assets might not be recoverable. In accordance with current accounting standards, impaired assets are reported at the lower of cost or fair value. At March 31, 2011 and 2010, no assets had been written down for impairment.

National Credit Union Share Insurance Fund deposit:

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. The balance of the deposit was \$1,687,644 and \$1,588,957 at March 31, 2011 and 2010, respectively.

NCUSIF insurance premiums:

A credit union is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA Board. The NCUSIF assessments expensed were \$209,605 and \$104,847 for the years ended March 31, 2011 and 2010, respectively. Additionally, during the year ended March 31, 2011, the Credit Union paid \$224,522 for the Temporary Corporate Credit Union Stabilization Fund Assessment.

During the year ended March 31, 2009, the Credit Union recognized an impairment of \$920,922 against the NCUSIF deposit, resulting from losses at certain corporate and natural person credit unions. During the year ended March 31, 2010, a recovery of the \$920,922 charge was recorded as a result of the establishment of the Temporary Corporate Credit Union Stabilization Fund.

American Share Insurance Fund (ASI) deposit:

The deposit maintained in ASI is to provide members' shares additional insurance per account, \$100,000 for member business accounts and \$200,000 for individual accounts. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the ASI Board. The balance of the deposit was \$220,000 at March 31, 2011 and 2010.

Members' share and savings accounts:

Members' share and savings accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share and savings accounts are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Interest rates on members' share and savings accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

Members' equity:

The Credit Union is required, by regulation, to maintain a statutory regular reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of interest.

Note 1 - Summary of Significant Accounting Policies (Continued)

Income taxes:

The Credit Union is exempt by statute from federal income taxes under the provisions of Section 501 of the Internal Revenue Code of 1954; however, the Credit Union's unrelated business income and subsidiaries are subject to federal income taxes. There were no significant income taxes for the years ended March 31, 2011 and 2010.

Accounting principles prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Credit Union adopted the provisions outlined in this guidance on April 1, 2009. The Credit Union had no unrecognized tax positions that would require adjustment to the April 1, 2009, beginning balance to undivided earnings. The Credit Union had no unrecognized tax positions at March 31, 2011 or 2010. It is the Credit Union's policy to record any penalties or interest arising from federal or state taxes as a component of noninterest expense.

Advertising costs:

Advertising costs are charged to operations when incurred. Advertising expense totaled approximately \$488,496 and \$484,775 for the years ended March 31, 2011 and 2010, respectively.

Comprehensive income:

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in postretirement benefit plan obligations are reported as a separate component of the equity section of the statement of financial condition.

New accounting pronouncements:

Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosures (Topic 820)—Improving Disclosures About Fair Value Measurements*. ASU 2010-06 requires expanded disclosures related to fair value measurements including (i) the amounts of significant transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy and the reasons for the transfers, (ii) the reasons for transfers of assets or liabilities in or out of Level 3 of the fair value hierarchy, with significant transfers disclosed separately, (iii) the policy for determining when transfers between levels of the fair value hierarchy are recognized and (iv) for recurring fair value measurements of assets and liabilities in Level 3 of the fair value hierarchy, a gross presentation of information about purchases, sales, issuances, and settlements. ASU 2010-06 further clarifies that (i) fair value measurement disclosures should be provided for each class of assets and liabilities (rather than major category), which would generally be a subset of assets or liabilities within a line item in the statement of financial position and (ii) credit unions should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for each class of assets and liabilities included in Levels 2 and 3 of the fair value hierarchy. The disclosures related to the gross presentation of purchases, sales, issuances, and settlements of assets and liabilities included in Level 3 of the fair value hierarchy will be required for the Credit Union beginning April 1, 2011. The remaining disclosure requirements and clarifications made by ASU 2010-06 became effective for the Credit Union on April 1, 2010.

