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Oneida Airport Hotel Corporation

Combining Statement of Revenues, Expenses, and Changes in Net Position

September 30, 2015 With Comparative Totals for September 30, 2014

	Radisson Hotel & Conference Center	Wingate Inn	Combined Totals 2015	Combined Totals 2014
Operating revenues	$ 16,259,858	$ 1,680,886	$ 17,940,744	$ 16,277,282
Operating expenses	11,547,830	1,078,797	12,626,627	12,059,297
Gross operating income	4,712,028	602,089	5,314,117	4,217,985
Depreciation and other expenses:				
Rent, insurance, owners, and other	435,177	66,841	502,018	415,389
Management and franchise fees	919,959	73,114	993,073	717,954
Depreciation	1,707,310	234,576	1,941,886	1,953,461
Total depreciation and other expenses	3,062,446	374,531	3,436,977	3,086,804
Net operating income	1,649,582	227,558	1,877,140	1,131,181
Interest expense	778,392	279,471	1,057,863	1,108,895
Change in net position before transfers	$ 871,190	$ (51,913)	$ 819,277	$ 22,286

See Independent Auditor's Report.

Oneida Golf Enterprise

(A Tribally Chartered Corporation of the Oneida Tribe of Indians of Wisconsin)

Financial Statements

Years Ended September 30, 2015 and 2014

THORNBERRY CREEK AT ONEIDA
EXPERIENCE SOMETHING MORE...

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Oneida Golf Enterprise

Years Ended September 30, 2015 and 2014

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WIPFLi

Reviewed and accepted 2/18/16 JSHirth

Independent Auditor's Report

Ms. Janice Skenandore-Hirth, Agent
Oneida Golf Enterprise
Oneida, Wisconsin

Report on the Financial Statements
We have audited the accompanying financial statements of Oneida Golf Enterprise, a tribally chartered corporation of the Oneida Tribe of Indians of Wisconsin, which comprise the statements of net position as of September 30, 2015 and 2014, and the related statements of operations and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oneida Golf Enterprise as of September 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Required Supplementary Information
Accounting principles generally accepted in the United States require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wipfli LLP

Wipfli LLP

February 1, 2016
469 Security Blvd.
Green Bay, Wisconsin 54313

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Oneida Golf Enterprise

Management's Discussion and Analysis (Unaudited)

September 30, 2015 and 2014

2015 COMPARED TO 2014

This section of Oneida Golf Enterprise's (OGE's) annual financial report presents our discussion and analysis of OGE's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with OGE's financial statements, which follow this section.

Financial Highlights

- OGE's net food sales increased by $4,251 or .49% due to increased sales efforts.
- Beverage net sales increased by $57,045 or 8.77% due to increased sales efforts.
- On-course food and beverage sales increased $2,391 and $43,494 or 5.34% and 24.41%, respectively, due to increased sales efforts.
- Golf net sales increased by $181,845 or 13.68% due to increased sales efforts.
- The noncapital contribution by the Oneida Tribe of Indians of Wisconsin (the "Tribe") decreased by $242,713 during the fiscal year.
- OGE missed budget by $94,577, ending the year with a $406,232 loss. This is due to rebranding of the organization, which caused an increase in labor costs, promotions and advertising.

Overview of the Financial Statements

This annual report consists of three components: Independent Auditor's Report, Management's Discussion and Analysis (this section), and the Basic Financial Statements. The basic financial statements include the statements of net position, statements of operations and changes in net position, and the statements of cash flows.

The financial statements also include notes explaining the information in the statements and providing detailed data.

The statements of net position are a snapshot of the financial condition of OGE as of the close of the fiscal year. The statements of operations and changes in net position present the results of the operations during the fiscal year and the increase or decrease in net position. The statements of cash flows present information on where money is coming from and how it is spent.

Oneida Golf Enterprise

Management's Discussion and Analysis (Unaudited)

September 30, 2015 and 2014

Financial Analysis of Oneida Golf Enterprise as a Whole

OGE's combined net position decreased by $406,232 between fiscal years 2014 and 2015. The ending net position balance was $4,444,410. Of the net position, net investment in current assets decreased by $209,300 primarily due to low amounts of liquidity of cash including balances on Accounts Receivable and low amounts of inventory on hand at the end of the fiscal year. In addition, capital assets decreased due to the selling of old building fixtures and with acquiring the clubhouse in FY2014 the accumulated depreciation increased by $285,130.

Statements of Net Position

	FY2015	FY2014	Dollar Change	Percentage Change
Assets:				
Current assets	$ 518,894	$ 728,194	$ (209,300)	-28.74%
Capital assets - Net	4,588,503	4,873,633	(285,130)	-5.85%
Other assets	5,409	9,459	(4,050)	0.00%
Total assets	5,112,806	5,611,286	(498,480)	-8.88%
Liabilities:				
Current liabilities	379,091	436,581	(57,490)	-13.17%
Long-term liabilities	289,305	373,815	(84,510)	100.00%
Total liabilities	668,396	810,396	(142,000)	-17.52%
Net position:				
Net investment in capital assets	4,220,097	4,428,675	(208,578)	-4.71%
Unrestricted	224,313	372,215	(147,902)	-39.74%
Total net position	$ 4,444,410	$ 4,800,890	$ (356,480)	-7.43%

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Oneida Golf Enterprise

Management's Discussion and Analysis (Unaudited)

September 30, 2015 and 2014

Change in Net Position

OGE's total revenues increased $263,348, or 8.98%. The total cost of operations increased by $164,761, or 8.47%. However, non-operating expenses decreased $24,771 or -42.22%. In addition, contributions from the Oneida Tribe decreased in value by $3,894,645 or -99.62%.

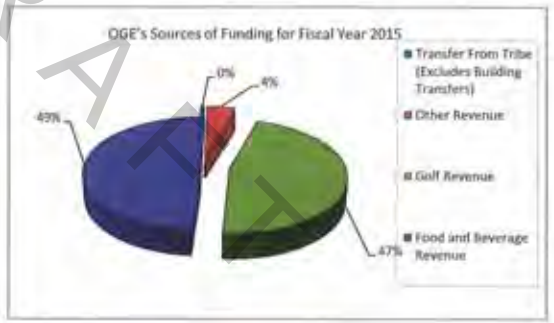
Statements of Operations and Changes in Net Position

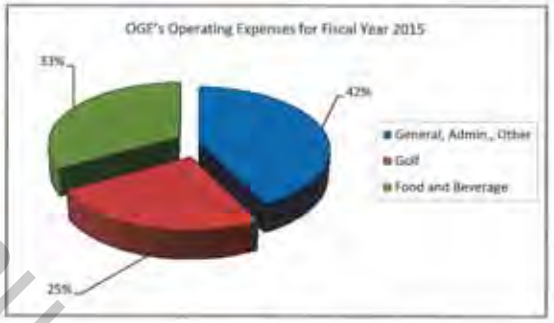
	FY2015	FY2014	Dollar Change	Percentage Change
Operating revenues	$ 3,196,688	$ 2,933,340	$ 263,348	8.98%
Operating expenses	2,110,017	1,945,256	164,761	8.47%
Gross operating income	1,086,671	988,084	98,587	9.98%
Depreciation and other expenses	1,474,007	1,268,066	205,941	16.24%
Net operating loss	(387,336)	(279,982)	(107,354)	-109.88%
Nonoperating income (expenses)	(33,896)	(58,667)	24,771	-42.22%
Capital contributions from Oneida Tribe of Indians of Wisconsin	0	257,713	(257,713)	N/A
Transfer from Oneida Tribe of Indians of Wisconsin	15,000	3,909,645	(3,894,645)	-99.62%
Change in net position	(406,232)	3,828,709	(4,234,941)	-110.61%
Net position at beginning, prior to restatement	4,800,890	972,181		
Restatement due to change in accounting principle	49,752	0	49,752	0.00%
Net position at end	$ 4,444,410	$ 4,800,890	$ (4,185,189)	-7.43%

Oneida Golf Enterprise

Management's Discussion and Analysis (Unaudited)

September 30, 2015 and 2014





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Oneida Golf Enterprise

Management's Discussion and Analysis (Unaudited)

September 30, 2015 and 2014

Capital Asset and Debt Administration

At the end of 2015, OGE had $4,588,503 in net capital assets, equipment purchases and improvements made to the land and building since the original date of purchase. This amount represents a net decrease (including additions and deductions) of $285,130, or -5.85%, over last year.

	FY2015	FY2014	Dollar Change	Percentage Change
Land improvements	$ 715,062	$ 715,062	$ 0	0.00%
Building improvements	4,202,735	4,234,218	(31,483)	-0.74%
Furniture, fixtures, equipment	931,916	840,225	91,691	10.91%
Computer software	59,791	59,791	0	0.00%
Subtotals	5,909,504	5,849,296	60,208	1.03%
Less - Accumulated depreciation and amortization	1,321,001	975,663	345,338	35.40%
Capital assets - Net	$ 4,588,503	$ 4,873,633	$ (285,130)	-5.85%

Long-Term Debt

At year-end, OGE had $330,361 in long-term debt outstanding for a note payable and capital lease—a decrease of $45,371 over last year. Additional details of OGE's debt are presented in Note 4 to the financial statements.

Oneida Golf Enterprise

Management's Discussion and Analysis (Unaudited)

September 30, 2014 and 2013

2014 COMPARED TO 2013

This section of Oneida Golf Enterprise's (OGE's) annual financial report presents our discussion and analysis of OGE's financial performance during the fiscal year ended September 30, 2014. Please read it in conjunction with OGE's financial statements, which follow this section.

Financial Highlights

- Despite declining net food sales of $74,852, OGE's food net profit increased $6,301, or 4.26%, due to increased awareness of food costs, decreasing food costs by 2.35%.
- Increased awareness also resulted in reduced beverage costs of 2.03%.
- On-course food and beverage sales increased $9,779 and $11,932 or 27.92% and 7.18%, respectively, due to increased sales efforts.
- Other revenue sources of irrigation services and tobacco sales increased $8,268, or 152.4%, due to price increases and increased sales efforts, respectively.
- The noncapital contribution by the Oneida Tribe of Indians of Wisconsin (the "Tribe") decreased by $265,534 due to a reduction in cash flow needs during the fiscal year.
- Despite decreased net sales of $353,198, OGE missed budget by only $1,923, ending the year with a $37,942 loss. This is due to improved cost management and a $48,000, or .82%, decrease in sales discounts.

Overview of the Financial Statements

This annual report consists of three components: Independent Auditor's Report, Management's Discussion and Analysis (this section), and the Basic Financial Statements. The basic financial statements include the statements of net position, statements of operations and changes in net position, and the statements of cash flows.

The financial statements also include notes explaining the information in the statements and providing detailed data.

The statements of net position are a snapshot of the financial condition of OGE as of the close of the fiscal year. The statements of operations and changes in net position present the results of the operations during the fiscal year and the increase or decrease in net position. The statements of cash flows present information on where money is coming from and how it is spent.

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Oneida Golf Enterprise

Management's Discussion and Analysis (Unaudited)

September 30, 2014 and 2013

Financial Analysis of Oneida Golf Enterprise as a Whole

OGE's combined net position increased by $3,828,709 between fiscal years 2013 and 2014. The ending net position balance was $4,800,890. Of the net position, net investment in capital assets increased by $3,879,806 primarily due to the transfer of clubhouse and maintenance buildings from the Tribe valued at $3,875,181. This unexpected building transfer increased unbudgeted expenses including property and liability insurance and depreciation a total of $102,809. Long-term liabilities increased $295,130 due to change of loan terms with renewal of note payable.

Statements of Net Position

	FY2014	FY2013	Dollar Change	Percentage Change
Assets:				
Current assets	$ 728,194	$ 818,925	$ (90,731)	-11.08%
Capital assets - Net	4,873,633	1,100,591	3,773,042	342.82%
Other assets	9,459	11,166	(1,707)	0.00%
Total assets	5,611,286	1,930,682	3,680,604	190.64%
Liabilities:				
Current liabilities	436,581	879,816	(443,235)	-50.38%
Long-term liabilities	373,815	78,685	295,130	100.00%
Total liabilities	810,396	958,501	(148,105)	-15.45%
Net position:				
Net investment in capital assets	4,428,675	548,869	3,879,806	706.87%
Unrestricted	372,215	423,312	(51,097)	-12.07%
Total net position	$ 4,800,890	$ 972,181	$ 3,828,709	393.83%

Oneida Golf Enterprise

Management's Discussion and Analysis (Unaudited)

September 30, 2014 and 2013

Change in Net Position

OGE's total revenues decreased $173,755, or 5.59%. The total cost of operations remained relatively unchanged. However, nonoperating expenses increased $169,231 primarily due to a one-time adjustment in FY2013 for prior years' rent payments. In addition, as previously stated, transfers from the Tribe increased primarily due to the transfer of clubhouse and maintenance buildings from the Tribe valued at $3,875,181.

Statements of Operations and Changes in Net Position

	FY2014	FY2013	Dollar Change	Percentage Change
Operating revenues	$ 2,933,340	$ 3,107,095	$ (173,755)	-5.59%
Operating expenses	1,945,256	2,046,414	(101,158)	-4.94%
Gross operating income	988,084	1,060,681	(72,597)	-6.84%
Depreciation and other expenses	1,268,066	1,194,084	73,982	6.20%
Net operating loss	(279,982)	(133,403)	(146,579)	-109.88%
Nonoperating income (expenses)	(58,667)	110,564	(169,231)	-153.06%
Capital contributions from Oneida Tribe of Indians of Wisconsin	257,713	0	257,713	N/A
Transfer from Oneida Tribe of Indians of Wisconsin	3,909,645	300,000	3,609,645	1203.22%
Change in net position	3,828,709	277,161	3,551,548	1281.40%
Net position at beginning	972,181	695,020	277,161	39.88%
Net position at end	$ 4,800,890	$ 972,181	$ 3,828,709	393.83%

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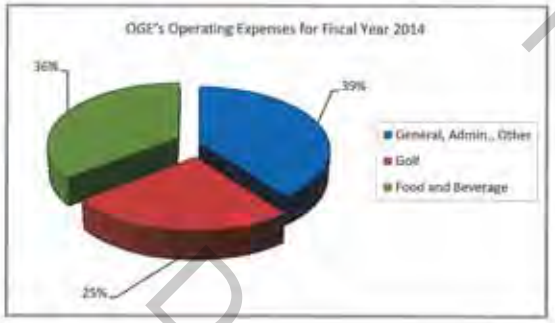
Oneida Golf Enterprise

Management's Discussion and Analysis (Unaudited)

September 30, 2014 and 2013



Oneida Golf Enterprise

Management's Discussion and Analysis (Unaudited)

September 30, 2014 and 2013

Capital Asset and Debt Administration

At the end of 2014, OGE had $4.87 million in net capital assets, including the transfer of the clubhouse and maintenance buildings from the Tribe and equipment purchases and improvements made to the land and building since the original date of purchase. This amount represents a net increase (including additions and deductions) of $3.77 million, or 342.82%, over last year.

	FY2014	FY2013	Dollar Change	Percentage Change
Land improvements	$ 715,062	$ 715,062	$ 0	0.00%
Building improvements	4,234,218	316,305	3,917,913	1238.65%
Furniture, fixtures, equipment	840,225	683,246	156,979	22.98%
Computer software	59,791	60,934	(1,143)	-1.88%
Subtotals	5,849,296	1,775,547	4,073,749	229.44%
Less - Accumulated depreciation and amortization	975,663	674,956	300,707	44.55%
Capital assets - Net	$ 4,873,633	$ 1,100,591	$ 3,773,042	342.82%

Long-Term Debt

At year-end, OGE had $375,732 in long-term debt outstanding for a note payable and capital lease—an increase of $295,130 over last year. Additional details of OGE's debt are presented in Note 4 to the financial statements.

