

MIDWEST CORPORATE FEDERAL CREDIT UNION
BISMARCK, NORTH DAKOTA

FINANCIAL STATEMENTS

AS OF

DECEMBER 31, 2007 AND 2006

AND

INDEPENDENT AUDITOR'S REPORT

MIDWEST CORPORATE FEDERAL CREDIT UNION
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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Supervisory Committee of
Midwest Corporate Federal Credit Union
Bismarck, North Dakota

We have audited the accompanying balance sheets of Midwest Corporate Federal Credit Union as of December 31, 2007 and 2006 and the related statements of operations, members' equity 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 audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements 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 Midwest Corporate Federal Credit Union as of December 31, 2007 and 2006, 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.

Brady, Martz & Associates

BRADY, MARTZ & ASSOCIATES, P.C.

February 4, 2008

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RSM McGladrey Network
An Independently Owned Member

MIDWEST CORPORATE FEDERAL CREDIT UNION
BALANCE SHEETS
DECEMBER 31, 2007 AND 2006

ASSETS

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 3,289,091	\$ 3,799,115
Interest bearing deposits with other financial institutions	288,045,703	203,169,771
Investment securities		
Available-for-sale	3,179,585	998,960
Held-to-maturity	500,000	500,000
Loans	6,722	6,113,475
Interest receivable	2,657,723	2,228,374
Other receivables	82,351	53,342
Future dated ACH	10,065,626	12,709,728
Prepaid expenses and other assets	73,322	70,014
Property and equipment (net of accumulated depreciation)	50,645	45,654
Other investments	289,980	289,980
	\$ 308,240,748	\$ 229,978,413
TOTAL ASSETS		

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES		
Members deposits	\$ 289,307,470	\$ 205,847,966
Borrowed funds	0	3,000,000
Future dated ACH	10,065,626	12,709,728
Interest payable	1,349,306	1,265,940
Accrued expenses and other liabilities	59,598	62,864
Total liabilities	\$ 300,782,000	\$ 222,886,498
MEMBERS' EQUITY		
Regular reserve	\$ 3,087,718	\$ 3,087,718
Undivided earnings	4,376,408	4,005,237
Unrealized gain (loss) on securities available for sale	(5,378)	(1,040)
Total members' equity	\$ 7,458,748	\$ 7,091,915
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 308,240,748	\$ 229,978,413

SEE NOTES TO FINANCIAL STATEMENTS

MIDWEST CORPORATE FEDERAL CREDIT UNION
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
INTEREST INCOME		
Loans	\$ 124,943	\$ 601,463
Investment securities	46,453	70,562
Deposits with other financial institutions	13,162,796	8,071,470
Total interest income	\$ 13,334,192	\$ 8,743,495
INTEREST EXPENSE		
Deposits	\$ 12,434,269	\$ 7,592,391
Borrowed funds	50,555	585,558
Total interest expense	\$ 12,484,824	\$ 8,177,949
NET INTEREST INCOME	\$ 849,368	\$ 565,546
NON-INTEREST INCOME		
Other income	\$ 392,218	\$ 273,920
NON-INTEREST EXPENSES		
Salaries and employee benefits	\$ 318,526	\$ 301,718
Occupancy expenses	16,989	16,660
Other expenses	534,900	361,013
Total non-interest expenses	\$ 870,415	\$ 679,391
NET INCOME	\$ 371,171	\$ 160,075

SEE NOTES TO FINANCIAL STATEMENTS

MIDWEST CORPORATE FEDERAL CREDIT UNION
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Regular Reserve</u>	<u>Undivided Earnings</u>	<u>Unrealized gain/loss on available for sale securities</u>	<u>Total</u>
Balance - January 1, 2006	\$ 3,087,718	\$ 3,845,162	\$ (801)	\$ 6,932,079
Net income	0	160,075	0	160,075
Change in unrealized gain (loss) on securities available for sale	<u>0</u>	<u>0</u>	<u>(239)</u>	<u>(239)</u>
Total comprehensive income				<u>\$ 159,836</u>
Balance - December 31, 2006	\$ 3,087,718	\$ 4,005,237	\$ (1,040)	\$ 7,091,915
Net income	0	371,171	0	371,171
Change in unrealized gain (loss) on securities available for sale	<u>0</u>	<u>0</u>	<u>(4,338)</u>	<u>(4,338)</u>
Total comprehensive income				<u>\$ 366,833</u>
Balance - December 31, 2007	<u>\$ 3,087,718</u>	<u>\$ 4,376,408</u>	<u>\$ (5,378)</u>	<u>\$ 7,458,748</u>