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

New accounting pronouncements (continued):

ASU 2010-20, *Receivables (Topic 310)—Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. ASU 2010-20 requires entities to provide disclosures designed to facilitate financial statement users' evaluation of (i) the nature of credit risk inherent in the entity's portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a rollforward of the allowance for credit losses as well as information about modified, impaired, nonaccrual, and past due loans and credit quality indicators. ASU 2010-20 will become effective for the Credit Union's financial statements as of December 31, 2011, as it relates to disclosures required as of the end of a reporting period. ASU 2011-01, *Receivables (Topic 310)—Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*, changes the effective date for disclosures related to troubled debt restructurings to coincide with the effective date of a proposed accounting standards update related to troubled debt restructurings, which is currently expected to be effective for periods ending after June 15, 2011.

Reclassifications:

Certain prior year balances have been reclassified to conform to the current year presentation. Total equity and net income are unchanged due to these reclassifications.

Note 2 - Restrictions on Cash

The Credit Union is required to maintain balances with corporate credit unions as membership shares that are uninsured and require a notice before withdrawal. The membership share balance was \$19,851 at March 31, 2011 and 2010.

Note 3 - Investment

In order to meet the liquidity needs for providing financial services to its members, the Credit Union maintains funds on deposit in various demand and investment accounts in excess of the insured deposit limits. As of March 31, 2011 and 2010, the amount of uninsured deposits and investments totaled approximately \$3,720,149 and \$7,332,040, respectively.

Other investment securities at March 31 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Funds in Kansas Corporate Credit Union	\$ 19,851	\$ 19,851
Other bank certificates	100,000	100,000
PSCU Financial Services promissory notes	<u>30,365</u>	<u>-</u>
	<u>\$ 150,216</u>	<u>\$ 119,851</u>

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 4 - Loans to Members

The composition of loans to members at March 31 is as follows:

	<u>2011</u>	<u>2010</u>
Automobile	\$ 4,918,505	\$ 7,013,111
Unsecured	8,961,747	4,848,732
Real estate	13,956,503	14,032,582
Member business - real estate	181,758,059	170,874,287
Member business - unsecured	3,886,954	4,068,982
Loan participations	869,987	787,754
Other secured	<u>1,096,512</u>	<u>1,577,547</u>
	215,448,267	203,202,995
Net deferred loan origination costs	(604,546)	(668,744)
Allowance for loan losses	<u>(2,872,490)</u>	<u>(1,719,707)</u>
	<u>\$ 211,971,231</u>	<u>\$ 200,814,544</u>

The Credit Union has purchased loan participations originated by various other credit unions that are secured by commercial real estate to members of other credit unions. All of these loan participations were purchased without recourse and are secured by real property. Loan servicing functions on these loans were retained by the other credit unions.

A summary of the changes in the allowance for loan losses at March 31 is as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 1,719,707	\$ 973,112
Provision charged to operations	1,677,857	1,497,000
Loans charged off	(626,843)	(874,132)
Recoveries	<u>101,769</u>	<u>123,727</u>
 BALANCE, END OF YEAR	 <u>\$ 2,872,490</u>	 <u>\$ 1,719,707</u>

As part of the Credit Union's asset and liability management and risk management programs, pools of real estate loans have been sold to other credit unions. The Credit Union sells, without recourse, up to 95% of designated pools of member business real estate loans at an interest rate lower than the weighted pool.

The Credit Union is a national lender with loans in 48 states; the largest concentration of loans is in California. The majority of the Credit Union's loans are collateralized by church properties. Accordingly, the ultimate collectibility of loans is susceptible to changes in market conditions in the area.

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 4 - Loans to Members (Continued)

As of March 31, 2011 and 2010, the Credit Union had loans totaling \$14,944,758 and \$3,907,696, respectively, which were on nonaccrual status. If interest on those loans had been accrued for years ended March 31, 2011 and 2010, such income would have approximated \$398,058 and \$179,119, respectively. There were no loans 90 days or more past due and still accruing interest as of March 31, 2011 and 2010. As of March 31, 2011 and 2010, the Credit Union has \$11,128,598 and \$8,233,709, respectively, of impaired loans. For these impaired loans, the Credit Union provided a specific reserve of \$1,069,493 and \$564,283 on loans with a gross balance of \$4,616,851 and \$2,696,447 as of March 31, 2011 and 2010, respectively. Additionally there were \$6,511,747 and \$5,537,262 of impaired loans without a specific reserve as of March 31, 2011, and 2010, respectively. Average investment in impaired loans for the year ended March 31, 2011, and 2010 was \$7,405,446 and \$5,485,314, respectively.