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Oneida Golf Enterprise

Statements of Net Position

As of September 30, 2015 and 2014

Assets	2015	2014
Current assets:		
Cash	$ 285,987	$ 471,313
Accounts receivable - Trade	47,121	43,379
Due from related parties	3,504	28,840
Inventories	125,494	118,264
Prepaid expenses	56,788	66,398
Total current assets	518,894	728,194
Capital assets being depreciated - Net	4,588,503	4,873,633
Other assets - Deposits	5,409	9,459
TOTAL ASSETS	$ 5,112,806	$ 5,611,286

Liabilities and Net Position	2015	2014
Current liabilities:		
Current maturities of long-term liabilities:		
Notes payable	$ 47,477	$ 45,371
Capital lease obligations	37,033	35,231
Accounts payable - Trade	73,659	96,095
Due to related parties	0	204
Accrued expenses and other liabilities		
Payroll and related expenses	43,246	38,852
Sales tax	17,000	15,130
Compensated absences	41,140	37,138
Advance deposits	91,090	139,825
Other	28,446	28,735
Total current liabilities	379,091	436,581
Long-term liabilities:		
Notes payable	282,884	330,361
Obligations under capital lease	6,421	43,454
Total long-term liabilities	289,305	373,815
Net position:		
Net investment in capital assets	4,220,097	4,428,675
Unrestricted	224,313	372,215
Total net position	4,444,410	4,800,890
TOTAL LIABILITIES AND NET POSITION	$ 5,112,806	$ 5,611,286

See accompanying notes to financial statements.

Oneida Golf Enterprise

Statements of Operations and Changes in Net Position

Years Ended September 30, 2015 and 2014	2015	2014
Operating revenues:		
Golf - Net	$ 1,511,229	$ 1,329,384
Food and beverage - Net	1,588,263	1,526,967
Other	97,196	76,989
Total operating revenues	3,196,688	2,933,340
Operating expenses:		
Golf costs of sales	127,228	113,349
Food and beverage costs of sales	515,467	466,435
Golf salaries and benefits	573,120	510,961
Food and beverage salaries and benefits	598,523	585,280
Golf - Other expenses	200,738	176,902
Food and beverage - Other expenses	94,941	92,329
General and administrative	516,694	421,924
Sales and marketing	293,507	196,365
Energy costs	123,444	126,928
Property operations and maintenance	106,356	85,947
Rent expense	14,131	94,459
Insurance	58,538	41,735
Depreciation and amortization	361,337	300,708
Total operating expenses	3,584,024	3,213,322
Loss from operations	(387,336)	(279,982)
Other expense		
Interest expense	(22,570)	(26,951)
Owner's expense	(16,326)	(31,716)
Gain (loss) sale of capital assets	5,000	0
Total other income (expense)	(33,896)	(58,667)
Loss before capital contributions and transfers	(421,232)	(338,649)
Capital contributions from Oneida Tribe of Indians of Wisconsin	15,000	257,713
Transfers from Oneida Tribe of Indians of Wisconsin	0	3,909,645
Change in net position	(406,232)	3,828,709
Net position at beginning, prior to restatement	4,800,890	972,181
Restatement due to change in accounting principle	49,752	0
Net position - Restated	4,850,642	0
Net position at end	$ 4,444,410	$ 4,800,890

See accompanying notes to financial statements.

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Oneida Golf Enterprise

Statements of Cash Flows

Years Ended September 30, 2015 and 2014	2015	2014
Increase (decrease) in cash:		
Cash flows from operating activities:		
Cash received from customers	$ 3,219,299	$ 2,928,662
Cash paid to suppliers	(1,904,186)	(1,733,241)
Cash paid to employees	(1,319,146)	(1,171,414)
Cash paid to related parties	(9,638)	(7,694)
Cash paid for owner's expense	(16,326)	(31,716)
Net cash used in operating activities	(29,997)	(15,403)
Cash flows from capital and related financing activities:		
Capital expenditures	(66,207)	(188,569)
Deposits on capital assets	(950)	(8,293)
Transfers from Oneida Tribe of Indians of Wisconsin	0	257,713
Interest paid on capital debt	(19,116)	(21,782)
Payments on note payable	(45,371)	(63,789)
Payments on capital lease obligation	(38,685)	(38,685)
Net cash used in capital and related financing activities	(170,329)	(63,405)
Net cash provided by noncapital financing activities - Transfers from Oneida Tribe of Indians of Wisconsin	15,000	34,464
Net decrease in cash	(185,326)	(44,344)
Cash at beginning	471,313	515,657
Cash at end	$ 285,987	$ 471,313

Oneida Golf Enterprise

Statements of Cash Flows (Continued)

	2015	2014
Reconciliation to reconcile net operating loss to net cash provided by (used in) operating activities:		
Loss from operations	$ (387,336)	$ (279,982)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:		
Depreciation	361,337	300,708
Rent forgiveness	(12,500)	0
Owner's expense	(16,326)	(31,716)
Changes in operating assets and liabilities:		
Accounts receivable	(3,742)	18,560
Interfund receivables and payables	25,132	(6,594)
Inventories	(7,230)	(28,002)
Prepaid expenses	9,610	61,107
Accounts payable	(22,436)	(20,091)
Accrued expenses and other liabilities	23,494	(29,393)
Total adjustments	357,339	264,579
Net cash provided by (used in) operating activities	$ (29,997)	$ (15,403)

Noncash capital and related financing activities:

During 2015, Oneida Golf Enterprise traded-in a vehicle valued at $5,000 and capitalized $5,000 of deposits on capital assets.

During 2014, the Oneida Tribe of Indians of Wisconsin transferred the clubhouse and maintenance building to Oneida Golf Enterprises at a value of $3,875,181.

See accompanying notes to financial statements.

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Note 1: Summary of Significant Accounting Policies

Principal Business Activity

Oneida Golf Enterprise (OGE) is a tribally chartered corporation of the Oneida Tribe of Indians of Wisconsin (the "Tribe"), a federally recognized Indian Tribe. OGE is a limited liability company and is exempt from federal and state income taxes. OGE is established principally for the purpose of operating Thornberry Creek at Oneida golf and restaurant facility.

Basis of Presentation

OGE uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.)

Accounts Receivable - Trade and Credit Policy

Accounts receivable - trade are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Inventories

Inventories, consisting of food, beverage, and golf merchandise, are valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or market.

Capital Assets

The Tribe purchased Thornberry Creek at Oneida golf and restaurant facility in January 2009. Capital assets acquired in the original purchase of Thornberry Creek are included in the financial statements of the Tribe until February 1, 2014, when the Tribe transferred the clubhouse and maintenance building to OGE at a value of $3,875,181. Equipment purchased and improvements made to the land and building since the original purchase date are reflected in the financial statements of OGE.

Capital assets that are purchased or acquired with an original cost of $2,500 or more are reported at historical cost and include equipment under leases that have been capitalized. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of capital assets are reflected in income. Depreciation is computed on the straight-line method for financial reporting purposes based on the following estimated useful lives.

Note 1: Summary of Significant Accounting Policies (Continued)

Assets	Useful Lives
Land improvements	10 - 20 years
Buildings and improvements	5 - 35 years
Furniture, fixtures, and equipment	3 - 20 years
Computer software	3 years

Revenue Recognition & Change in Accounting Policy

Revenues from golf fees and the sale of food and beverages are recognized at the time of the event or transaction. Discounts provided to customers at the point of sale are recognized as a reduction in revenue which totaled $120,719 and $150,357 for the years ended September 30, 2015 and 2014, respectively.

Effective, October 1, 2014, OGE elected to change its accounting policy for gift cards to be more consistent with industry standards. Gift cards with no activity in the past two years will be recognized as revenue. The net position as of October 1, 2014 was increased by $49,752. The policy change increased other income for the additional revenue recognized under the new policy by $12,000 for the year ended September 30, 2015.

Deposits received for banquet services are not recorded as revenue until the even occurs. Gift cards sold are recorded as revenue at the later of the date the gift card is used or two years after the issuance date. Outstanding gift cards and deposits are recorded as advance deposits on the statements of net position.

Sales and Marketing Expenses

The cost of golf, food, and beverages provided to customers through promotional and other discounts are charged to sales and marketing expenses. For fiscal 2015 and 2014, $81,331 and $68,473, respectively, was expensed.

Advertising costs are expensed as incurred. Advertising costs charged to expense in fiscal 2015 and 2014 were $116,227 and $61,001, respectively.

Owner's Expense

Owner's expense consists of management fees charged by the agent.

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Oneida Golf Enterprise
Notes to Financial Statements

Note 2: Capital Assets

Capital assets activity follows:

	Balance October 1, 2014	Increase	Decrease	Balance September 30, 2015
Capital assets being depreciated:				
Land improvements	$ 715,062	$ 0	$ 0	$ 715,062
Buildings and improvements	4,234,218	5,808	37,291	4,202,735
Furniture, fixtures, and equipment	840,225	107,691	16,000	931,916
Computer software	59,791	0	0	59,791
Total capital assets being depreciated	5,849,296	113,499	53,291	5,909,504
Less - Accumulated depreciation for:				
Land improvements	253,820	63,066	0	316,886
Buildings and improvements	226,681	150,029	0	376,710
Furniture, fixtures, and equipment	436,699	146,915	15,999	567,615
Computer software	58,463	1,327	0	59,790
Total accumulated depreciation	975,663	361,337	15,999	1,321,001
Capital assets being depreciated - Net	$ 4,873,633	$ (247,838)	$ 37,292	$ 4,588,503

	Balance October 1, 2013	Increase	Decrease	Balance September 30, 2014
Capital assets being depreciated:				
Land improvements	$ 715,062	$ 0	$ 0	$ 715,062
Buildings and improvements	359,037	3,875,181	0	4,234,218
Furniture, fixtures, and equipment	641,656	198,569	0	840,225
Computer software	59,791	0	0	59,791
Total capital assets being depreciated	1,775,546	4,073,750	0	5,849,296
Less - Accumulated depreciation for:				
Land improvements	190,754	63,066	0	253,820
Buildings and improvements	114,544	112,137	0	226,681
Furniture, fixtures, and equipment	317,178	119,521	0	436,699
Computer software	52,479	5,984	0	58,463
Total accumulated depreciation	674,955	300,708	0	975,663
Capital assets being depreciated - Net	$ 1,100,591	$ 3,773,042	$ 0	$ 4,873,633

Oneida Golf Enterprise
Notes to Financial Statements

Note 3: Line of Credit

As of September 30, 2015, the Company has a revolving line-of-credit agreement with Bay Bancorporation, Inc., a related party that is also a tribally chartered corporation of the Tribe, in the amount of $125,000 at an annual interest rate of prime plus 1.25% with a floor of 4.50%. As of September 30, 2015, no amounts are in use. The borrowings are secured by a certificate of deposit owned by the Tribe and a second interest in the assets of OGE. The current agreement expires on March 31, 2016.

Note 4: Note Payable

OGE also has a 4.5% bank note with Bay Bancorporation, Inc. During 2015, the due date of the note was extended for 19 months to now be due May 16, 2017. The note requires monthly payments. Beginning in May of 2016, the monthly principal and interest payments will be $10,288 during the golf season (May through October) and is secured by a certificate of deposit owned by the Tribe.

Activity with respect to the principal due on the note follows:

Balance at October 1, 2013	$ 439,521
Payments	(63,789)
Balance at September 30, 2014	375,732
Payments	(45,371)
Balance at September 30, 2015	330,361
Less - Current Maturities	47,477
Long-term portion	$ 282,884

Annual debt service requirement on long-term debt at September 30, 2015, including current maturities, are summarized as follows:

	Principal	Interest	Total
2016	$ 47,477	$ 14,591	$ 62,068
2017	282,884	8,314	291,198
Totals	$ 330,361	$ 22,905	$ 353,266

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Oneida Golf Enterprise
Notes to Financial Statements

Note 5: Capital Lease

OGE has a lease for 80 golf carts, which is classified as a capital lease since the lease contains a $1 buyout option at expiration. Payments are due during the six months of each golf season ending October 2016.

As of September 30, 2015, capital assets include $172,959, which is the net present value (at 5% discount rate) of lease payments, for the golf carts. Accumulated depreciation for the golf carts of $121,024 and $86,432 is recognized as of September 30, 2015 and 2014, respectively. Lease amortization is included in depreciation expense.

Capital lease obligation activity follows:

	Principal Portion	Interest Portion	Total
Balance at October 1, 2013	$ 112,201	$ 10,301	$ 122,502
Payments in 2014	(33,516)	(5,169)	(38,685)
Balance at September 30, 2014	78,685	5,132	83,817
Payments in 2015	(35,231)	(3,454)	(38,685)
Balance at September 30, 2015	$ 43,454	$ 1,678	$ 45,132

Future minimum payments, by year and in the aggregate, under the capital lease consist of the following:

	Capital Leases
2016	$ 38,685
2017	6,447
Total minimum lease payments	45,132
Amount representing interest	1,678
Present value of future minimum lease payments	43,454
Less - Current maturities	37,033
Long-term obligations under capital lease	$ 6,421

Oneida Golf Enterprise
Notes to Financial Statements

Note 6: Related-Party Transactions

As described in Note 1, the Tribe owned the real estate leased to OGE until February 1, 2014. On February 1, 2014, the Tribe transferred the clubhouse and maintenance building to OGE. OGE continues to lease the land from the Tribe. Rent expense for 2015 and 2014 was $13,150 and $93,559, respectively. The lease expires April 30, 2016, but has a three-year renewal option. During 2015, the Tribe agreed to forgive a portion of the required rent payment amounting to $12,500.

Years Ended September 30, 2015 and 2014	2015	2014
Activity for year:		
Rent expense	$ 13,150	$ 93,559
Balances at September 30:		
Accounts receivable - OAHC	90	1,968
Accounts receivable - Tribe	3,414	26,872
Accounts payable - OAHC	$ 0	$ 204

Throughout the year, OGE has additional transactions with tribal entities, including various fees and insurance payments. Also, various tribal entities hold events and outings at the golf course. These transactions are not material to the overall financial statements and are recorded with other similar revenue and expense lines.

Note 7: Future Economic Viability and Economic Dependence

Fiscal year 2015 resulted in expenses exceeding revenue by $433,732 compared to fiscal year 2014, where expenses exceeded revenue by $325,720. Significantly increasing the loss was the depreciation expense associated with the transfer of the clubhouse and maintenance building as described in Note 1. For the years ended September 30, 2015 and 2014, the Tribe contributed $15,000 and $292,177, respectively, for operating and capital improvement needs. OGE's ability to continue in the future is dependent upon continued financial support or alternative sources of financing. The Tribe has budgeted no capital infusions during 2016. However, management believes it will continue to be financially viable through 2016 since cash balances and availability on the bank line of credit will provide necessary liquidity. The accompanying financial statements do not include adjustments that might be necessary should OGE be unable to successfully continue profitable operations or procure additional financing.

Note 8: Retirement Plan

OGE contributes to the Oneida Golf Enterprises 401(k) Plan (the "Plan"), which is a defined contribution 401(k) retirement plan covering all eligible employees. The Plan is administered by OGE.

Benefit terms, including contribution requirements, are established and may be amended by OGE. For each employee in the Plan, OGE is making matching contributions of 100% up to the first $100 of participant's elective deferral. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code Limits. For 2015 and 2014, OGE made matching contributions of $1,416 and $1,921, respectively.

Oneida Golf Enterprise
Notes to Financial Statements

Note 8: Retirement Plan (Continued)

Employees are immediately vested in their own contributions and earnings on those contributions and become 20% vested in OGE's contributions and earnings on OGE's contributions after one year of credited service. The vesting percentage increases an additional 20% each year thereafter, with 100% vesting after five years of credited service. Nonvested OGE contributions are forfeited upon termination of employment. Such forfeitures are used to pay administrative expenses first and then to reduce future employer contributions.

Note 9: Subsequent Events

Subsequent events have been evaluated through February 1, 2016, which is the date the financial statements were available to be issued.