SEE NOTES TO FINANCIAL STATEMENTS

MIDWEST CORPORATE FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 371,171	\$ 160,075
Adjustment to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	18,659	16,623
Amortization of premium (discount) on securities available-for-sale	(1,041)	1,080
Effects on operating cash flows due to changes in:		
Interest receivable	(429,349)	(1,367,485)
Other receivables and prepaid expenses	(32,317)	(19,378)
Interest payable	83,366	881,566
Accrued expenses and other liabilities	(3,266)	16,131
Future dated ACH	2,644,102	(965,255)
Future dated ACH	(2,644,102)	965,255
Net cash provided (used) by operating activities	\$ 7,223	\$ (311,388)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in interest bearing deposits with other financial institutions	\$ (84,875,932)	\$ (78,169,981)
Decrease in loans	6,106,753	12,329,987
Proceeds from maturities of investments available-for-sale	1,000,000	930,000
Purchase of securities available-for-sale	(3,183,922)	0
Purchase of property and equipment	(23,650)	(21,973)
Net cash used by investing activities	\$ (80,976,751)	\$ (64,931,967)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in members' deposits	\$ 83,459,504	\$ 73,980,194
Decrease in borrowed funds	(3,000,000)	(5,300,000)
Net cash provided by financing activities	\$ 80,459,504	\$ 68,680,194

STATEMENTS OF CASH FLOWS *(CONTINUED)*

	2007	2006
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (510,024)	\$ 3,436,839
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,799,115	362,276
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,289,091	\$ 3,799,115
SCHEDULE OF OTHER CASH FLOW INFORMATION		
Cash paid during the year for interest and dividends	\$ 12,568,190	\$ 7,296,383

SEE NOTES TO FINANCIAL STATEMENTS

MIDWEST CORPORATE FEDERAL CREDIT UNION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations – Midwest Corporate Federal Credit Union (MCFCU) is a federally chartered corporate credit union. MCFCU lends money to its members. Money available for lending is also received from its members for which the credit union issues shares, share drafts, and share certificates.

Cash and cash equivalents – For the purposes of reporting cash flows, cash and cash equivalents includes amounts due from financial institutions, all of which mature within 90 days.

Investment securities – The Credit Union's investments in securities are classified and accounted for as follows:

- **Held-to-Maturity:** Secondary capital equity deposits which the Credit Union has the positive intent and ability to hold to maturity are reported at cost.
- **Available-for-Sale:** Government agency notes and asset backed securities are classified available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

Unrealized gains and losses on securities available for sale are recognized as direct increases or decreases in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the straight-line method over the terms of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the date of securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

The Credit Union does not maintain a trading portfolio.

The Credit Union is a member of CNBS, LLC. Because CNBS, LLC is a closely-held company and its stock value is not readily determinable, the Credit Union has recorded the investment at cost.

NOTE 1 – (CONTINUED)

The Credit Union is a member of Primary Financial, LLC. Because Primary Financial, LLC is a closely-held company and its value is not readily determinable, the Credit Union has recorded the investment at cost.

Loans - Loans are reported at their outstanding principal balance.

Interest income is accrued on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 60 days delinquent unless the credit is well secured and in process of collection. Loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Credit Union has determined that the application of Statement of Financial Accounting Standards No. 91, "Accounting for Nonrefundable fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases," does not have a material effect on their financial statements. As such these fees and costs have been recognized during the period they are collected and incurred.

Allowance for loan losses – 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. At December 31, 2007 and 2006, management has determined that an allowance for loan losses was not required.

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due.

Impairment is measured on a loan-by-loan basis for all loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. There were no impaired loans as of December 31, 2007 and 2006.

NOTE 1 – (CONTINUED)

Property and equipment – Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Vehicle	5 years
Computer equipment	3 years
Furniture and equipment	10 years

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

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

Income taxes – Midwest Corporate Federal Credit Union is exempt by statute from federal and state income taxes.

Future dated ACH - The future dated ACH account is an automated clearinghouse account. The asset and liability accounts have equal balances on the balance sheet. NCUA began to require this account for corporate credit unions in 2001.

Use of estimates – 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 period. Actual results could differ from those estimates.