The Credit Union sells participating interest in loans to other financial institutions. Participation interest serviced for others is not included in the accompanying statement of financial condition. The unpaid principal balances of loans serviced for others were \$230,895,936 and \$235,513,469 at March 31, 2011 and 2010, respectively. The Credit Union receives a servicing fee for servicing the participating interest in the loan.

A summary of the changes in the balance of servicing assets were as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 1,500,379	\$ 1,616,901
Servicing assets recognized during the year	601,543	459,900
Amortization of servicing assets	<u>(712,622)</u>	<u>(576,422)</u>
 BALANCE, END OF YEAR	 <u>\$ 1,389,300</u>	 <u>\$ 1,500,379</u>

The key economic assumptions used in determining the fair value of servicing assets on participation loans sold and serviced by the Credit Union at March 31 are as follows:

	<u>2011</u>	<u>2010</u>
Weighted-average life (years)	<u>1.8</u>	<u>2.4</u>
Yield to maturity discount rate	<u>26% - 28%</u>	<u>26% - 28%</u>

The fair value of the servicing assets was \$1,509,922 and \$1,543,601 as of March 31, 2011 and 2010, respectively.

Note 5 - National Credit Union Share Insurance Fund

On January 28, 2009, the NCUA Board approved a series of actions designed to stabilize and support the corporate credit union system. The NCUA Board approved the following actions:

- Provided a guarantee for uninsured shares at all corporate credit unions through February 2009, and established a voluntary guarantee program for uninsured shares of all corporate credit unions through December 31, 2010 (this guarantee excludes membership and paid-in capital shares);

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 5 - National Credit Union Share Insurance Fund (Continued)

- Issued a \$1 billion capital note to U.S. Central Corporate Federal Credit Union (U.S. Central);
- Issued an Advance Notice of Public Rulemaking (ANPR) on restructuring the corporate credit union system; and
- Declared a premium assessment to restore the NCUSIF equity ratio to 1.30%.

As part of this announcement, the Credit Union wrote down the NCUSIF deposit by approximately 69% (or approximately \$920,922).

In June 2009, the NCUA Board created a stabilization fund with the authority to borrow up to \$6 billion to support the corporate credit union stabilization. This action provided a recovery of the NCUSIF deposit impairments recognized by all federally insured credit unions. Accordingly with this recovery, in June 2009 the Credit Union was able to record a recovery against the previously recorded impairment charge against the NCUSIF deposit account recognized earlier in 2009.

Note 6 - Premises and Equipment

Premises and equipment at March 31 is summarized as follows:

	2011	2010
Land	\$ 3,890,000	\$ 3,897,500
Buildings and improvements	14,194,602	13,926,750
Furniture and equipment	2,572,030	2,501,105
	20,656,632	20,325,355
Accumulated depreciation	(3,542,145)	(2,987,741)
	\$ 17,114,487	\$ 17,337,614

Depreciation expense amounted to \$614,283 and \$614,549 for the years ended March 31, 2011 and 2010, respectively.

Note 7 - Lease Commitments

The Credit Union leases certain office facilities under noncancelable operating leases expiring in various years through fiscal year 2016. Future minimum lease payments under these leases are as follows:

Years Ending March 31,	
2012	\$ 79,078
2013	59,278
2014	52,678
2015	52,678
2016	13,169
	\$ 256,881

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 7 - Lease Commitments (Continued)

Rent expense was approximately \$120,711 and \$94,967 for the years ended March 31, 2011 and 2010, respectively.