On November 9, 2015, OGE entered into an agreement with the Ladies Professional Golf Association, Inc. ("LPGA") to host a three year (2017, 2018, and 2019) professional golf tournament and professional-amateur competition at Thornberry Creek at Oneida Golf Course, located in Oneida, Wisconsin. OGE is responsible for paying an annual LPGA tournament fee beginning in 2017. In 2017, the tournament fee will be $532,236 and for each year thereafter, the tournament fee will increase annually, not to exceed a 5% increase per calendar year. In order to host the LPGA event, OGE is expected to complete renovations and make improvements to Thornberry Creek at Oneida Golf Course, purchase equipment, and pay purses, sanctioning fees, event management fees, and related costs. To fund the necessary purchases outlined above, OGE has entered into a loan agreement with the Tribe for $8.65 million.

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Bay Bancorporation, Inc. and Subsidiaries

Green Bay, Wisconsin

Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

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Bay Bancorporation, Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

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Independent Auditor's Report

Board of Directors
Bay Bancorporation, Inc.
Green Bay, Wisconsin

We have audited the accompanying consolidated financial statements of Bay Bancorporation, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income (loss), stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bay Bancorporation, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Required Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Management's Discussion and Analysis is not a required part of the consolidated financial statements but is supplemental information required by the Governmental Accounting Standards Board. The information is presented for purposes of additional analysis and is the responsibility of management. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements; however, we applied certain limited procedures consisting primarily of inquiries of management regarding the methods of measurement and presentation of this information. Accordingly, we do not express an opinion or provide any assurance on it.

/s/Wipfli LLP

Wipfli LLP

May 8, 2015
Green Bay, Wisconsin

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Bay Bancorporation, Inc. and Subsidiaries

Management's Discussion and Analysis

Management of Bay Bancorporation, Inc. (the "Company") and Subsidiaries provides the following discussion and analysis to assist financial statement readers in understanding the Company's consolidated financial performance. This information should be read in conjunction with the Company's consolidated financial statements and notes, which follow this section.

See Note 17 for information regarding prior period adjustments.

Financial Statement Overview

This annual report includes three components: Independent Auditor's Report, Management's Discussion and Analysis, and Consolidated Financial Statements.

Bay Bancorporation, Inc. and Subsidiaries

Management's Discussion and Analysis

Analysis of Financial Results

A summary of the Company's consolidated balance sheets is provided to assist in the analysis of the Company's financial results.

Condensed Consolidated Balance Sheets

	2014	2013	Dollar Change	Percent Change
Cash and cash equivalents	$ 8,147,424	$ 8,147,513	$ (89)	0
Certificates of deposit	5,083,312	735,000	4,348,312	591.6
Investment securities available for sale	14,325,971	16,434,567	(2,108,596)	(12.8)
Loans, net	46,523,560	49,982,918	(3,459,358)	(6.9)
Furniture and equipment, net	172,796	173,687	(891)	(0.5)
Cash value of life insurance	3,040,335	2,964,862	75,473	2.5
Federal Home Loan Bank stock	475,000	475,000	0	0.0
Other real estate owned	1,352,404	1,655,302	(302,898)	(18.3)
Other assets	3,077,229	3,022,621	54,608	1.8
Total assets	$ 82,198,031	$ 83,591,470	$ (1,393,439)	(1.7)
Deposits	$ 65,492,043	$ 68,653,878	$ (3,161,835)	(4.6)
Borrowed funds	5,050,000	4,000,000	1,050,000	26.3
Other liabilities	926,154	942,748	(16,594)	(1.8)
Total liabilities	71,468,197	73,596,626	(2,128,429)	(2.9)
Common stock	85,880	85,880	0	0.0
Capital surplus	4,145,558	4,145,558	0	0.0
Retained earnings	6,086,813	5,357,443	729,370	13.6
Accumulated other comprehensive income	411,583	405,963	5,620	1.4
Total stockholder's equity	10,729,834	9,994,844	734,990	7.4
Total liabilities and stockholder's equity	$ 82,198,031	$ 83,591,470	$ (1,393,439)	(1.7)

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Bay Bancorporation, Inc. and Subsidiaries

Management's Discussion and Analysis

Analysis of Financial Results (Continued)

Total assets as of December 31, 2014, decreased $1.4 million, or 1.7%, compared with December 31, 2013. Investment securities decreased $2.1 million, or 12.8%, as the Company shifted to shorter term certificates during 2014 and strengthened liquidity measurements. Certificates of deposit totaled $5.1 million at December 31, 2014, as compared to $735,000 at December 31, 2013. Net loans decreased $3.5 million, or 6.9%, primarily from a reduction in demand in the Company's commercial portfolios. Total liabilities as of December 31, 2014, decreased $2.1 million, or 2.9%, compared to December 31, 2013, results. This was largely the result of a decrease in deposits of $3.2 million, or 4.6%. This, however, was partially offset with an increase of $1.05 million, or 26.3%, in borrowed funds. This was the result of $2.0 million in FHLB borrowings that matured and $3.05 million in new FHLB borrowings resulting in the stated increase of $1.05 million. Total stockholder's equity as of December 31, 2014 increased $734,990, or 7.4%, compared to December 31, 2013, due to net income of $729,370 in addition to a $5,620 increase in accumulated other comprehensive income. See discussion on the capital adequacy below and in Note 15 to the consolidated financial statements for more information.

Condensed Consolidated Statements of Income

	2014	2013	Dollar Change	Percent Change
Interest income	$ 3,267,466	$ 3,854,971	$ (587,505)	(15.2)
Interest expense	315,574	453,579	(138,005)	(30.4)
Net interest income	2,951,892	3,401,392	(449,500)	(13.2)
Provision for loan losses	70,000	519,000	(449,000)	(86.5)
Net interest income after provision for loan losses	2,881,892	2,882,392	(500)	0.0
Other operating income	1,095,801	956,283	139,518	14.6
Other operating expenses	3,016,755	3,842,818	(826,063)	(21.5)
Income before provision (credit) for income taxes	960,938	(4,143)	965,081	(23294.3)
Provision (credit) for income taxes	231,568	(158,540)	390,108	(246.1)
Net income	$ 729,370	$ 154,397	$ 574,973	372.4

Bay Bancorporation, Inc. and Subsidiaries

Management's Discussion and Analysis

Analysis of Financial Results (Continued)

Net income for the year ended December 31, 2014, was $729,370 compared with net income of $154,397 for the year ended December 31, 2013. The Company's net interest income decreased $449,500, or 13.2%, primarily due to a decrease in interest income which was partially offset to a lesser extent by a decrease in interest expense.

The Company's provision for loan losses (PLL) decreased $449,000 from $519,000 in 2013 to $70,000 in 2014. Our internal risk system is used to identify loans that meet the criteria for being impaired as defined in the accounting guidance. The specific component of the allowance for loan losses (ALL) relates to loans that are individually classified as impaired and where expected cash flows are less than the loan carrying value. The decrease in PLL is due in large part to a reduction in the specific component of the ALL. This specific reserve amounted to $338,075 in 2014 compared to $1,389,275 in 2013, a reduction of $1,051,200. In addition, there was a reduction in the net loan charge-offs that contributed to the reduction in the PLL. For 2014, net loan charge-offs totaled $1,047,079 as compared to $1,487,715 in 2013, a decrease of $440,636 which would have contributed to a reduction to the historical loss portion of the ALL.

Other operating income increased 14.6% during 2014 as a result of an increase in income from mortgage banking activities. Other operating expenses decreased 21.5% in 2014. The decrease in net interest income was completely offset by a decrease in PLL, which combined with the increase in other income resulted in an increase of $574,973, or 372.4%, in net income. Refer to Note 10 to the consolidated financial statements for a table showing the reconciliation of the effective tax rates.

Liquidity Management and Capital Resources

Liquidity

Liquidity describes the ability of the Company to meet financial obligations that arise out of the ordinary course of business. Liquidity is primarily needed to meet borrowing and deposit withdrawal requirements of the customers of the Company and to fund current and planned expenditures. The Company maintains its asset liquidity position internally through short-term investments, the maturity distribution of the investment portfolio, loan repayments, and income from earning assets. Refer to Note 3 to the consolidated financial statements for a table showing the maturity distribution of the Company's securities portfolio and the related estimated fair value.

On the liability side of the balance sheet, liquidity is affected by the timing of the maturing liabilities and the ability to generate new deposits or borrowings as needed. Other sources are available through brokered deposits, borrowings from the Federal Reserve Bank and the Federal Home Loan Bank (FHLB) and from lines of credit approved at correspondent banks. Management knows of no trend or event which will have a material impact on the Company's ability to maintain liquidity at satisfactory levels.

Bay Bancorporation, Inc. and Subsidiaries

Management's Discussion and Analysis

Liquidity Management and Capital Resources (Continued)

Capital Resources and Adequacy

Total stockholder's equity increased $734,990, or 7.4%, in 2014 from $9,994,844 at December 31, 2013 to $10,729,834 at December 31, 2014. The increase was due to net income of $729,370 in addition to a $5,620 increase in accumulated other comprehensive income.

Bay Bank (the "Bank") formerly operated under a Consent Order dated August 16, 2012. However, increasing adequacy of capital has allowed the Bank to be released from the Consent Order and operate under a Memoranda of Understanding with the Federal Deposit Insurance Corporation (FDIC) and the Wisconsin Department of Financial Institutions (WDFI). This Memoranda of Understanding dated May 7, 2014 is a much-desired improvement.

Effective January 1, 2015, the Bank will be subject to a new capital adequacy framework called Basel III. Basel III includes several changes to the capital adequacy guidelines, including a new Common Equity Tier 1 capital requirement, increases the minimum required Tier 1 risk-based capital ratios, and other changes to the calculation of regulatory capital and risk-weighted assets. Management has evaluated the projected Basel III capital ratios and does not believe the Bank's capital category will change under the new capital adequacy framework. Please also refer to Note 15 to the consolidated financial statements for additional discussion of regulatory matters.

Bay Bancorporation, Inc. and Subsidiaries

Consolidated Balance Sheets

December 31, 2014 and 2013

Assets	2014	2013
Cash and due from banks	$ 2,446,589	$ 2,065,085
Federal funds sold	3,990,016	5,033,083
Interest-bearing deposits	1,710,819	1,049,345
Cash and cash equivalents	8,147,424	8,147,513
Certificates of deposit	5,083,312	735,000
Investment securities available for sale	14,325,971	16,434,567
Loans, net	46,523,560	49,982,918
Furniture and equipment, net	172,796	173,687
Cash value of life insurance	3,040,335	2,964,862
Federal Home Loan Bank stock	475,000	475,000
Other real estate owned	1,352,404	1,655,302
Other assets	3,077,229	3,022,621
TOTAL ASSETS	$ 82,198,031	$ 83,591,470

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Bay Bancorporation, Inc. and Subsidiaries

Consolidated Balance Sheets (Continued)

December 31, 2014 and 2013

Liabilities and Stockholder's Equity	2014	2013
Liabilities:		
Non-interest-bearing deposits	$ 11,876,681	$ 12,462,705
Interest-bearing deposits	53,615,362	56,191,173
Total deposits	65,492,043	68,653,878
Borrowed funds	5,050,000	4,000,000
Other liabilities	926,154	942,748
Total liabilities	71,468,197	73,596,626
Stockholder's equity:		
Common stock, Class A voting - $1 par value:		
Authorized - 90,000 shares		
Issued - 85,880 shares	85,880	85,880
Common stock, Class B nonvoting - $1 par value:		
Authorized - 90,000 shares		
Capital surplus	4,145,558	4,145,558
Retained earnings	6,086,813	5,357,443
Accumulated other comprehensive income	411,583	405,963
Total stockholder's equity	10,729,834	9,994,844
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 82,198,031	$ 83,591,470

See accompanying notes to consolidated financial statements.

Bay Bancorporation, Inc. and Subsidiaries

Consolidated Statements of Income

Years Ended December 31, 2014 and 2013

	2014	2013
Interest income:		
Loans, including fees	$ 2,744,887	$ 3,288,515
Securities:		
Taxable	161,997	182,850
Tax-exempt	334,601	375,315
Other interest income	25,981	8,291
Total interest income	3,267,466	3,854,971
Interest expense:		
Deposits	279,227	391,551
Borrowings	36,347	62,028
Total interest expense	315,574	453,579
Net interest income	2,951,892	3,401,392
Provision for loan losses	70,000	519,000
Net interest income after provision for loan losses	2,881,892	2,882,392
Other income:		
Service charges on deposit accounts	189,460	241,294
Loan-origination fee	117,022	137,539
Mortgage banking activities	507,340	334,935
Commissions and fee income	189,957	126,932
Net increase in cash value of life insurance	75,473	78,199
Net gains from sales of securities	0	5,432
Other	16,549	31,952
Total other income	1,095,801	956,283

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Bay Bancorporation, Inc. and Subsidiaries

Consolidated Statements of Income (Continued)

Years Ended December 31, 2014 and 2013

	2014	2013
Other expenses:		
Salaries and related employee benefits	$ 1,540,653	$ 1,622,568
Net occupancy expense	102,669	103,096
Equipment rentals, depreciation, and maintenance	64,392	70,655
Professional fees	150,952	163,279
Examinations and assessments	130,253	180,552
Data processing fees	367,866	353,357
Interchange fees	19,230	15,858
Loan collection	187,273	191,203
Other real estate owned	177,351	802,470
Other	276,116	339,780
Total other expenses	3,016,755	3,842,818
Income (loss) before provision (credit) for income taxes	960,938	(4,143)
Income taxes	231,568	(158,540)
Net income	$ 729,370	$ 154,397

See accompanying notes to consolidated financial statements.

Bay Bancorporation, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

Years Ended December 31, 2014 and 2013

	2014	2013
Net income	$ 729,370	$ 154,397
Other comprehensive income (loss), before tax:		
Unrealized gain (loss) on securities available for sale	9,113	(395,130)
Reclassification adjustment for gains realized in net income	0	(5,432)
Other comprehensive income (loss), before tax	9,113	(400,562)
Tax effect	(3,493)	157,361
Other comprehensive income (loss)	5,620	(243,201)
Comprehensive income (loss)	$ 734,990	$ (88,804)

See accompanying notes to consolidated financial statements.

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Bay Bancorporation, Inc. and Subsidiaries

Consolidated Statements of Stockholder's Equity

Years Ended December 31, 2014 and 2013

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholder's Equity
Balance at January 1, 2013 as originally stated	$ 85,880	$4,145,558	$ 5,121,543	$ 649,164	$10,002,145
Prior period adjustment (Note 17)			81,503		81,503
Adjusted balance at January 1, 2013	85,880	4,145,558	5,203,046	649,164	10,083,648
Net income			154,397		154,397
Other comprehensive loss				(243,201)	(243,201)
Balance at December 31, 2013	85,880	4,145,558	5,357,443	405,963	9,994,844
Net income			729,370		729,370
Other comprehensive income				5,620	5,620
Balance at December 31, 2014	$ 85,880	$4,145,558	$ 6,086,813	$ 411,583	$10,729,834

See accompanying notes to consolidated financial statements.