NOTE 2 - **INTEREST BEARING DEPOSITS WITH OTHER FINANCIAL INSTITUTIONS**

Interest bearing deposits with other financial institutions consist of the following:

	<u>2007</u>	<u>2006</u>
U.S. Central Federal Credit Union		
Certificates of deposit	\$ 214,093,500	\$ 145,342,000
Daily deposit	60,702,473	48,587,658
Membership capital shares	7,253,730	3,850,113
Paid in capital shares	3,300,000	3,300,000
Other financial institutions		
Certificates of deposit	<u>2,696,000</u>	<u>2,090,000</u>
	<u>\$ 288,045,703</u>	<u>\$ 203,169,771</u>

NOTE 3 - CONCENTRATION OF CREDIT RISK

Accounts at U.S. Central Federal Credit Union and Missouri Corporate Credit Union are insured by NCUA up to \$100,000. The Credit Union currently has approximately \$287,000,000 in cash equivalents in excess of insurance coverage.

NOTE 4 – INVESTMENT SECURITIES – HELD-TO-MATURITY

<u>2007</u>					
	<u>Rate</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Estimated Fair Value</u>
Securities held-to-maturity:					
Secondary capital deposits	5.50%	\$ 500,000	\$ 33,085	\$ 0	\$ 533,085
<u>2006</u>					
	<u>Rate</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Estimated Fair Value</u>
Securities held-to-maturity:					
Secondary capital deposits	5.50%	\$ 500,000	\$ 210	\$ 0	\$ 500,210

The amortized cost and estimated fair value of investment securities at December 31, 2007, by contractual maturity, are shown below:

	<u>Securities Held-to-maturity</u>	
	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
Due after six years through seven years	\$ 500,000	\$ 533,085

There were no securities and certificates pledged as of December 31, 2007, to secure public deposits and for other purposes required by law.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

NOTE 5 – INVESTMENT SECURITIES – AVAILABLE-FOR-SALE

<u>2007</u>					
	<u>Rate</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Estimated Fair Value</u>
Securities available-for-sale:					
Asset backed securities	5.05% to 5.10%	\$ 3,184,963	\$ 0	\$ (5,378)	\$ 3,179,585

NOTE 5 – (CONTINUED)

<u>2006</u>	<u>Rate</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Estimated Fair Value</u>
Securities available-for-sale:					
Asset backed securities	4.66%	\$ 1,000,000	\$ 0	\$ (1,040)	\$ 998,960

The amortized cost and estimated fair value of investment securities at December 31, 2007, by contractual maturity, are shown below:

	<u>Securities Available-for-sale</u>	
	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
Due within one year	\$ 3,184,963	\$ 3,179,585

Securities with a carrying value of \$1,186,873 and \$0 were pledged as of December 31, 2007 and 2006, respectively, to secure public deposits and for other purposes required by law.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Information pertaining to securities with gross unrealized losses at December 31, 2007 and 2006, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

<u>2007</u>	<u>Less Than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Gross Unrealized Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
December 31, 2007						
Asset backed securities	\$3,179,585	\$ 5,378	\$ 0	\$ 0	\$3,179,585	\$ 5,378
 <u>2006</u>	<u>Less Than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Gross Unrealized Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
December 31, 2006						
Asset backed securities	\$ 0	\$ 0	\$ 998,960	\$ 1,040	\$ 998,960	\$ 1,040

NOTE 5 – (CONTINUED)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2007, the two securities with unrealized losses have depreciated 0.2% from the Credit Union's amortized cost basis. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities for the foreseeable future, no declines are deemed to be other-than-temporary.

NOTE 6 – OTHER INVESTMENTS

Midwest Corporate Federal Credit Union is a corporate member of the U.S. Central Federal Credit Union (USCFCU) and, as such, owns capital shares of the USCFCU. On January 1, 1998, USCFCU transferred ownership of CNBS, Inc. (CNBS), a wholly-owned registered broker/dealer, to the 36 corporate credit unions. Each corporate credit union received 1,000 shares of Class A common stock of CNBS.

The above transaction was treated as a non-cash dividend from USCFCU. Midwest Corporate Federal Credit Union recorded the transaction as an investment and non-cash dividend income in an amount of \$104,980, which is the book value of the 1,000 shares received. On January 12, 1998, the CNBS board of directors made an offer to repurchase the Class A shares from the corporate credit unions for book value. Midwest Corporate Federal Credit Union's board of directors declined the offer.

Midwest Corporate Federal Credit Union also owned 101 shares of Class B common stock of CNBS at December 31, 2002. The price per share is \$90 for a value of \$9,090.

During 2003, CNBS converted both Class A and Class B stock to a single class of stock. Midwest Corporate bought 1,399 additional shares during 2003 at a cost of \$90 per share. In 2004, CNBS converted from a Corporation to a Limited Liability Company, becoming CNBS, LLC. MCFCU's shares were converted to units. Its total investment at December 31, 2007 and 2006 was \$239,980. MCFCU owns a small percentage of the outstanding units of CNBS. MCFCU has made no evaluation of impairment for this investment.