The Credit Union leased approximately 60% of the square footage in their office building to tenants under operating leases. Rental income is included in other noninterest income and totaled \$198,618 and \$311,339 for the years ended March 31, 2011 and 2010, respectively. Future minimum lease payments receivable under these leases are as follows:

Years Ending March 31,	
2012	\$ 779,511
2013	897,596
2014	771,540
2015	708,512
2016	708,512
Thereafter	<u>1,712,238</u>
	<u>\$ 5,577,909</u>

Note 8 - Members' Share and Savings Accounts

Members' share and savings accounts at March 31 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Regular share accounts	\$ 19,635,604	\$ 16,092,672
Share draft accounts	28,139,151	25,062,836
Money market accounts	31,022,430	21,353,519
IRA share accounts	<u>560,252</u>	<u>499,038</u>
	<u>79,357,437</u>	<u>63,008,065</u>
Share and IRA certificates		
0.00% to 0.99%	24,302,674	2,014,916
1.00% to 1.99%	36,106,535	41,480,068
2.00% to 2.99%	41,192,950	48,051,399
3.00% to 3.99%	21,226,145	21,827,488
4.00% to 4.99%	10,329,818	16,531,777
5.00% to 5.99%	6,361,745	11,578,986
6.00% to 6.99%	<u>456,332</u>	<u>981,797</u>
	<u>139,976,199</u>	<u>142,466,431</u>
	<u>\$ 219,333,636</u>	<u>\$ 205,474,496</u>

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 8 - Members' Share and Savings Accounts (Continued)

Scheduled maturities of share and IRA certificates at March 31, 2011, are as follows:

Years Ending March 31,	
2012	\$ 93,765,941
2013	20,555,081
2014	13,471,334
2015	4,327,658
2016	7,849,693
Thereafter	<u>6,492</u>
	<u>\$ 139,976,199</u>

The NCUSIF insures members' shares and certain individual retirement and Keogh accounts. Effective July 22, 2010, new legislation provides for an increase in the minimum NCUSIF coverage from \$100,000 to \$250,000 on member share accounts on a permanent basis. This includes all account types, such as regular share, share draft, money market, and certificates of deposit. Individual Retirement Account and Keogh account coverage remains at up to \$250,000 separate from other types of accounts owned.

The aggregate amounts of members' share and savings accounts in denominations of \$100,000 or more were approximately \$79,067,293 and \$95,489,118 at March 31, 2011 and 2010, respectively.

Note 9 - Line of Credit

The Credit Union maintained a line of credit with Western Bridge Federal Credit Union. Amounts available under the line of credit were \$11,000,000 and \$35,000,000, at March 31, 2011 and 2010, respectively. No amounts were outstanding at March 31, 2011 or 2010.

The line is collateralized by the Credit Union's automobile loan portfolio and specifically pledged church real estate loans.

Note 10 - Borrowed Funds

Federal Home Loan Bank advances are secured by specifically identified and designated mortgage loans with principal balances of \$43,391,102 and \$50,445,603 as of March 31, 2011 and 2010, respectively. The weighted-average rate on these advances on March 31, 2011 and 2010, was 2.10% and 3.04%, respectively.

Borrowed funds at March 31 are as follows:

	<u>2011</u>	<u>2010</u>
FHLB borrowings	<u>\$ 13,000,000</u>	<u>\$ 19,500,000</u>

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 10 - Borrowed Funds (Continued)

Scheduled maturities of borrowed funds at March 31, 2011, are as follows:

Years Ending March 31,	
2012	\$ 5,000,000
2013	2,000,000
2014	4,000,000
2015	<u>2,000,000</u>
	<u>\$ 13,000,000</u>

Note 11 - Off-Balance Sheet Risk

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

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

At March 31 the following loan commitments were outstanding:

	<u>2011</u>	<u>2010</u>
Commitments to grant loans:		
Home equity lines of credit, personal	\$ 1,202,990	\$ 1,431,996
Commercial real estate lines of credit, business	2,794,567	2,157,517
Construction lines of credit, business	842,252	101,924
Overdraft/signature lines of credit, personal	4,689,141	5,469,664
Overdraft/signature lines of credit, business	664,436	679,371
VISA credit cards, personal	2,051,464	-
VISA credit cards, business	3,916,444	3,887,299
	<u>\$ 16,161,294</u>	<u>\$ 13,727,771</u>

Note 11 - Off-Balance Sheet Risk (Continued)

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include consumer assets, residential real estate, and member share balances. Unfunded commitments under commercial lines of credit, revolving lines of credit, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Credit Union is committed.