Bay Bancorporation, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	2014	2013
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Interest, fees, and dividends received	$ 2,632,926	$ 4,394,851
Service charges and other income received	775,290	764,437
Interest paid	(339,363)	(474,578)
Cash paid to suppliers and employees	(2,816,612)	(3,051,167)
Income tax refunds (payments)	388,371	(297,045)
Net cash provided by operating activities	640,612	1,336,498
Cash flows from investing activities:		
Net increase in certificates of deposit	(4,348,312)	(735,000)
Purchases of investment securities available for sale	(203,568)	0
Maturities of investment securities available for sale	2,281,960	1,885,723
Proceeds from sales of investment securities available for sale	0	173,330
Proceeds from sale of other real estate owned	544,662	881,140
Net decrease in loans	3,245,339	4,793,617
Proceeds from disposal of furniture and equipment	0	17,000
Capital expenditures	(48,947)	(80,709)
Net cash provided by investing activities	1,471,134	6,935,101
Cash flows from financing activities:		
Net decrease in deposits	(3,161,835)	(2,972,421)
Proceeds from FHLB advances	3,050,000	2,000,000
Repayment of FHLB advances	(2,000,000)	(5,000,000)
Net cash used in financing activities	(2,111,835)	(5,972,421)
Net increase (decrease) in cash and cash equivalents	(89)	2,299,178
Cash and cash equivalents at beginning	8,147,513	5,848,335
Cash and cash equivalents at end	$ 8,147,424	$ 8,147,513

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Bay Bancorporation, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

Years Ended December 31, 2014 and 2013

	2014	2013
Reconciliation of net income to net cash provided by operating activities:		
Net income	$ 729,370	$ 154,397
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for depreciation and net amortization and accretion	89,155	112,740
Provision for loan losses	70,000	519,000
Provision for impairment on other real estate owned	238,680	590,635
Net increase in cash value of life insurance	(75,473)	(78,198)
Net gains from sales of securities	0	(5,432)
Gain from sales of loans held for sale	(230,746)	(135,389)
(Gain) loss on sale of other real estate owned	(105,679)	130,898
Gain on disposal of furniture and equipment	0	(14,669)
Changes in operating assets and liabilities:		
Other assets	(58,101)	20,711
Other liabilities	(16,594)	41,805
Total adjustments	(88,758)	1,182,101
Net cash provided by operating activities	$ 640,612	$ 1,336,498
Noncash investing and financing activities:		
Loans transferred to other real estate owned	$ 374,765	$ 1,406,900
Securities transferred from held to maturity to available for sale	0	2,742,556

See accompanying notes to consolidated financial statements.

Bay Bancorporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

The consolidated financial statements of Bay Bancorporation, Inc. (the "Company") and its subsidiaries have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) and general practices within the banking industry. Significant accounting and reporting policies follow.

Principal Business Activity

The Company provides banking services to individual and corporate customers through its wholly owned subsidiary, Bay Bank (the "Bank"). The Bank operates as a full-service financial institution with a primary market area including, but not limited to, Brown County, Wisconsin. The Bank emphasizes variable rate commercial, residential mortgage, and consumer loans. In addition, the Bank holds a variety of securities through its wholly owned subsidiary, BB Investments, Inc., a Nevada investment corporation. The Company is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of Bay Bancorporation, Inc. and its subsidiaries: Bay Bank and BB Investments, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The allowance for loan losses, fair values of securities, other real estate owned, mortgage servicing rights, and fair values of financial instruments are particularly subject to change in the near term. Actual results may differ from these estimates.

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Note 1 Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash on hand, interest-bearing and non-interest-bearing deposits in other financial institutions, and federal funds sold, all of which have original maturities of three months or less.

Certificates of Deposit

Certificates of deposit include interest-bearing certificates of deposit that have an original maturity greater than three months.

Investment Securities

Investment securities that management has the positive intent and ability to hold to maturity are classified as held to maturity. Debt securities classified as held to maturity are stated at cost adjusted for amortization of premiums and accretion of discounts. Debt and equity securities classified as available for sale are stated at estimated fair value, with unrealized gains and losses, net of any applicable deferred income taxes, reported as a separate component of stockholder's equity. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the estimated lives of the securities. Gains and losses on the sales of securities are recorded on the trade date and determined using the specific-identification method.

Declines in fair value of securities that are deemed to be other than temporary, if applicable, are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers, as applicable, the length of time and the extent to which fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Federal Home Loan Bank (FHLB) Stock

FHLB stock is carried at cost, which approximates fair value. The Company is required to hold the stock as a member of the FHLB, and transfer of the stock is substantially restricted. The stock is pledged as collateral for outstanding FHLB advances. FHLB stock is evaluated for impairment on an annual basis.

Note 1 Summary of Significant Accounting Policies (Continued)

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Realized gains and losses on the sale of loans held for sale are determined using the specific-identification method.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are generally reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest on loans is accrued and credited to income based on the unpaid principal balance. Loan-origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication the borrower may be unable to make payments as they become due. When loans are placed on nonaccrual or charged off, all unpaid accrued interest is reversed against interest income. The interest on these loans is subsequently accounted for on the cash or cost recovery basis 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.

Allowance for Loan Losses

The allowance for loan losses is provided based on past experience and prevailing market conditions. The allowance for loan losses is established through a provision for loan losses charged to expense. Management's evaluation of loss considers various factors including, but not limited to, general economic conditions, loan portfolio composition, and prior loss experience. This evaluation is inherently subjective since it requires material estimates that may be susceptible to significant change. Loans are charged against the allowance for loan losses when management believes the collectibility of the principal is unlikely. In addition, various regulatory agencies periodically review the allowance for loan losses. These agencies may require additions to the allowance for loan losses based on their judgments of collectiblity.

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Note 1 Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

The Company's commercial and industrial loans are subject to a loan-by-loan impairment analysis. These loans are considered impaired when, based on current information, it is probable the Company will not collect all amounts due in accordance with the contractual terms of the loan agreement. Large groups of homogeneous loans, such as mortgage and consumer loans, are collectively evaluated in the analysis of the adequacy of the allowance for loan losses. The value of impaired loans is based on discounted cash flows of expected future payments using the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

In management's judgment, the allowance for loan losses is appropriate and covers probable losses relating to specifically identified loans, as well as probable losses inherent in the balance of the loan portfolio.

Furniture, Equipment, and Depreciation

Furniture and equipment are stated at cost. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of furniture and equipment are reflected in income. Depreciation is computed on the straight-line method and is based on the estimated useful lives of the assets.

Mortgage Servicing Rights

The Company services mortgage loans it sells to third-party institutions. Servicing loans includes collecting monthly principal and interest payments from borrowers, passing such payments through to the third-party investors, and maintaining escrow accounts for taxes and insurance. When necessary, the Company also performs collection functions for delinquent loan payments, handles loan foreclosure proceedings, and disposes of foreclosed property. The Company generally earns a servicing fee of 25 or 44 basis points on the outstanding loan balance for performing these services, as well as fees and interest income from ancillary sources, such as late fees. Servicing fees, late fees, and other ancillary income earned each year, net of any amortization expense and impairment charges discussed below, are reported in the consolidated statements of income as a component of mortgage banking activities.

Note 1 Summary of Significant Accounting Policies (Continued)

Mortgage Servicing Rights (Continued)

Mortgage servicing rights are recognized as separate assets when rights are acquired through purchase or sale of mortgage loans. Mortgage servicing rights acquired through sale of loans are recognized as a component of mortgage banking income and are recorded at fair value. The fair value of mortgage servicing rights is estimated using a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as costs to service, a discount rate, custodial earnings rate, ancillary income, default rates and losses, and prepayment speeds. The fair value of mortgage servicing rights may change due to changes in discount rates, prepayment expectations, default rates, and other factors. Mortgage servicing rights are reported in other assets and are amortized in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Mortgage servicing rights are evaluated for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The evaluation includes stratifying the serviced loans by predominant characteristics, such as interest rates and terms, and estimating the fair value of each stratum. Impairment is recognized through a valuation allowance to the extent that fair value is less than the carrying amount.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in the consolidated statements of income as other real estate owned expense.

Advertising

Advertising costs are expensed as incurred.

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Note 1 Summary of Significant Accounting Policies (Continued)

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is shown on the consolidated statements of comprehensive income (loss). The Company's accumulated other comprehensive income is comprised of the unrealized gain (loss) on securities available for sale, net of tax, and is shown as a separate component of stockholder's equity.

Reclassification adjustments out of other comprehensive income (loss) for gains (losses) realized on sales of securities available for sale comprise the entire balance of "Net gains from sales of securities" on the consolidated statements of income. As part of this reclassification, income tax expense of $0 and approximately $2,000 was recognized for the years ended December 31, 2014 and 2013, respectively, in "Income taxes" on the consolidated statements of income.

Income Taxes

Deferred tax assets and liabilities have been determined using the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the current enacted tax rates which will be in effect when these differences are expected to reverse. Credit for deferred taxes is the result of changes in the deferred tax assets and liabilities.

The Company may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Interest and penalties related to unrecognized tax benefits are classified as income taxes.

Transfer 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 Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Note 1 Summary of Significant Accounting Policies (Continued)

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they become payable.

Rate Lock Commitments

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Rate lock commitments are recorded only to the extent of fees received since recording the estimated fair value of these commitments would not have a significant impact on the consolidated financial statements.

New Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure.* This standard requires that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met. The Company adopted this new accounting standard for the year ended December 31, 2014. The adoption of this accounting standard did not have a significant impact on the financial statements of the Company.

In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* This guidance requires additional information about the amounts reclassified out of accumulated other comprehensive income by component, including the respective line items of net income significantly affected by those reclassifications. The Company adopted this new accounting standard effective January 1, 2014, which required the Company to disclose the impact of significant amounts reclassified out of accumulated other comprehensive income on the respective line items on the statements of income.

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Note 1 Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern.* This standard requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued. Disclosures are required if conditions or events raise substantial doubt about an entity's ability to continue as a going concern. This new accounting standard is effective for financial statements issued for annual periods ending after December 15, 2016. The Company does not believe this will have a significant impact on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers.* The objective of this new standard is to provide a common revenue standard for all entities that enter into contracts with customers to transfer goods or services or contracts to transfer nonfinancial assets. This new accounting standard is effective for financial statements issued for annual reporting periods beginning after December 15, 2017. The Company is evaluating what impact this new standard will have on its financial statements.

In January 2014, the FASB issued ASU No. 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.* The primary purpose of this new guidance is to clarify, for residential mortgage loans, when an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a residential mortgage loan. This new accounting standard is effective for financial statements issued for annual periods beginning after December 15, 2014. The Company does not believe this will have a significant impact on its financial statements.

Reclassifications

Certain reclassifications have been made to the 2013 consolidated financial statements to conform to the 2014 classifications.

Subsequent Events

Subsequent events have been evaluated through May 8, 2015, which is the date the consolidated financial statements were available to be issued.

Note 2 Cash and Cash Equivalents

In the normal course of business, the Company maintains cash and due from bank balances with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's insured limit of $250,000. Management believes these financial institutions have strong credit ratings and that the credit risk related to these deposits is minimal.

The Company has pledged $0 and $200,000 of correspondent bank balances as collateral on FHLB advances as of December 31, 2014 and 2013, respectively.

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Bay Bancorporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3 Investment Securities

The amortized cost and estimated fair value of the Company's investment securities available for sale with gross unrealized gains and losses at December 31 follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2014				
Obligations of U.S. government-sponsored agencies and corporations	$ 500,000	$ 25,650	$ 0	$ 525,650
Obligations of states and political subdivisions	9,916,859	551,766	0	10,468,625
Corporate debt securities	544,692	2,451	0	547,143
Mortgage-related securities	2,685,845	98,708	0	2,784,553
Total	$ 13,647,396	$ 678,575	$ 0	$ 14,325,971
2013				
Obligations of U.S. government-sponsored agencies and corporations	$ 500,000	$ 34,850	$ 0	$ 534,850
Obligations of states and political subdivisions	11,033,024	580,869	0	11,613,893
Corporate debt securities	567,374	1,774	18,600	550,548
Mortgage-related securities	3,664,707	91,716	21,147	3,735,276
Total	$ 15,765,105	$ 709,209	$ 39,747	$ 16,434,567

During 2013, all securities previously classified as held to maturity were transferred to available-for-sale securities. At the time of transfer from held to maturity, the amortized cost of the securities was $2,742,556 with unrealized gains of $116,751. The result was an increase in the fair value of available-for-sale securities of $2,859,307.

Bay Bancorporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3 Investment Securities (Continued)

The amortized cost and estimated fair value of the investment securities as of December 31, 2014, by contractual maturity, are shown below. Contractual maturities will differ from expected maturities for mortgage-related securities because borrowers may have the right to call or prepay obligations without penalties.

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 1,347,385	$ 1,367,130
Due after one year through five years	5,099,148	5,380,698
Due after five years through ten years	4,515,018	4,793,590
Subtotal	10,961,551	11,541,418
Mortgage-related securities	2,685,845	2,784,553
Total	$13,647,396	$14,325,971

Fair values of securities are estimated based on financial models or prices paid for similar securities. It is possible interest rates could change considerably resulting in a material change in the estimated fair value.

The carrying value and fair value of pledged securities as of December 31, 2014, was approximately $10.3 million and $10.9 million, respectively. The carrying value and fair value of pledged securities as of December 31, 2013, was approximately $11.1 million and $11.7 million, respectively.

Following is a summary of the proceeds from sales of securities available for sale as well as gross gains and losses for the years ended December 31.

	2014	2013
Proceeds	$ 0	$ 173,330
Gross gains on sales	0	5,432
Gross losses on sales	0	0

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Bay Bancorporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 Loans

The following table presents total loans at December 31 by portfolio segment and class of loan:

	2014	2013
Commercial:		
Commercial and industrial	$ 6,566,210	$ 8,357,061
Commercial real estate - Construction	3,026,388	3,690,694
Commercial real estate - Owner occupied	19,210,779	19,689,705
Commercial real estate - Nonowner occupied	3,449,204	4,315,386
Residential real estate:		
First mortgages	12,220,617	13,569,348
Junior mortgages	1,181,530	1,137,716
Consumer:		
Autos	2,426,939	1,885,897
Other	684,885	557,182
Subtotals	48,766,552	53,202,989
Less - Allowance for loan losses	2,242,992	3,220,071
Loans, net	$ 46,523,560	$ 49,982,918

Bay Bancorporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 Loans (Continued)

Analysis of the allowance for loan losses for the years ended December 31, 2014 and 2013, follows:

	Commercial Real Estate	Commercial and Industrial	Residential Real Estate	Consumer	Total
Balance at January 1, 2013	$ 1,704,337	$ 1,988,216	$ 414,356	$ 81,877	$ 4,188,786
Provision (credit) for loan losses	695,827	(293,004)	98,142	18,035	519,000
Loans charged off	(755,283)	(798,370)	(4,455)	(44,927)	(1,603,035)
Recoveries of loans previously charged off	35,581	68,193	283	11,263	115,320
Balance at December 31, 2013	1,680,462	965,035	508,326	66,248	3,220,071
Provision (credit) for loan losses	361,282	(423,490)	87,509	44,699	70,000
Loans charged off	(845,259)	(23,703)	(219,724)	(49,448)	(1,138,134)
Recoveries of loans previously charged off	1,300	68,108	0	21,647	91,055
Balance at December 31, 2014	$ 1,197,785	$ 585,950	$ 376,111	$ 83,146	$ 2,242,992
Allowance for loan losses at December 31, 2014:					
Individually evaluated for impairment	$ 237,407	$ 66,368	$ 34,300	$ 0	$ 338,075
Collectively evaluated for impairment	960,378	519,582	341,811	83,146	1,904,917
Total	$ 1,197,785	$ 585,950	$ 376,111	$ 83,146	$ 2,242,992
Allowance for loan losses at December 31, 2013:					
Individually evaluated for impairment	$ 1,013,300	$ 168,275	$ 207,700	$ 0	$ 1,389,275
Collectively evaluated for impairment	667,162	796,760	300,626	66,248	1,830,796
Total	$ 1,680,462	$ 965,035	$ 508,326	$ 66,248	$ 3,220,071

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Bay Bancorporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 Loans (Continued)

Analysis of loans evaluated for impairment as of December 31 follows:

	Commercial Real Estate	Commercial and Industrial	Residential Real Estate	Consumer	Total
December 31, 2014:					
Individually evaluated for impairment	$ 6,134,942	$ 655,454	$ 1,002,656	$ 13,239	$ 7,806,291
Collectively evaluated for impairment	19,551,429	5,910,756	12,399,491	3,098,585	40,960,261
Total loans	$ 25,686,371	$ 6,566,210	$ 13,402,147	$ 3,111,824	$ 48,766,552
December 31, 2013:					
Individually evaluated for impairment	$ 8,940,883	$ 874,488	$ 1,697,636	$ 0	$ 11,513,007
Collectively evaluated for impairment	18,754,902	7,482,573	13,009,428	2,443,079	41,689,982
Total loans	$ 27,695,785	$ 8,357,061	$ 14,707,064	$ 2,443,079	$ 53,202,989

Bay Bancorporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 Loans (Continued)

Information regarding impaired loans for the year ended December 31, 2014, follows:

	Recorded Investment	Principal Balance	Related Allowance	Average Investment	Interest Recognized
Loans with no related allowance for loan losses:					
Commercial and industrial	$ 589,086	$ 589,086	$ N/A	$ 690,310	$ 48,264
Commercial real estate - Construction	556,547	556,547	N/A	619,379	35,459
Commercial real estate - Owner occupied	3,994,440	3,994,440	N/A	4,060,997	190,630
Commercial real estate - Nonowner occupied	23,075	23,075	N/A	371,558	31,853
Residential real estate - First mortgages	789,793	789,793	N/A	906,359	52,571
Consumer - Other	13,239	13,239	N/A	16,631	1,413
Total	5,966,180	5,966,180	N/A	6,665,234	360,190
Loans with an allowance for loan losses:					
Commercial and industrial	66,368	66,368	66,368	70,602	724
Commercial real estate - Construction	914,783	914,783	38,400	1,182,409	57,131
Commercial real estate - Nonowner occupied	646,097	646,097	199,007	670,357	28,293
Residential real estate - First mortgages	212,863	212,863	34,300	248,003	18,100
Total	1,840,111	1,840,111	338,075	2,171,371	104,248
Total impaired loans	$ 7,806,291	$ 7,806,291	$ 338,075	$ 8,836,605	$ 464,438

At December 31, 2014, $3,865,717 of the $5,966,180 impaired loans with no related allowance were considered impaired due to their status as troubled debt restructurings. At December 31, 2014, $813,960 of the $1,840,111 impaired loans with related allowance were considered impaired due to their status as troubled debt restructurings. These loans were current with payments and considered accruing.