Midwest Corporate purchased a share of Primary Financial, LLC during 2003 at a cost of \$50,000. Primary Financial is a 29 member corporate Credit Union Service Organization formed to administrate the SimpliCD program.

NOTE 7 – LOANS

The components of loans at December 31, 2007 and 2006, are as follows:

	<u>Interest rate</u>	<u>2007</u>	<u>2006</u>
Member lines of credit	4.05%	\$ 6,722	\$ 3,113,475
Term loans		0	3,000,000
		<u>\$ 6,722</u>	<u>\$ 6,113,475</u>

A summary of loans by maturity as of December 31, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Maturity within one year	\$ 6,722	\$ 6,113,475

There were no impaired loans as of December 31, 2007 and 2006.

Member lines of credit carry variable interest rates, while term loans are carried at fixed interest rates.

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Vehicle	\$ 19,194	\$ 27,320
Computer equipment	33,145	33,145
Other equipment	19,112	18,289
Furniture and fixtures	30,866	30,868
Leasehold improvements	7,007	7,007
Computer software	9,219	579
	<u>\$ 118,543</u>	<u>\$ 117,208</u>
Accumulated depreciation	<u>(67,898)</u>	<u>(71,554)</u>
	<u>\$ 50,645</u>	<u>\$ 45,654</u>

Depreciation expense totaled \$18,659 and \$16,623 for the years ended December 31, 2007 and 2006, respectively.

NOTE 9 - MEMBERS' DEPOSITS

The composition of members' deposits at December 31, 2007 and 2006 is as follows:

	<u>Rates at December 31, 2007</u>	<u>2007</u>	<u>2006</u>
Daily high yield	3.26%	\$ 121,707,370	\$ 93,286,846
Uncollected deposits	--	534,359	3,275,099
Membership capital share deposits	3.38%	<u>6,422,241</u>	<u>6,094,021</u>
		<u>\$ 128,663,970</u>	<u>\$ 102,655,966</u>

NOTE 9 – (CONTINUED)

	Rates at December 31, 2007	2007	2006
Share certificates	2.00% to 2.99%	\$ 800,000	\$ 1,700,000
	3.00% to 3.99%	700,000	3,750,000
	4.00% to 4.99%	50,051,000	2,900,000
	Above 5.00%	109,092,500	94,842,000
		<u>\$ 160,643,500</u>	<u>\$ 103,192,000</u>
Total shares and certificates		<u>\$ 289,307,470</u>	<u>\$ 205,847,966</u>

At December 31, 2007, the scheduled maturities of share certificates are as follows:

2008	\$ 148,693,500
2009	2,950,000
2010	1,100,000
2011	700,000
2012	7,200,000
	<u>\$ 160,643,500</u>

The aggregate amount of member shares and savings certificates in excess of NCUA insurance coverage of \$100,000 was approximately \$283,900,000 and \$200,805,000 at December 31, 2007 and 2006, respectively. The membership capital share deposits are not covered by NCUA insurance.

NOTE 10 - **BORROWED FUNDS**

At December 31, 2007, all Midwest Corporate Federal Credit Union borrowings were fixed interest rate, term loans from U.S. Central Federal Credit Union.

At December 31, 2007 and 2006, a summary of borrowings is as follows:

<u>Loan Number</u>	<u>Interest Rate</u>	<u>2007</u>	<u>2006</u>
L-030-001	3.00%	\$ 0	\$ 500,000
L-030-003	3.59%	0	1,000,000
L-030-005	3.83%	0	1,000,000
L-030-010	3.39%	0	500,000
		<u>\$ 0</u>	<u>\$ 3,000,000</u>

Midwest Corporate also has a \$75,000,000 revolving line of credit established at U.S. Central Federal Credit Union and a \$2,000,000 revolving line of credit established at Bank of North Dakota that can be drawn upon as needed. There were no funds drawn on either line of credit at December 31, 2007.

NOTE 11 - OPERATING LEASES

During 2006 Midwest Corporate Federal Credit Union entered into an agreement to lease building space from the Mid-America Credit Union Association. The three year lease agreement, expiring June 30, 2009, calls for base monthly lease payments of \$1,400. Each year rental payments will increase in proportion to the increase in the Consumer Price Index. Payments are currently \$1,438 based on Consumer Price index adjustment.

Listed below are the minimum future payments on non-cancelable lease for space leased at December 31, 2007.

2008	17,256*
2009	8,628*

*Amounts based on current rent of \$1,438 per month. Amounts are subject to change depending upon fluctuations in the Consumer Price Index.

Rental expense for building space totaled \$16,989 and \$16,660 for the years ended December 31, 2007 and 2006, respectively.