Note 12 - Commitments and Contingencies

The Credit Union is periodically a party to various legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the Credit Union's financial condition.

Regulatory matters:

During 2009, the NCUA Board took several significant actions as a result of financial issues and asset impairments recorded at various corporate credit unions.

With U.S. Congressional legislation, the Temporary Corporate Credit Union Stabilization Fund was established and the NCUA authorized certain transactions in June 2009 to restore the NCUSIF and allow natural person credit unions such as America's Christian Credit Union to record its NCUSIF deposit as fully refundable.

The result of these actions provided current relief of previously recorded impairments resulting from corporate credit unions. However, the NCUA Board, in future years, will assess the Credit Union premium assessments in order to fund the actual losses incurred in the credit union system. No obligation has been recorded by the Credit Union for these future assessments, as the amount to be paid in the future are undeterminable at this time.

Redemption and issuance of Visa stock:

As the result of the Visa IPO stock offering in 2008, the Credit Union received a payment of \$227,588 from Visa for the redemption of 5,322 Class A Visa shares. A subsequent gain on the redemption of these shares of \$227,588 was also recorded. The remaining 8,443 Class B shares owned by the Credit Union have been retained by Visa in an escrow account pending settlement of the outstanding litigation against Visa. Management believes the Credit Union does not have any legal exposure regarding Visa litigation as a result of the reserve funding.

In addition, the Credit Union received 8,443 restricted Class B Visa shares, which are restricted from sale for the later of March 25, 2011, or when all settled. Restricted shares are reported at their historical cost (carryover basis), which is zero in this instance. No gain was recognized upon receipt of the restricted shares.

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 13 - Capital Requirements

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for Prompt Corrective Action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under GAAP. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the following table) of net worth (as defined in the regulations) to assets and Alternate RBNW ratios (as defined). As of March 31, 2011 and 2010, the Credit Union's Alternate RBNW requirement is 5.60% and 6.31%, respectively. The minimum ratio to be considered adequately capitalized under the regulatory framework is 6%. Management believes that, as of March 31, 2011, the Credit Union meets all capital adequacy requirements to which it is subject.

As of March 31, 2011, the most recent call reporting period, the NCUA has categorized the Credit Union as well capitalized under the regulatory framework for Prompt Corrective Action. To be categorized as well capitalized, the Credit Union must maintain a minimum net worth ratio of 7%.

The Credit Union's actual capital amounts and ratios as of March 31, 2011, are as follows:

	Actual		To Be Adequately Capitalized Under Prompt Corrective Action Provisions		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2011						
Net worth	\$ 21,463,485	8.57%	\$ 15,028,165	≥ 6.00%	\$ 17,532,859	≥ 7.00%
March 31, 2010						
Net worth	\$ 20,076,125	8.15%	\$ 15,538,739	≥ 6.31%	\$ 17,237,903	≥ 7.00%

Because the Alternate RBNW ratio of 5.60% is less than 6.00%, the Credit Union was not considered complex as of March 31, 2011. Further, in performing its calculation of total assets, as of March 31, 2011 and 2010, the Credit Union used the monthly average over the quarter option, as permitted by regulation.

Note 14 - Defined Contribution Plan

The Credit Union has a qualified 401(k) Profit Sharing Plan and Trust (the Plan) covering substantially all of its employees. The Credit Union makes matching contributions at 100% up to 4% of the employee's base salary and an employee is fully vested in those contributions after six years of qualifying service. Plan administrative expenses and employer matching contributions for the years ended March 31, 2011 and 2010, were \$132,161 and \$144,515, respectively.