Note 4 Loans (Continued)

Information regarding impaired loans for the year ended December 31, 2013, follows:

	Recorded Investment	Principal Balance	Related Allowance	Average Investment	Interest Recognized
Loans with no related allowance for loan losses:					
Commercial and industrial	$ 516,826	$ 516,826	$ N/A	$ 278,526	$ 17,037
Commercial real estate - Construction	1,362,630	1,362,630	N/A	1,314,628	50,768
Commercial real estate - Owner occupied	3,335,937	3,335,937	N/A	3,320,863	225,548
Commercial real estate - Nonowner occupied	1,280,389	1,280,389	N/A	1,300,863	64,409
Residential real estate - First mortgages	979,064	979,064	N/A	1,007,239	58,445
Total	7,474,846	7,474,846	N/A	7,222,119	416,207
Loans with an allowance for loan losses:					
Commercial and industrial	357,662	357,662	168,275	384,286	14,473
Commercial real estate - Construction	1,360,485	1,360,485	632,600	1,448,847	32,847
Commercial real estate - Owner occupied	464,108	464,108	16,700	469,433	17,459
Commercial real estate - Nonowner occupied	1,137,334	1,137,334	364,000	1,161,501	54,633
Residential real estate - First mortgages	718,572	718,572	207,700	753,230	21,824
Total	4,038,161	4,038,161	1,389,275	4,217,297	141,236
Total impaired loans	$ 11,513,007	$ 11,513,007	$ 1,389,275	$ 11,439,416	$ 557,443

At December 31, 2013, $3,660,440, of the $7,474,846 impaired loans with no related allowance were considered impaired due to their status as a troubled debt restructuring. At December 31, 2013, $1,210,350 of the $4,038,161 impaired loans with related allowance were considered impaired due to their status as a troubled debt restructuring. These loans were current with payments and considered accruing.

No additional funds are committed to be advanced in connection with impaired loans.

Note 4 Loans (Continued)

The Company regularly evaluates various attributes of loans to determine the appropriateness of the allowance for loan losses. The credit quality indicators monitored differ depending on the class of loan.

Commercial loans are generally evaluated using the following internally prepared ratings:

- Pass ratings are assigned to loans with adequate collateral and debt service ability such that collectibility of the contractual loan payments is highly probable.
- Special mention/watch ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectibility of the contractual loan payments is still probable.
- Substandard ratings are assigned to loans that do not have adequate collateral and/or debt service ability such that collectibility of the contractual loan payments is no longer probable.
- Doubtful ratings are assigned to loans that do not have adequate collateral and/or debt service ability, and collectibility of the contractual loan payments is unlikely.

Residential real estate and consumer loans are generally evaluated based on whether the loan is performing according to the contractual terms of the loan.

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Bay Bancorporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 Loans (Continued)

Information regarding the credit quality indicators most closely monitored for commercial loans by class as of December 31 follows:

	Pass	Special Mention/ Watch	Substandard	Doubtful	Total
2014					
Commercial and industrial	$ 5,210,685	$ 1,091,279	$ 264,246	$ 0	$ 6,566,210
Commercial real estate - Construction	1,555,058	0	1,471,330	0	3,026,388
Commercial real estate - Owner occupied	16,867,793	1,258,343	1,084,643	0	19,210,779
Commercial real estate - Nonowner occupied	2,566,434	213,598	669,172	0	3,449,204
Total	$ 26,199,970	$ 2,563,220	$ 3,489,391	$ 0	$ 32,252,581
2013					
Commercial and industrial	$ 6,545,853	$ 936,720	$ 874,488	$ 0	$ 8,357,061
Commercial real estate - Construction	967,579	0	2,723,115	0	3,690,694
Commercial real estate - Owner occupied	16,445,791	1,097,644	2,146,270	0	19,689,705
Commercial real estate - Nonowner occupied	1,286,141	611,522	2,417,723	0	4,315,386
Total	$ 25,245,364	$ 2,645,886	$ 8,161,596	$ 0	$ 36,052,846

Bay Bancorporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 Loans (Continued)

Information regarding the credit quality indicators most closely monitored for residential real estate and consumer loans by class as of December 31 follows:

	Performing	Nonperforming	Total
2014			
Residential real estate - First mortgages	$ 11,552,612	$ 668,005	$ 12,220,617
Residential real estate - Junior mortgages	1,075,512	106,018	1,181,530
Consumer - Auto loans	2,397,807	29,132	2,426,939
Consumer - Other	680,724	4,161	684,885
Total	$ 15,706,655	$ 807,316	$ 16,513,971
2013			
Residential real estate - First mortgages	$ 12,350,456	$ 1,218,892	$ 13,569,348
Residential real estate - Junior mortgages	1,120,129	17,587	1,137,716
Consumer - Auto loans	1,846,732	39,165	1,885,897
Consumer - Other	552,332	4,850	557,182
Total	$ 15,869,649	$ 1,280,494	$ 17,150,143

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Notes to Consolidated Financial Statements

Note 4 Loans (Continued)

Loan aging information as of December 31 follows:

	Current Loans	Accruing Loans Past Due 30-89 Days	Accruing Loans Past Due 90+ Days	Nonaccrual Loans	Total Loans
2014					
Commercial and industrial	$ 6,333,082	$ 0	$ 0	$ 233,128	$ 6,566,210
Commercial real estate - Construction	1,880,991	0	0	1,145,397	3,026,388
Commercial real estate - Owner occupied	19,024,243	186,536	0	0	19,210,779
Commercial real estate - Nonowner occupied	3,426,129	0	0	23,075	3,449,204
Residential real estate - First mortgages	11,323,743	228,869	0	668,005	12,220,617
Residential real estate - Junior mortgages	1,035,906	39,606	0	106,018	1,181,530
Consumer - Auto loans	2,359,729	38,078	0	29,132	2,426,939
Consumer - Other	641,169	39,555	0	4,161	684,885
Total	$ 46,024,992	$ 532,644	$ 0	$ 2,208,916	$ 48,766,552
2013					
Commercial and industrial	$ 8,034,245	$ 0	$ 0	$ 322,816	$ 8,357,061
Commercial real estate - Construction	1,504,590	0	0	2,186,104	3,690,694
Commercial real estate - Owner occupied	19,640,275	0	0	49,430	19,689,705
Commercial real estate - Nonowner occupied	3,924,294	0	0	391,092	4,315,386
Residential real estate - First mortgages	12,166,171	184,285	0	1,218,892	13,569,348
Residential real estate - Junior mortgages	1,075,576	44,553	0	17,587	1,137,716
Consumer - Auto loans	1,828,393	18,339	0	39,165	1,885,897
Consumer - Other	530,708	21,625	0	4,849	557,182
Total	$ 48,704,252	$ 268,802	$ 0	$ 4,229,935	$ 53,202,989

Bay Bancorporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 Loans (Continued)

When, for economic or legal reasons related to the borrower's financial difficulties, the Company grants a concession to the borrower that the Company would not otherwise consider, the modified loan is classified as a troubled debt restructuring. Loan modifications may consist of forgiveness of interest and/or principal, a reduction of the interest rate, interest-only payments for a period of time, and/or extending amortization terms.

The following presents information regarding modifications of loans classified as troubled debt restructurings during the years ended December 31. All troubled debt restructurings are classified as impaired loans. The recorded investment presented in the following tables does not include specific reserves for loan losses recognized for these loans, which totaled $96,600 and $0 at December 31, 2014 and 2013, respectively.

	Number of Contracts	Pre-Modification Investment	Post-Modification Investment
2014			
Troubled debt restructurings:			
Commercial real estate - Owner occupied	1	$ 359,203	$ 345,689
Commercial real estate - Nonowner occupied	1	271,494	261,286
Total	2	$ 630,697	$ 606,975
2013			
Troubled debt restructurings:			
Commercial and industrial	1	$ 211,104	$ 203,246
Commercial real estate - Owner occupied	1	1,395,513	886,355
Total	2	$ 1,606,617	$ 1,089,601

Note 4 Loans (Continued)

The Company considers a troubled debt restructuring in default if it becomes past due more than 30 days or is partially charged off. No troubled debt restructurings defaulted within 12 months of their modification date during the year ended December 31, 2014. The following table summarizes troubled debt restructuring that defaulted within 12 months of its modification date during the year ended December 31, 2013.

	Number of Contracts	Recorded Investment
Commercial real estate - Construction	$ 1	$ 675,305

Directors, executive officers, and the sole stockholder of the Company, including their families and firms in which they are principal owners, are considered to be related parties. Substantially all loans to these related parties were made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and did not involve more than the normal risk of collectibility or present other unfavorable features.

A summary of loans to directors, executive officers, the sole stockholder, and their affiliates as of December 31 is as follows:

	2014	2013
Balance at beginning	$ 849,378	$ 926,312
Adjustments due to changes in directors and executive officers	0	20,729
New loans	100	500
Repayments	(106,240)	(98,163)
Balance at end	$ 743,238	$ 849,378

At December 31, 2014 and 2013, loans of $2,443,186 and $3,039,681, respectively, were serviced under a small business loan agreement with the Oneida Tribe of Indians of Wisconsin.

Note 5 Furniture and Equipment

An analysis of furniture and equipment at December 31 follows:

	2014	2013
Furniture and equipment	$ 927,518	$ 878,571
Less - Accumulated depreciation	754,722	704,884
Furniture and equipment, net	$ 172,796	$ 173,687

Depreciation charged to operating expense totaled $49,838 and $54,181 in 2014 and 2013, respectively.

Note 6 Mortgage Servicing Rights

At December 31, 2014 and 2013, loans of $53,652,230 and $50,286,737, respectively, were serviced under the FHLB Mortgage Partnership Finance Program. These loans are not included in the accompanying consolidated balance sheets.

The following is a summary of changes in the balance of mortgage servicing rights for the years ended December 31:

	2014	2013
Balance at beginning	$ 448,952	$ 490,790
Additions	100,215	84,206
Amortization	(85,923)	(126,044)
Balance at end	$ 463,244	$ 448,952

No impairment of mortgage servicing rights existed at December 31, 2014; therefore, no valuation allowance was recorded. The carrying value of mortgage servicing rights is included with other assets. The estimated fair market value at December 31, 2014, was approximately equal to book value. The fair value of the servicing rights was determined using discount rates of 8.50% to 12.50% and prepayment speeds of 5.00%.

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Note 6 Mortgage Servicing Rights (Continued)

The following table shows the estimated future amortization expense of mortgage servicing rights. The projections of amortization expense are based upon the existing balances as of December 31, 2014. The actual amortization expense the Company recognizes in any given period may be significantly different depending upon changes in interest rates, market discount rates, market conditions, and regulatory requirements.

2015	$	94,479
2016		74,763
2017		59,404
2018		47,366
2019		37,870
Thereafter		149,362
Total	$	463,244

Note 7 Other Real Estate Owned

Other real estate owned is presented net of a valuation allowance. An analysis of other real estate owned at December 31 follows:

		2014		2013
Balance at beginning	$	1,655,302	$	1,851,075
Transfer of loans		374,765		1,406,900
Write-down to realizable value		(238,680)		(590,635)
Proceeds on sale		(544,662)		(881,140)
Gain (loss) on sale		105,679		(130,898)
Balance at end	$	1,352,404	$	1,655,302

Bay Bancorporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7 Other Real Estate Owned (Continued)

Activity in the valuation allowance on other real estate owned for the years ended December 31 is summarized as follows:

		2014		2013
Balance at beginning	$	1,600,954	$	1,854,150
Write-down to realizable value		238,680		590,635
Reversals		(5,605)		(843,831)
Balance at end	$	1,834,029	$	1,600,954

All reversals were due to sale of other real estate owned for the years ended December 31, 2014 and 2013.

Expenses related to other real estate owned during the years ended December 31:

		2014		2013
Write-down to realizable value	$	238,680	$	590,635
Operating expenses, net of rental income		44,350		80,937
(Gain) loss on sale		(105,679)		130,898
Total expense	$	177,351	$	802,470

Note 8 Deposits

The distribution of deposits at December 31 follows:

	2014	2013
Non-interest-bearing deposits	$ 11,876,681	$ 12,462,705
Interest-bearing demand deposits	2,289,258	3,223,226
Savings deposits	6,198,757	5,317,988
Money market deposits	15,757,940	13,739,979
Time deposits	29,369,407	33,909,980
Total deposits	$ 65,492,043	$ 68,653,878

Time deposits that met or exceeded the FDIC's insurance limit of $250,000 totaled approximately $10,517,000 and $12,655,000 at December 31, 2014 and 2013, respectively.

At December 31, 2014 and 2013, the estimated fair value of securities pledged to secure deposits was approximately $8,264,000 and $8,138,000, respectively

At December 31, 2014, the scheduled maturities of time deposits are as follows:

2015	$ 22,137,908
2016	4,957,344
2017	873,862
2018	771,487
2019	628,806
Total	$ 29,369,407

Deposits from the Company's sole stockholder and its related interests totaled $29,598,749 and $27,766,973 as of December 31, 2014 and 2013, respectively. Deposits from the Company's directors and officers totaled $105,997 and $391,372 as of December 31, 2014 and 2013, respectively.

Note 9 Borrowed Funds

As a member of FHLB, the Company has access to various borrowing alternatives. Borrowed funds consist of the FHLB fixed rate advances. FHLB fixed rate advances at December 31 were as follows:

	2014		2013	
	Rates	Amount	Rates	Amount
FHLB fixed rate advances due:				
January 24, 2014	0.00 %	$ 0	0.49 %	$ 1,000,000
March 18, 2014	0.00 %	0	1.53 %	1,000,000
January 26, 2015	0.41 %	1,000,000	0.41 %	1,000,000
January 20, 2016	0.57 %	1,000,000	0.00 %	0
March 3, 2016	0.50 %	1,200,000	0.00 %	0
March 11, 2016	0.53 %	850,000	0.00 %	0
July 26, 2017	1.43 %	1,000,000	1.43 %	1,000,000
Totals		$ 5,050,000		$ 4,000,000

FHLB advances are secured by FHLB stock; a blanket lien consisting principally of one-to-four-family and multifamily real estate loans of approximately $7,142,000 and $7,683,000 at December 31, 2014 and 2013, respectively; qualifying investment securities with estimated fair values of approximately $1,092,000 and $1,689,000 at December 31, 2014 and 2013, respectively; and correspondent bank balances pledged of $0 and $200,000 at December 31, 2014 and 2013, respectively. As of December 31, 2014, the Company has a total of $712,000 of unused FHLB lines of credit to be drawn upon as needed.