NOTE 12 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members. These financial instruments are commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet.

The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

As of December 31, 2007, the Credit Union was exposed to credit risk on commitments to extend credit having a contract amount of \$148,370,000 of which \$6,722 had been funded, leaving an unfunded commitment of \$148,363,278. At December 31, 2006, the Credit Union was exposed to credit risk on commitments to extend credit having a contract amount of \$145,370,000, of which \$3,113,475 had been funded, leaving an unfunded commitment of \$142,256,525.

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. Also, in its sole discretion, the Credit Union may at anytime refuse any requests from the member for a loan advance. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since 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 credit worthiness on a case-by-case basis.

The amount of collateral obtained, if it is deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral includes substantially all the assets of the member credit union. The Credit Union has not incurred any losses on its commitments in 2007 or 2006.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," requires the disclosure of estimated fair values of all asset, liability, and off-balance-sheet financial instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. Because no market exists for a significant portion of the Credit Union's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The estimated fair values of the Credit Union's financial instruments as of December 31, 2007 and 2006 are as follows:

	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)		(In Thousands)	
Financial assets:				
Cash and cash equivalents	\$ 3,289	\$ 3,289	\$ 3,799	\$ 3,799
Interest bearing deposits with other financial institutions	288,046	288,451	203,170	203,199
Investment securities	3,680	3,707	1,499	1,497
Loans	7	7	6,113	6,094
Interest receivable	0	0	2,229	2,229
Total financial assets	\$ 295,022	\$ 295,454	\$ 216,810	\$ 216,818
Financial liabilities:				
Members' deposits	\$ 289,307	\$ 289,541	\$ 205,848	\$ 204,702
Borrowed funds	0	0	3,000	2,979
Interest payable	1,349	1,349	1,266	1,266
Total financial liabilities	\$ 290,656	\$ 290,890	\$ 210,114	\$ 208,947

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 approximate their fair value.

Interest bearing deposits with other financial institutions – Fair values for interest bearing deposits with other financial institutions are based on quoted market prices.

Investment securities – Fair values for investment securities are based on quoted market prices. The fair values of investments in government corporations approximate carrying values.

Loans – For all variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for fixed rate loans are estimated using discounted cash flow analysis, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

NOTE 13 – (CONTINUED)

Deposits – The fair values disclosed for share accounts are, by definition, equal to the amount payable on demand at the reporting date (carrying amounts). Fair values for fixed-rate share certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected maturities on time deposits.

Borrowed funds – The fair values of the Credit Union’s borrowed funds are estimated using discounted cash flow analysis based on the Credit Union’s current incremental borrowing rates for similar types of borrowing arrangements.

Accrued interest – The carrying amounts of accrued interest approximate their fair values.

NOTE 14 - **ADVERTISING COSTS**

Advertising costs, which were expensed as incurred, totaled \$15,699 and \$32,271 for the years ended December 31, 2007 and 2006, respectively.

NOTE 15 – **EMPLOYEE BENEFIT PLANS**

The Credit Union has a 401(k) profit sharing plan covering all employees who meet specified age and service requirements. Under this plan, eligible employees can contribute through payroll deductions up to the maximum percentage allowable by law. The Credit Union will match employees’ contributions up to 3% of the employees’ salary. The Credit Union may also contribute an additional amount based on a percentage of salary at the discretion of the Board of Directors. The discretionary contribution percentage was 4% and 3% for the years ended December 31, 2007 and 2006, respectively. The Credit Union’s expense under this plan totaled approximately \$18,813 and \$14,558 for the years ended 2007 December 31, 2007 and 2006, respectively.

NOTE 16 - **OTHER COMPREHENSIVE INCOME**

Changes in and determination of accumulated other comprehensive income are as follows:

	Unrealized Gain (Loss) on Securities Available for Sale	
	2007	2006
Balance, beginning of year	\$ (1,040)	\$ (801)
Unrealized holding gains (losses) arising during the period	(4,338)	(239)
Balance, end of year	<u>\$ (5,378)</u>	<u>\$ (1,040)</u>

NOTE 17 – REGULATORY CAPITAL

MCFCU is required under NCUA Regulations Section 704 to maintain a minimum capital ratio (capital divided by 12 month rolling daily average net assets (DANA)) of at least 4 percent. The NCUA defines capital as total retained earnings plus member capital shares. At December 31, 2007 and 2006, MCFCU's capital ratio was 5.36% and 7.26%, respectively.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

MCFCU has offered to acquire Prodraft Item Processing Services from the Mid-America Credit Union Association. MCFCU expects to complete the transaction by March 1, 2008.