Note 15 - Deferred Compensation Plans

During the 2004 fiscal year, the Credit Union adopted an Executive Retirement Plan, pursuant to the Internal Revenue Code sections 457(b) and 457(f), which provides retirement benefits to designated executives. The Board of Directors designates those executives who are eligible to participate in the Executive Retirement Plan. Benefits under the Executive Retirement Plan become payable upon a specified retirement age for each participant. Participants will be entitled to a specified percentage of his or her final average compensation reduced by the Credit Union's contributions to the 457(b) plan. The benefit is to be paid upon the participants' attainment of his or her specified retirement age. The benefit will be paid in a lump sum payment equal to the present value of the 15-year payment calculation of the benefit. The lump sum payment will be increased by 40% to cover anticipated taxes. The Credit Union has purchased life insurance contracts on the participants to finance the cost of these benefits. Assets invested to fund this Plan totaled \$12,418,600 and \$11,746,953 as of March 31, 2011 and 2010, respectively, and are stated as deferred compensation investments.

The Credit Union also maintains an unfunded, nonqualified Supplemental Executive Retirement Plan (SERP) pursuant to Internal Revenue Code 457(f), which provides retirement benefits to designated executives. Under the unfunded SERP, the participants have no rights beyond those of a general creditor of the Credit Union, and there are no specific assets set aside by the Credit Union in connection with the SERP. The benefit obligation of the SERP is determined by an actuary. The deferred compensation plan liability as of March 31, 2011 and 2010, was \$1,527,772 and \$1,143,343, respectively. Deferred compensation expenses were approximately \$425,994 and \$450,012 for all Plans for the years ended March 31, 2011 and 2010, respectively.

The Credit Union recognizes the funded status (i.e. the difference between the fair value of plan assets and the projected benefit obligation) of its SERP in the statement of financial condition, with a corresponding adjustment to accumulated other comprehensive income (loss).

The Credit Union uses a March 31 measurement date for the SERP. The following table provides a reconciliation of the changes in the SERP's benefit obligation for the year ended March 31, 2011. The SERP has no plan assets as of March 31, 2011.

	2011	2010
Balance at beginning of year	\$ 1,143,343	\$ 1,041,034
Service cost	188,303	186,485
Interest cost	78,130	77,686
Actuarial loss	117,996	(161,862)
	\$ 1,527,772	\$ 1,143,343
BALANCE AT END OF YEAR	\$ 1,527,772	\$ 1,143,343

The discount rate used for determining the present value of the benefit obligation was 5.50% and 6.75% at March 31, 2011 and 2010, respectively. The rate of increase in future compensation levels used in determining the pension cost for the SERP was 4% in 2011 and 2010.

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 15 - Deferred Compensation Plans (Continued)

The net periodic pension cost included the following components at March 31:

	<u>2011</u>	<u>2010</u>
Service cost	\$ 188,303	\$ 186,485
Interest cost	78,130	77,686
Amortization of prior service cost	22,588	22,588
Amortization of net actuarial gain	<u>19,026</u>	<u>25,888</u>
 NET PERIODIC BENEFIT COST	 <u>\$ 308,047</u>	 <u>\$ 312,647</u>

The estimated actuarial loss and prior service cost that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year is as follows:

Unrecognized actuarial losses	\$ 27,073
Unrecognized prior service costs	<u>22,587</u>
	<u>\$ 49,660</u>

The benefits expected to be paid in each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows:

2012	\$ -
2013	-
2014	-
2015	-
2016	-
2017 - 2020	<u>3,674,928</u>
	<u>\$ 3,674,928</u>

Note 16 - Related Party Transactions

In the normal course of business, the Credit Union extends loans to members of the Board of Directors, Supervisory Committee members, and employees. The aggregate loans to related parties at March 31, 2011 and 2010, were approximately \$2,963,180 and \$2,914,474, respectively. Loans to related parties are made under the same terms available to other members. Deposits from related parties at March 31, 2011 and 2010, amounted to approximately \$397,247 and \$403,723, respectively.

Note 17 - Fair Values of Financial Instruments

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Credit Union's various financial instruments. 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 the 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 of the instrument. The aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Credit Union.