The Company has a federal funds line of credit available at its main correspondent institution up to $1,500,000. This line is secured partially by qualifying investment securities with an estimated fair value of approximately $1,544,000 at December 31, 2014.

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Note 10 Income Taxes

The provision (credit) for income taxes consists of the following:

	2014	2013
Current tax expense (credit):		
Federal	$ (54,504)	$ (126,342)
State	25	25
Total current	(54,479)	(126,317)
Deferred tax expense (credit):		
Federal	237,315	(27,183)
State	48,732	(5,040)
Total deferred	286,047	(32,223)
Total provision (credit) for income taxes	$ 231,568	$ (158,540)

A summary of the source of differences between income taxes at the federal statutory rate and the provision (credit) for income taxes for the years ended December 31 follows:

	2014		2013	
	Amount	% of Pretax Income	Amount	% of Pretax Loss
Tax expense (credit) at statutory rate	$ 326,719	34.0	$ (1,409)	34.0
Increase (decrease) in taxes resulting from:				
Tax-exempt interest	(117,604)	(12.2)	(129,322)	3,121.5
State income taxes - Net	32,179	3.3	(3,310)	79.9
Cash surrender value of life insurance	(25,661)	(2.7)	(26,588)	641.8
Other	15,935	1.7	2,089	(50.4)
Total provision (credit) for income taxes	$ 231,568	24.1	$ (158,540)	3,826.8

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Notes to Consolidated Financial Statements

Note 10 Income Taxes (Continued)

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities net of a valuation allowance for deferred tax assets not likely to be realized. The net carrying value of deferred income taxes is included with other assets. The major components of net deferred tax assets as of December 31 are presented below:

	2014	2013
Deferred tax assets:		
Allowance for loan losses	$ 324,943	$ 723,992
Deferred compensation	143,764	147,903
Vacation pay	56,671	49,625
Net operating loss carryover	509,499	521,904
Other real estate owned	731,024	639,234
Other	2,795	9
Total deferred tax assets	1,768,696	2,082,667
Deferred tax liabilities:		
Depreciation	12,169	19,185
Unrealized gain on available-for-sale securities	266,992	263,499
FHLB dividends	36,684	36,685
Mortgage servicing rights	182,374	176,754
Prepaid expenses	21,573	48,100
Total deferred tax liabilities	519,792	544,223
Net deferred tax asset	$ 1,248,904	$ 1,538,444

At December 31, 2014, the Company had a state net operating loss carryover of approximately $2,148,000 that will begin to expire in 2029. The Company had a federal net operating loss carryover of $1,160,000 at December 31, 2014, that will expire 2033.

Note 10 Income Taxes (Continued)

With few exceptions, the Bank is no longer subject to federal or state examinations by taxing authorities for years before 2010.

Note 11 Profit Sharing Plan

The Bank sponsors a 401(k) profit sharing plan covering substantially all employees. The plan provides for discretionary contributions and matching contributions up to 6% of employee compensation; however, all contributions are at the discretion of the Board of Directors. Profit sharing expense for 2014 and 2013 was approximately $54,000 and $53,000, respectively.

Note 12 Deferred Compensation

The Company has entered into a deferred compensation agreement with Board members for director fees. Not all of the directors are participating in the plan. A contractual interest component of 6.5% of the outstanding balance is included in the total estimated liability. As of December 31, 2014 and 2013, the estimated liability related to this agreement was approximately $28,000 and $27,000, respectively. No directors deferred their fees as part of these agreements in 2014 and 2013.

The Company holds a postretirement split-dollar life insurance policy for one of its officers. Approximately $2,000 and $187,000 were charged to operations related to this policy in 2014 and 2013, respectively. As of December 31, 2014 and 2013, the estimated liability related to this agreement was approximately $263,000 and $261,000, respectively.

Note 13 Lease

The Company leases the building in which it operates. The building lease is classified as an operating lease and expires September 1, 2020. The building lease allows for revision of monthly rental for each succeeding five-year period. Monthly rental includes the Company's proportionate share of operating expenses including utilities, insurance, and real estate taxes.

Future minimum payments, by year and in the aggregate, under the noncancelable operating lease as of December 31, 2014, consisted of the following:

2015	$	91,284
2016		91,284
2017		91,284
2018		91,284
2019 and thereafter		152,140
Total minimum lease payments	$	517,276

The leased building is owned by the sole stockholder of the Company. Rent expense on this lease totaled $91,284 in both 2014 and 2013.

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Note 14 Commitments, Contingencies, and Credit Risk

Commitments and Contingencies

The Company may be required to maintain reserve balances against customer deposit accounts in connection with Federal Reserve Bank regulations. There were no required reserve balances as of December 31, 2014 and 2013.

The Company's consolidated financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk, interest rate risk, and liquidity risk. These commitments and contingent liabilities are commitments to extend credit. A summary of the Company's commitments and contingent liabilities at December 31 is as follows:

	2014	2013
Commitments to extend credit:		
Fixed	$ 3,331,894	$ 1,819,855
Variable	2,807,577	1,752,141
Credit card arrangements	1,815,810	1,644,494
Letters of credit	144,004	209,800

Commitments to extend credit are agreements to lend to a customer 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. A portion of the commitments is expected to be drawn upon, thus representing future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable; inventory; property, plant, and equipment; real estate; and stocks and bonds.

Credit card commitments are commitments on credit cards issued by the Company and serviced by other companies. These commitments are unsecured.

Note 14 Commitments, Contingencies, and Credit Risk (Continued)

Commitments and Contingencies (Continued)

Letters of credit include standby letters of credit and commercial letters of credit. Standby letters of credit are conditional lending commitments issued by the Company to guarantee the performance of a customer to a third party. Generally, all standby letters of credit issued have expiration dates within one year. Commercial letters of credit are issued specifically to facilitate trade or commerce. Under the terms of a commercial letter of credit, as a general rule, drafts will be drawn when the underlying transaction is consummated as intended.

The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting these commitments.

Concentration of Credit Risk

The majority of the Company's loans and commitments have been granted to customers in the Company's local market area. The concentrations of credit by type are set forth in Note 4.

There were no significant concentrations of credit to any one debtor or industry group. Management believes the diversity of the local economy will prevent significant losses.

Note 15 Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal and state banking agencies. 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 Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

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Note 15 Regulatory Matters (Continued)

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital to risk-weighted assets and of Tier I capital to average assets. Management believes, as of December 31, 2014, the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2014, the Bank was categorized as adequately capitalized in accordance with the FDIC's regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table and not be subject to any written regulatory order, capital directives, or prompt corrective action directives issued by its regulators.

The payment of dividends is subject to the statutes governing state-chartered banks and may be further limited because of the need for the Bank to maintain capital ratios satisfactory to applicable regulatory agencies. At December 31, 2014 and 2013, the Bank could not have paid dividends to the Company without prior regulatory approval.

Note 15 Regulatory Matters (Continued)

The Bank's capital amounts and ratios are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
2014						
Total capital (to risk-weighted assets)	$ 9,672	17.7 %	≥ $ 4,371	≥ 8.0 %	≥ $ 5,464	≥ 10.0 %
Tier I capital (to risk-weighted assets)	$ 8,954	16.4 %	≥ $ 2,186	≥ 4.0 %	≥ $ 3,278	≥ 6.0 %
Tier I capital (to average assets)	$ 8,954	10.9 %	≥ $ 3,288	≥ 4.0 %	≥ $ 4,110	≥ 5.0 %
2013						
Total capital (to risk-weighted assets)	$ 8,559	14.5 %	≥ $ 4,710	≥ 8.0 %	≥ $ 5,887	≥ 10.0 %
Tier I capital (to risk-weighted assets)	$ 7,772	13.2 %	≥ $ 2,355	≥ 4.0 %	≥ $ 3,532	≥ 6.0 %
Tier I capital (to average assets)	$ 7,772	9.4 %	≥ $ 3,316	≥ 4.0 %	≥ $ 4,145	≥ 5.0 %

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Note 16 Fair Value of Financial Instruments

Accounting standards describe three levels of inputs that may be used to measure fair value (the fair value hierarchy). The level of an asset or liability within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement of that asset or liability.

Following is a brief description of each level of the fair value hierarchy:

Level 1 - Fair value measurement is based on quoted prices for identical assets or liabilities in active markets.

Level 2 - Fair value measurement is based on: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, or (3) valuation models and methodologies for which all significant assumptions are or can be corroborated by observable market data.

Level 3 - Fair value measurement is based on valuation models and methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data. Level 3 measurements reflect the Company's estimates about assumptions market participants would use in measuring fair value of the asset or liability.

Some assets and liabilities, such as securities available for sale, are measured at fair value on a recurring basis under GAAP. Other assets and liabilities, such as impaired loans and other real estate owned, may be measured at fair value on a nonrecurring basis.

As of December 31, 2014 and 2013, the Company did not have any liabilities that were measured at fair value.

Following is a description of the valuation methodology and significant inputs used for each asset measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset within the fair value hierarchy.

Note 16 Fair Value of Financial Instruments (Continued)

Investment securities available for sale - Securities available for sale may be classified as Level 1, Level 2, or Level 3 measurements within the fair value hierarchy. Level 2 securities include U.S. government-sponsored agencies and corporations, obligations of states and political subdivisions, corporate debt securities, and mortgage-related securities. The fair value measurement of a Level 2 security is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data.

Loans - Loans are not measured at fair value on a recurring basis. However, loans considered to be impaired may be measured at fair value on a nonrecurring basis. The fair value measurement of an impaired loan that is collateral dependent is based on the fair value of the underlying collateral. Independent appraisals are obtained that utilize one or more valuation methodologies. Typically, they will incorporate a comparable sales approach and an income approach. Management routinely evaluates the fair value measurements of independent appraisers and adjusts those valuations based on differences noted between actual selling prices of collateral and the most recent appraised value. All other impaired loan measurements are based on the present value of expected future cash flows discounted at the applicable effective interest rate and thus are not fair value measurements.

Appraisals for collateral-dependent impaired loans are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, management reviews the assumptions and approaches utilized in the appraisal as well as the overall fair value measurement and compares it to other data sources, such as recent market data or industrywide statistics. On an annual basis, the Company compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to appraised values to arrive at fair value. The most recent analysis performed indicated that a discount of 10% to 20% should be applied to appraisals, depending on the type and value of the property. Fair value of impaired loans is classified as Level 3 in the fair value hierarchy.

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Note 16 Fair Value of Financial Instruments (Continued)

Other real estate owned - Real estate acquired through or in lieu of loan foreclosure is not measured at fair value on a recurring basis. However, other real estate owned is initially measured at fair value (less estimated costs to sell) when it is acquired and may also be measured at fair value (less estimated costs to sell) if it becomes subsequently impaired. The fair value measurement for each property may be obtained from an independent appraiser or prepared internally. Fair value measurements obtained from independent appraisers generally utilize a market approach based on sales of comparable assets and/or an income approach. Such measurements are usually considered Level 2 measurements. However, management routinely evaluates fair value measurements of independent appraisers by comparing actual selling prices to the most recent appraisals.

Appraisals for other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, management reviews the assumptions and approaches utilized in the appraisal as well as the overall fair value measurement and compares it to other data sources, such as recent market data or industrywide statistics. On an annual basis, the Company compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to appraised values to arrive at fair value. The most recent analysis performed indicated that, generally, a discount of 10% to 20% should be applied to appraisals, depending on the type and value of the property. If management determines significant adjustments should be made to the independent appraisals based on these evaluations, these measurements are considered Level 3 measurements. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets, but include significant unobservable data and are therefore considered Level 3 measurements.

Note 16 Fair Value of Financial Instruments (Continued)

Information regarding the fair value of assets measured at fair value on a recurring basis as of December 31 follows:

		Recurring Fair Value Measurements Using		
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2014				
Investment securities available for sale	$ 14,325,971	$ 0	$ 14,325,971	$ 0
2013				
Investment securities available for sale	$ 16,434,567	$ 0	$ 16,434,567	$ 0

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Note 16 Fair Value of Financial Instruments (Continued)

Information regarding the fair value of assets measured at fair value on a nonrecurring basis as of December 31 follows:

		Nonrecurring Fair Value Measurements Using		
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2014				
Impaired loans	$ 1,502,036	$ 0	$ 0	$ 1,502,036
Other real estate owned	1,352,404	0	0	1,352,404
Total	$ 2,854,440	$ 0	$ 0	$ 2,854,440
2013				
Impaired loans	$ 2,648,886	$ 0	$ 0	$ 2,648,886
Other real estate owned	1,655,302	0	0	1,655,302
Total	$ 4,304,188	$ 0	$ 0	$ 4,304,188

As of December 31, 2014, loans with a carrying amount of $1,840,111 had specific allocations of the allowance for loan losses and were written down to their estimated fair value of $1,502,036. As a result, the Company recognized an impairment totaling $338,075 as of December 31, 2014.

As of December 31, 2013, loans with a carrying amount of $4,038,161 had specific allocations of the allowance for loan losses and were written down to their estimated fair value of $2,648,886. As a result, the Company recognized an impairment totaling $1,389,275 as of December 31, 2013.

Note 16 Fair Value of Financial Instruments (Continued)

Foreclosed assets with a fair value, net of estimated costs to sell, of $1,352,404 and $1,655,302 were acquired through or in lieu of foreclosure as of December 31, 2014 and 2013, respectively.

The Bank estimates fair value of all financial instruments regardless of whether such instruments are measured at fair value. The following methods and assumptions were used by the Bank to estimate fair value of financial instruments not previously discussed.

Cash and cash equivalents - Fair value approximates the carrying value.

Certificates of deposit - Fair value is estimated using discounted cash flow analysis based on current rates for similar types of deposits.

Loans - Fair value of variable rate loans that reprice frequently are based on carrying value. Fair value of other loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings. Fair value of impaired and other nonperforming loans are estimated using discounted expected future cash flows or the fair value of underlying collateral, if applicable.

FHLB stock - Fair value is the redeemable (carrying) value based on the redemption provisions of the FHLB.

Accrued interest receivable and payable - Fair value approximates the carrying value.

Cash value of life insurance - Fair value is based on reported values of the assets.

Deposits - Fair value of deposits with no stated maturity, such as demand deposits, savings, and money market accounts, by definition, is the amount payable on demand on the reporting date. Fair value of fixed rate time deposits is estimated using discounted cash flows applying interest rates currently being offered on similar time deposits.

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Note 16 Fair Value of Financial Instruments (Continued)

Borrowed funds - Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. The fair value of borrowed funds due on demand is the amount payable at the reporting date. The fair value of borrowed funds with fixed terms is estimated using discounted cash flows with discount rates at interest rates currently offered by lenders for similar remaining securities.

Off-balance-sheet instruments - The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the current interest rates, and the present creditworthiness of the counterparties. Since this amount is immaterial, no amounts for fair value are presented.

The carrying value and estimated fair value of financial instruments at December 31 follows:

	2014		2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In Thousands)			
Financial assets:				
Cash and cash equivalents	$ 8,147	$ 8,147	$ 8,148	$ 8,148
Certificates of deposit	5,083	5,083	735	735
Investment securities available for sale	14,326	14,326	16,435	16,435
Loans, net	46,524	48,744	49,983	51,981
Federal Home Loan Bank stock	475	475	475	475
Accrued interest receivable	254	254	290	290
Cash value of life insurance	3,040	3,040	2,965	2,965
Financial liabilities:				
Deposits	$ 65,492	$ 65,417	$ 68,654	$ 68,753
Borrowed funds	5,050	5,062	4,000	4,000
Accrued interest payable	70	70	94	94

Note 16 Fair Value of Financial Instruments (Continued)

Limitations - The fair value of a financial instrument is the current amount that would be exchanged between market participants, 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 Company'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. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business. Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts nor is it recorded as an intangible asset on the consolidated balance sheets. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

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Note 17 Prior Period Adjustment

The consolidated financial statements from 2013 have been restated to correct errors in the accounting for accrued interest on sold and participated loans and expenditures for reimbursable items on HUD guaranteed foreclosed loans. The effect of the restatements was to increase beginning equity as of January 1, 2013 by $81,503; to increase the December 31, 2013 balances of loans by $10,000, other assets by $140,406, and retained earnings by $150,406 on the consolidated balance sheet; and to increase loans, including fees by $85,183, decrease loan collections by $25,247, and increase income taxes by $41,527 on the consolidated statements of income for the year ended December 31, 2013.

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Oneida Total Integrated Enterprises, LLC

Financial Report

September 30, 2015

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Tax, Audit and Business Strategy

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ONEIDA TOTAL INTEGRATED ENTERPRISES, LLC

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SVA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oneida Total Integrated Enterprises, LLC
Milwaukee, WI

We have audited the accompanying financial statements of Oneida Total Integrated Enterprises, LLC, which comprise the balance sheets as of September 30, 2015 and 2014, and the related statements of income and member's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Measurable Results.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oneida Total Integrated Enterprises, LLC as of September 30, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Milwaukee, Wisconsin
January 13, 2016

SVA Certified Public Accountants, S.C.

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ONEIDA TOTAL INTEGRATED ENTERPRISES, LLC

BALANCE SHEETS
September 30, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,839,270	$ 2,134,804
Investments, at fair value	1,263,551	1,062,342
Accounts receivable, net of allowance for doubtful accounts (2015 - $71,198 and 2014 - $67,775)	7,559,525	4,889,317
Note receivable - related party	300,000	300,000
Employee advances	4,025	0
Costs and estimated earnings in excess of billings on uncompleted contracts	5,463,376	3,401,438
Prepaid expenses	805,647	655,577
Total current assets	19,235,394	12,443,478
PROPERTY, EQUIPMENT AND SOFTWARE, net	688,465	427,037
OTHER ASSETS		
Equity in unconsolidated joint ventures	1,273	3,087
Deposits and other	48,480	55,875
Goodwill	7,712,673	7,712,673
	7,762,426	7,771,635
TOTAL ASSETS	$ 27,686,285	$ 20,642,150
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Current maturities on capital lease obligations	$ 0	$ 984
Current maturities on note payable	21,042	0
Accounts payable	6,208,155	4,058,217
Accrued expenses	4,823,924	3,110,416
Billings in excess of costs and estimated earnings on uncompleted contracts	2,379,151	1,877,613
Income tax payable	158,000	123,397
Total current liabilities	13,590,272	9,170,627
LONG-TERM LIABILITIES, less current maturities		
Note payable	21,042	0
Total long-term liabilities	21,042	0
COMMITMENTS AND CONTINGENCIES	-	-
MEMBER'S EQUITY	14,074,971	11,471,523
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 27,686,285	$ 20,642,150

The accompanying notes are an integral part of these financial statements.

ONEIDA TOTAL INTEGRATED ENTERPRISES, LLC

STATEMENTS OF INCOME AND MEMBER'S EQUITY
Years ended September 30, 2015 and 2014

	2015	2014
Net sales	$ 56,118,552	$ 46,072,315
Direct cost of sales:		
Subcontracting	19,471,075	16,132,076
Other direct costs	4,908,954	2,967,122
Direct labor	10,983,974	9,606,130
Total direct cost of sales	35,364,003	28,705,328
Gross profit	20,754,549	17,366,987
Operating expenses (see Note N)	14,137,850	14,316,822
Operating income	6,616,699	3,050,165
Non-operating income (expense):		
Gain on sale of property and equipment	5,100	22,919
Equity in earnings from unconsolidated joint venture	25,679	47,624
Interest expense	(12,267)	(20,288)
Interest income	63,896	66,967
Realized and unrealized (loss) gain on trading securities investments	(86,426)	48,203
Earn-out provision (see Note L)	(3,406,297)	(1,719,297)
Other expense	(23,203)	(17,850)
Total non-operating income (expense)	(3,433,518)	(1,571,722)
Income before state income taxes	3,183,181	1,478,443
State income taxes	379,733	226,166
Net income	2,803,448	1,252,277
Member's equity, beginning	11,471,523	10,719,246
Distributions	(200,000)	(500,000)
Member's equity, ending	$ 14,074,971	$ 11,471,523

The accompanying notes are an integral part of these financial statements.

ONEIDA TOTAL INTEGRATED ENTERPRISES, LLC
STATEMENTS OF CASH FLOWS
Years ended September 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,803,448	$ 1,252,277
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	28,813	5,113
Depreciation	200,102	207,118
Equity in earnings from unconsolidated joint ventures	(25,679)	(47,624)
Interest income capitalized into brokerage account	(50,304)	(61,640)
Realized and unrealized (gains) losses on trading securities investments, including brokerage fees paid	99,095	(39,145)
Gain on sale of property and equipment	(5,100)	(22,919)
Increase (decrease) in cash due to changes in:		
Accounts receivable	(2,699,021)	(1,323,907)
Employee advances	(4,025)	0
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,061,938)	(217,830)
Prepaid expenses	(150,070)	57,220
Deposits and other assets	7,395	3,165
Accounts payable	2,149,938	1,418,923
Accrued expenses	1,713,508	(1,239,536)
Billings in excess of costs and estimated earnings on uncompleted contracts	501,538	(37,396)
Retainage due subcontractors	0	(80,407)
Income tax payable	34,603	(276,146)
Net cash provided by (used in) operating activities	2,542,303	(402,734)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(416,870)	(71,069)
Proceeds from the sale of property and equipment	5,100	27,700
Net proceeds received from (investments made in) trading securities investments	(250,000)	550,000
Additional investments in unconsolidated joint venture	0	(558)
Cash received from joint ventures' distributions	27,493	47,624
Net cash provided by (used in) investing activities	(634,277)	553,697
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(2,576)	0
Principal payments on capital lease obligation	(984)	(6,932)
Member's equity distributions	(200,000)	(500,000)
Net cash used in financing activities	(203,560)	(506,932)
Increase (decrease) in cash and cash equivalents	1,704,466	(355,969)
Cash and cash equivalents:		
Beginning	2,134,804	2,490,773
Ending	$ 3,839,270	$ 2,134,804

The accompanying notes are an integral part of these consolidated financial statements.

ONEIDA TOTAL INTEGRATED ENTERPRISES, LLC
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A -- Nature of business and significant accounting policies

Nature of business

Oneida Total Integrated Enterprises, LLC (a Nevada limited liability company) is wholly-owned by the Oneida Tribe of Indians of Wisconsin ("Oneida"), headquartered in Milwaukee, Wisconsin. The company is a consulting, engineering and construction firm focusing in the areas of civil and environmental engineering and construction.

The company has locations in Milwaukee, Madison, Green Bay and Stevens Point, Wisconsin; Oak Ridge, Tennessee; Raleigh, North Carolina; Atlanta, Georgia; San Antonio, Texas; Burbank, Ventura, San Diego, and Walnut Creek, California; Seattle, Washington; Denver, Colorado; Albuquerque, New Mexico; Boston, Massachusetts; Hagatna, Guam; and Cocoa Beach, Florida.

The majority of the company's sales are to local, state and federal government agencies. The company grants credit to customers who meet the company's credit policies.

The company shall be operated in a manner consistent with its treatment as a C-corporation for state income tax purposes. The company is exempt from federal income taxes.

Deferred taxes, if deemed significant upon evaluation, are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The company has not recorded deferred taxes as their impact was evaluated by management and deemed to not have a material effect on the accompanying financial statements.

The company was set up with one class of membership, having rights, privileges, and duties as described in the operating agreement. Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable laws.

The company's operating agreement calls for the company to dissolve upon the earlier of date provided by law or specific events detailed in the operating agreement.

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NOTE A -- Nature of business and significant accounting policies (Continued)

A summary of significant accounting policies follows:

Use of estimates

The preparation of financial statements 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

For purposes of reporting cash flows, the company considers all investments purchased with a maturity of three months or less to be cash equivalents.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments, at fair value

Management determines the appropriate classification of investment securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date. The classification of the securities held as of September 30, 2015 and 2014 and the related accounting policies are as follows:

Fixed income

The company holds investments in fixed income funds classified as trading securities, which are held for resale in anticipation of short-term fluctuations in market prices. Fixed income funds, consisting primarily of bond funds, are stated at fair value based on quoted prices on national exchange markets (Level 1 fair value measurement) as of September 30, 2015 and 2014. Realized and unrealized gains and losses are included in non-operating income (expense) during the year incurred.

Mutual funds and money market accounts

The company also holds investments in registered investment companies (mutual funds) and money market accounts classified as trading securities, which are held for resale in anticipation of short-term fluctuations in market prices. The fair value of registered investment companies are based on the quoted net asset values of the shares held as of the balance sheet dates (Level 1 fair value measurement). Money market accounts are interest-bearing cash accounts used for holding company investment funds planned for reinvestment elsewhere.

NOTE A -- Nature of business and significant accounting policies (Continued)

Accounts receivable

Accounts receivable represent uncollected billings on completed and uncompleted jobs. The company carries its accounts receivable at cost less an allowance for doubtful accounts. Accounts receivable are not interest-bearing. On a periodic basis, the company evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections and current credit conditions. No fee is charged to customers for late payment.

Property, equipment and software

Property, equipment and software are stated at cost. Depreciation and amortization of property, equipment and software are computed on the straight-line method based upon the following estimated useful lives of the assets:

	Years
Equipment	5
Office furniture and fixtures	5
Leasehold improvements	2 - 4
Software	3

Leasehold improvements are amortized over the shorter of the term of the lease or their estimated useful life.

Maintenance and repairs of property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in non-operating income (expense).

Depreciation and amortization expense amounted to $200,102 and $207,118 in 2015 and 2014, respectively.

Goodwill

Goodwill is recorded when the cost of acquired businesses exceeds the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually or when events or circumstances indicate that impairment may have occurred. The company has elected to perform the goodwill impairment test annually as of September 30. If considered impaired, the goodwill is written-down to fair value. To date, there have been no such losses.

Long-lived assets

The company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset is less than the carrying amount of that asset. To date, there have been no such losses.

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NOTE A -- Nature of business and significant accounting policies (Continued)

Contract revenue and cost recognition

Revenues on "cost-plus-fixed-fee" and other cost reimbursement-type contracts are recognized on the basis of the reimbursable contract costs incurred during the period plus the fee earned. Services which have been rendered but are not billed by year-end are recorded as unbilled revenues which include reimbursable costs incurred to-date and fees earned. The company's management believes that the costs recognized as revenue under these contracts are fully allowable under the respective contracts and in accordance with the prevailing government regulations.

Revenues on fixed-price contracts are recorded on the basis of the company's estimates of the percentage-of-completion of individual contracts. That portion of the total contract price is accrued based on the ratable portion of costs incurred on the contract to total estimated contract costs expected to be incurred. Contract costs include all direct material, labor and subcontractor costs related to contract performance as well as certain indirect cost allocations related to contract performance.

As contracts extend over one or more years, revisions in the cost and profit estimates during the course of the work are reflected in the accounting period in which the facts, which require the revision, become known. At the time a loss on contract becomes known, the entire amount of the estimated loss is accrued.

Certain of the company's completed contracts for governmental agencies could be reviewed by the governmental agencies of future years and could result in the company being required to refund certain revenue received or receive additional revenue. Management does not believe that any future retroactive adjustment amounts will be material.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses can be determined. Changes in job performance, conditions, estimated profitability and final contract settlements may result in revisions to costs and revenues and are recognized in the period in which the revisions are determined.

The asset, "Costs in excess of billings and estimated earnings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Advertising

The company expenses the costs of advertising as incurred. Total costs incurred were $10,450 and $162 in 2015 and 2014, respectively.

Subsequent events

These financial statements have not been updated for subsequent events occurring after January 13, 2016, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

NOTE B -- Investments, at fair value (trading securities)

The fair value of the company's trading securities investments consist of the following as of September 30:

	2015	2014
Fixed income funds	$ 668,777	$ 577,947
Registered investment companies:		
Large-cap funds	215,851	194,209
Mid-cap funds	59,978	77,110
Small-cap funds	37,440	33,536
Emerging market funds	22,008	23,381
Equity income funds	0	19,521
Stock fund	65,892	62,967
Other	172,911	63,590
Money market accounts	20,694	10,081
	$ 1,263,551	$ 1,062,342

NOTE C -- Note receivable – related party

In August, 2013 the company advanced funds to Oneida ESC Group, LLC, an entity related through common ownership. Interest accrues at 3.75% and is payable monthly. The note receivable totaled $300,000 at September 30, 2015 and 2014; is due on demand; and is unsecured.

NOTE D -- Costs and estimated earnings on uncompleted contracts

Costs and estimated earnings on uncompleted contracts consist of the following as of September 30:

	2015	2014
Costs incurred on uncompleted contracts	$ 169,636,661	$ 126,854,027
Uncompleted contracts acquired	30,000	30,000
Estimated earnings on uncompleted contracts	89,610,741	76,274,823
	259,277,402	203,158,850
Billings to-date on uncompleted contracts	256,193,177	201,635,025
	$ 3,084,225	$ 1,523,825

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NOTE D -- Costs and estimated earnings on uncompleted contracts (Continued)

This information is included in the accompanying balance sheets under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts	$ 5,463,376	$ 3,401,438
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,379,151)	(1,877,613)
	$ 3,084,225	$ 1,523,825

NOTE E -- Property, equipment and software

Property, equipment and software consist of the following as of September 30:

	2015	2014
Equipment	$ 835,647	$ 649,010
Office furniture and fixtures	285,772	108,790
Leasehold improvements	85,254	49,914
Software	421,731	360,453
	1,628,404	1,168,167
Less accumulated depreciation and amortization	939,939	741,130
Net property, equipment and software	$ 688,465	$ 427,037

NOTE F -- Joint ventures

The company has a 49% equity interest in three joint ventures totaling $1,273. The joint ventures are accounted for using the equity method of accounting. During 2015 and 2014, cash distributions were received each month equal to the equity in earnings. Earnings totaled approximately $26,000 and $48,000 for the years ended September 30, 2015 and 2014, respectively.

NOTE G -- Line of credit

The company has a $9,000,000 general line of credit agreement due June 15, 2016 with a bank, which is secured by substantially all the assets of the company and limited guarantees by Oneida. The agreement calls for interest at the one month LIBOR rate (0.199% as of September 30, 2015) payable monthly. The company had an outstanding balance on the line of credit of $0 as of September 30, 2015 and 2014.

Maximum borrowings under the general line of credit are limited to the sum of 80% of qualified non-bonded accounts receivable, 50% of qualified bonded accounts receivable (not to exceed $2,000,000), and 65% of qualified work-in-process.

The line of credit with the bank contains certain restrictions and covenants. Under these restrictions, the company must maintain a certain level of equity and the line of credit must not exceed the lesser of the revolving credit limit or the borrowing base.

The company also has $2,000,000 of unused letters of credit with Oneida related to specific contracts.

NOTE H -- Capital lease obligations

The company leased equipment under an obligation that had been classified as a capitalized lease. As such, the equipment leased is being amortized over the economic life of those assets.

Net book value of the leased equipment is as follows:

	2015	2014
Equipment	$ 20,322	$ 20,322
Less accumulated amortization	10,161	7,258
	$ 10,161	$ 13,064

Amortization of capital lease assets included in depreciation expense for the years ended September 30, 2015 and 2014 totaled $2,903. The capital lease obligation was paid off in 2015.