The following methods and assumptions were used by the Credit Union in estimating fair values of financial instruments as disclosed herein:

Cash and cash equivalents:

The carrying amounts of cash and cash equivalents approximate their fair value.

Other investment securities:

The carrying amounts of other investment securities approximate their fair value.

Federal Home Loan Bank stock:

The carrying amount of the Federal Home Loan Bank stock approximates the fair value.

Loans to members:

For variable rate loans that reprice frequently and have no significant change in the credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (for example, one-to-four family residential), credit card loans, and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics, or are based on estimated cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for business real estate and business loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral value, where appropriate.

Accrued interest receivable:

The carrying amounts of accrued interest receivable approximate their fair value.

Deferred compensation investments:

Fair values for deferred compensation investments 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.

Members' share and savings accounts:

The fair values disclosed for share draft, regular savings, and money market accounts are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term share certificates approximate their fair values at the reporting date. Fair values for fixed-rate share certificates are estimated using a discounted cash flow calculation that applies interest rates currently being offered on share certificates to a schedule of aggregated expected monthly maturities on share certificates.

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 17 - Fair Values of Financial Instruments (Continued)

Borrowed funds:

Fair values of other borrowed funds are estimated using discounted cash flow analyses based on the Credit Union's current incremental borrowing rates for similar types of borrowing arrangements.

Deferred compensation payable:

The carrying amounts of deferred compensation payable approximate their fair values.

Off-balance-sheet instruments:

The estimated fair value of the commitments to extend credit represents the Credit Union's potential unfunded commitments under such lines of credit. The fair value for such instruments is nominal.

The estimated fair values of the Credit Union's financial instruments, none of which are held for trading purposes, are as follows:

	2011		2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets:				
Cash and cash equivalents	\$ 7,294,739	\$ 7,294,739	\$ 11,307,805	\$ 11,307,805
Investment securities				
Investments	150,216	150,216	119,851	119,851
FHLB stock	1,488,400	1,488,400	1,406,300	1,406,300
Loans to members, net of allowance for loan losses	211,971,231	217,669,352	200,814,544	207,763,609
Loan servicing asset	1,389,300	1,509,922	1,500,379	1,543,601
Accrued interest receivable	1,208,244	1,208,244	1,155,241	1,155,241
Deferred compensation investments	12,418,600	12,418,600	11,746,953	11,746,953
Financial Liabilities:				
Members' share and savings accounts:				
Share, drafts, and money market accounts	79,357,437	79,357,437	63,008,065	63,008,065
Certificate accounts	139,976,199	141,706,014	142,466,431	144,585,620
Borrowed funds	13,000,000	13,552,677	19,500,000	20,040,349
Deferred compensation payable	1,578,449	1,578,449	1,192,203	1,192,203

Note 18 - Fair Value Measurement

In accordance with authoritative guidance, the Credit Union classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Note 18 - Fair Value Measurement (Continued)

Valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1** Quoted prices for identical instruments in active markets.
- Level 2** Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable.
- Level 3** Instruments whose significant value drivers are unobservable.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

Fair values of assets and liabilities at March 31 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2011				
Nonrecurring basis:				
Impaired loans	\$ 3,547,358	\$ -	\$ -	\$ 3,547,358
March 31, 2010				
Nonrecurring basis:				
Impaired loans	2,132,164	-	-	2,132,164

The following table presents the losses resulting from nonrecurring fair value adjustment at March 31:

	2011	2010
Impaired loans	\$ 1,069,493	\$ 564,283

AMERICA'S CHRISTIAN CREDIT UNION
NOTES TO FINANCIAL STATEMENTS

Note 19 - Subsequent Event

Subsequent events are events or transactions that occur after the date of the statement of financial condition but before the financial statements are issued. The Credit Union recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial condition, including the estimates inherent in the process of preparing the financial statements. The Credit Union's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial condition but arose after the date of the statement of financial condition and before the financial statements are issued.

The Credit Union has evaluated subsequent events through July 22, 2011, which is the date the financial statements are available to be issued.