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NOTE I -- Note payable

Notes payable consists of the following at September 30:

	2015	2014
Note payable finance company; monthly payments of $1,238 including interest at 0%; due May 2018; collateralized by related equipment.	$ 42,084	0
	42,084	0
Less current maturities	21,042	0
	$ 21,042	$ 0

Repayment of principal on long-term debt as of September 30, 2015 is $21,042.

The line of credit (see NOTE G) and bank term notes payable are collateralized by a commercial security agreement on substantially all of the company's assets, a real estate mortgage, and personal guarantees from the company's member. In addition, the company is also required to meet certain financial covenants.

NOTE J -- Supplemental disclosures of cash flow information

	2015	2014
Cash paid for interest	$ 12,267	$ 20,288
Cash paid for state income taxes	$ 345,130	$ 502,312
Supplemental schedule of noncash investing and financing activities:		
Equipment acquired though proceeds from long-term note payable	$ 44,660	$ 0
Interest income capitalized into brokerage account	$ 50,304	$ 61,640
Realized and unrealized gain (losses) on trading securities investments, including brokerage fees paid	$ (99,095)	$ 38,145

NOTE K -- Profit sharing plans

The company maintains a qualified deferred compensation and profit sharing plan under section 401(k) of the Internal Revenue Code. The plan covers all employees who are at least 21 years of age and eligible to participate in the plan on the first day of the quarter following hire date and after attaining age 21. Employees may elect salary deferrals of up to 50% of their compensation, subject to the Internal Revenue Code limits. The company may elect annually to make a discretionary match, as well as a discretionary profit sharing contribution. The company's contribution to the plan was $312,936 and $237,220 for the years ended September 30, 2015 and 2014, respectively.

NOTE L -- Commitments and contingencies

Operating leases

The company leases its office in Green Bay, Wisconsin from Oneida, a related party. Lease expense under a non-cancelable operating lease that expires in October 2024. Lease expense was $41,389 and $34,167 for the years ended September 30, 2015 and 2014, respectively.

The company leases facilities for the various offices and also leases vehicles and office equipment under non-cancelable operating leases which expire at various times through September 2024 ranging in amounts from $192 to $15,572 per month. In addition, the company rents vehicles and equipment for various projects on a short-term basis. These short-term leases are considered direct job costs.

Overhead lease expense was approximately $868,000 and $900,000 for 2015 and 2014, respectively. Overhead lease expense is included in operating expenses in the accompanying financial statements.

Rental expense directly related to jobs was approximately $37,000 and $174,000 for 2015 and 2014, respectively. These rental expenses are included in direct cost of sales in the accompanying financial statements.

Future minimum lease payments under non-cancelable operating leases are as follows:

Year ending September 30,	Related party	Third party	Total
2016	$ 43,124	$ 795,274	$ 838,398
2017	44,418	513,160	557,578
2018	45,750	440,757	486,507
2019	47,123	381,532	428,655
2020	48,537	193,860	242,397
Thereafter	213,714	699,877	913,591
	$ 442,666	$ 3,024,460	$ 3,467,126

NOTE L -- Commitments and contingencies (Continued)

Earn-out provision and non-compete agreement

As part of Oneida's acquisition of the company in 2008, the company entered into an earn-out agreement with the former owner. The earn-out agreement provides for annual payments of up to $4 million per year over a nine year period calculated based on income levels. Annual payments under the agreement are limited to a total of $18 million over the nine years. All future contingent payments (post one-year purchase price allocation period) under the agreement are being recognized as expense in the period incurred under the agreement. The company has recognized expense relating to the earn-out provision of $3,406,297 and $1,719,297 during the years ending September 30, 2015 and 2014, respectively. Cumulative payments under this provision through September 30, 2015 total $11,427,135.

Also as a part of the acquisition, the company entered into a non-compete agreement with the company's former owner. Management of the company determined that the agreement did not have a reasonably determined or material value and as such no allocation of the acquisition purchase price was recorded.

NOTE M -- Significant concentrations

The company receives a significant portion of revenues from government agencies. In 2015 and 2014 one government agency accounted for approximately 32% and 27% of total sales, respectively. This government agency accounted for 0% of accounts receivable as of September 30, 2015 and 2014.

NOTE N -- Operating expenses

Operating expenses consist of the following for the years ended September 30:

	2015	2014
Fringe benefits	$ 5,604,652	$ 5,708,473
Administrative overhead	5,192,316	5,206,130
Bid and proposal	995,923	938,806
Marketing	212,530	335,604
General and administrative	2,132,429	2,127,809
	$ 14,137,850	$ 14,316,822

NOTE O -- Related party transactions

The company had the following balances/transactions with Oneida, the company's owner, and Oneida ESC Group, LLC (OESC), a company also owned by Oneida, as of and for the year ended September 30:

	2015	2014
Accounts receivable	$ 1,862,629	$ 514,511
Revenue	6,254,577	1,204,173
Lease expense	41,389	34,167

Accounts receivable and revenue earned is related to house project contracts with Oneida and administrative service agreements and operating expense advances with OESC.

See NOTE C for related party note receivable the company has with OESC. Also, see NOTE L for an operating lease agreement with Oneida.

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Oneida ESC Group, LLC and Subsidiaries

Consolidated Financial Report
(Reviewed)

September 30, 2015

SVA | Certified Public Accountants, S.C.
Tax, Audit and Business Strategy

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ONEIDA ESC GROUP, LLC AND SUBSIDIARIES

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
Oneida ESC Group, LLC and Subsidiaries
Milwaukee, Wisconsin

We have reviewed the accompanying consolidated financial statements of Oneida ESC Group, LLC and Subsidiaries which comprise the consolidated balance sheet as of September 30, 2015, and the related consolidated statements of operations and equity (deficit) and cash flows for the year ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with U.S. GAAP.

Measurable Results.

Supplementary Information

The supplementary information, including consolidating balance sheet and statement of operations equity(deficit) information, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Milwaukee, Wisconsin
January 21, 2016

SVA Certified Public Accountants, S.C.

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ONEIDA ESC GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
September 30, 2015
(See Independent Accountant's Review Report)

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 888,522
Accounts receivable, less allowance for doubtful accounts 2015 - $6,500	661,191
Costs and estimated earnings in excess of billings on uncompleted contracts	1,290,688
Prepaid expenses	2,008
Total current assets	2,842,409
PROPERTY AND EQUIPMENT, net	51,859
OTHER ASSETS	
Equity in unconsolidated joint ventures	510
Security deposit	1,012
Bond funds on deposit	300,000
Total other assets	301,522
TOTAL ASSETS	$ 3,195,790
LIABILITIES AND EQUITY (DEFICIT)	
CURRENT LIABILITIES	
Net outstanding items in excess of bank balance	$ 3,866
Accounts payable	2,820,218
Billings in excess of costs and estimated earnings on uncompleted contracts	243,553
Accrued expenses	231,936
Total current liabilities	3,299,573
LONG-TERM LIABILITIES	
Notes payable, related party	300,000
	300,000
COMMITMENTS AND CONTINGENCIES	-
EQUITY (DEFICIT)	(403,783)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 3,195,790

The accompanying notes are an integral part of these consolidated financial statements.

ONEIDA ESC GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS AND EQUITY (DEFICIT)
For the year ended September 30, 2015
(See Independent Accountant's Review Report)

	Amount	Percent of total revenue
Net sales	$ 8,744,347	100.0 %
Direct cost of sales		
Subcontracting	5,944,792	68.0 %
Other direct costs	428,627	4.9 %
Direct labor	691,285	7.9 %
Total direct cost of sales	7,064,704	80.8 %
Gross profit	1,679,643	19.2 %
Operating expenses	1,664,900	19.0 %
Operating income	14,743	0.2 %
Non-operating income (expense):		
Interest expense	(11,250)	(0.1)%
Interest income	538	0.0 %
Other income (expense)	(1,593)	(0.0)%
Total non-operating income (expense)	(12,305)	(0.1)%
Consolidated net income	2,438	0.1 %
Deficit, beginning	(406,221)	
Deficit, ending	$ (403,783)	

The accompanying notes are an integral part of these consolidated financial statements.

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ONEIDA ESC GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended September 30, 2015
(See Independent Accountant's Review Report)

	2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Consolidated net income	$ 2,438
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	10,171
Provision for doubtful accounts	6,500
Increase (decrease) in cash due to changes in:	
Accounts receivable	(667,691)
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,244,259)
Prepaid expenses	(1,808)
Accounts payable	2,587,398
Billings in excess of costs and estimated earnings on uncompleted contracts	243,553
Accrued expenses	152,067
Net cash provided by operating activities	1,088,369
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(49,745)
Payment of a security deposit	(1,012)
Equity investment in unconsolidated joint ventures	(510)
Net cash used in investing activities	(51,267)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net outstanding items in excess of bank balance	3,866
Proceeds from notes payable, related party	(200,000)
Net cash provided by financing activities	(196,134)
Change in cash and cash equivalents	840,968
Cash and cash equivalents:	
Beginning	47,554
Ending	$ 888,522
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash payments for interest	$ 11,185
Cash payments for income taxes	$ 1,251

The accompanying notes are an integral part of these consolidated financial statements.

ONEIDA ESC GROUP, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015
(See Independent Accountant's Review Report)

NOTE A -- Nature of business and significant accounting policies

Nature of business

Oneida ESC Group, LLC (OESC) and its wholly-owned subsidiaries ("the company"), Mission Support Services, LLC (MSII) and Sustainment and Restoration Services, LLC (SRS), are wholly owned by the Oneida Tribe of Indians of Wisconsin ("Oneida"), headquartered in Milwaukee, Wisconsin. The company is a consulting, engineering and construction firm focusing in the areas of civil and environmental engineering and construction. OESC was formed on March 30, 2012 for the purpose of becoming the holding company for MSII and SRS. MSII was formed on April 9, 2012 and SRS was formed on September 7, 2012 for the purpose of performing construction, engineering and environmental work.

The company has locations in Milwaukee, Wisconsin; Albuquerque, New Mexico; and Chicago, Illinois.

The majority of the company's sales are to local, state and federal government agencies. The company grants credit to customers who meet the company's credit policies.

The company shall be operated in a manner consistent with its treatment as a C-corporation for state income tax purposes. The company is exempt from federal income taxes.

Deferred taxes, if deemed significant upon evaluation, are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The company has not recorded deferred taxes as their impact was evaluated by management and deemed to not have a material effect on the accompanying financial statements.

The company was set up with one class of membership, having rights, privileges, and duties as described in the operating agreement. Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable laws.

The company's operating agreement calls for the company to dissolve upon the earlier of date provided by law or specific events detailed in the operating agreement.

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NOTE A -- Nature of business and significant accounting policies (Continued)

A summary of significant accounting policies follows:

Use of estimates

The preparation of financial statements 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.

Consolidation policy

The consolidated financial statements include the accounts of OESC and its wholly-owned subsidiaries, MSII and SRS. All material intercompany accounts and transactions are eliminated in consolidation.

Cash and cash equivalents

For purposes of reporting cash flows, the company considers all investments purchased with a maturity of three months or less to be cash equivalents.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

Accounts receivable represent uncollected billings on completed and uncompleted jobs. The company carries its accounts receivable at cost less an allowance for doubtful accounts. Accounts receivable are not interest-bearing. On a periodic basis, the company evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections and current credit conditions. No fee is charged to customers for late payment.

ONEIDA ESC GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015
(See Independent Accountant's Review Report)

NOTE A -- Nature of business and significant accounting policies (Continued)

Property and equipment

Property and equipment is stated at cost. Depreciation of property and equipment is computed principally using straight-line methods based upon the following estimated useful lives of the assets:

	Years
Equipment	5
Office furniture and fixtures	5
Vehicles	5
Software	3

Maintenance and repairs of property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in non-operating income (expense).

Depreciation expense amounted to $10,171 for the fiscal year ended September 30, 2015.

Long-lived assets

The company reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset is less than the carrying amount of that asset. To date, there have been no such losses.

Contract revenue and cost recognition

Revenues on "cost-plus-fixed-fee" and other cost reimbursement-type contracts are recognized on the basis of the reimbursable contract costs incurred during the period plus the fee earned. Services which have been rendered but are not billed by year-end are recorded as unbilled revenues which include reimbursable costs incurred to-date and fees earned. The company's management believes that the costs recognized as revenue under these contracts are fully allowable under the respective contracts and in accordance with the prevailing government regulations.

Revenues on fixed-price contracts are recorded on the basis of the company's estimates of the percentage-of-completion of individual contracts. That portion of the total contract price is accrued based on the ratable portion of costs incurred on the contract to total estimated contract costs expected to be incurred. Contract costs include all direct material, labor and subcontractor costs related to contract performance as well as certain indirect cost allocations related to contract performance.

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NOTE A -- Nature of business and significant accounting policies (Continued)

Contract revenue and cost recognition (continued)

As contracts extend over one or more years, revisions in the cost and profit estimates during the course of the work are reflected in the accounting period in which the facts, which require the revision, become known. At the time a loss on contract becomes known, the entire amount of the estimated loss is accrued.

Certain of the company's completed contracts for governmental agencies could be reviewed by the governmental agencies of future years and could result in the company being required to refund certain revenue received or receive additional revenue. Management does not believe that any future retroactive adjustment amounts will be material.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses can be determined. Changes in job performance, conditions, estimated profitability and final contract settlements may result in revisions to costs and revenues and are recognized in the period in which the revisions are determined.

The asset, "Costs in excess of billings and estimated earnings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Subsequent events

These financial statements have not been updated for subsequent events occurring after January 21, 2016 which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

ONEIDA ESC GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015
(See Independent Accountant's Review Report)

NOTE B -- Costs and estimated earnings on uncompleted contracts

Costs and estimated earnings on uncompleted contracts consist of the following as of September 30:

Costs incurred on uncompleted contracts	$ 7,406,134
Estimated earnings on uncompleted contracts	1,860,373
	9,266,507
Billings to-date on uncompleted contracts	8,219,372
	$ 1,047,135

This information is included in the accompanying balance sheets under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts	$ 1,290,688
Billings in excess of costs and estimated earnings on uncompleted contracts	(243,553)
	$ 1,047,135

NOTE C -- Property and equipment

Property and equipment consist of the following as of:

Equipment	$ 16,333
Office furniture and fixtures	21,253
Vehicles	27,224
Software	4,219
	69,029
Less accumulated depreciation	17,170
Net property, equipment and software	$ 51,859

NOTE D -- Joint ventures

The company has a 49% equity interest in a joint venture totaling $510. The joint venture is accounted for using the equity method of accounting. There was no activity in the joint venture in 2015.

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ONEIDA ESC GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015
(See Independent Accountant's Review Report)

NOTE E -- Accrued expenses

Accrued expenses consist of the following as of:

Payroll and benefits	$ 83,778
Other	148,158
	$ 231,936

NOTE F -- Note payable – related party

In August, 2013 the company received funds from Oneida Total Integrated Enterprises, LLC, an entity related through common ownership. Interest accrues at 3.75% and is payable monthly. The note payable totaled $300,000 at September 30, 2015; is due on demand; and is unsecured. Interest expense totaled $11,250 for the year ended September 30, 2015.

NOTE G -- SIMPLE IRA

The company maintains a savings incentive match plan for employees of small employers (SIMPLE) under the provisions of Section 408(p) of the Internal Revenue Code. The plan covers all employees who have at least $5,000 in compensation. The company is required to make matching contributions equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation. The company made contributions of $3,760 for the year ended September 30, 2015.

NOTE H -- Concentration of credit risk

Revenue from two customers during the fiscal year ended September 30, 2015 totaled approximately 64% of total revenues and 30% of trade receivables at September 30, 2015.

NOTE I -- Related party transactions

The company had the following balances/transactions with Oneida Total Integrated Enterprises, LLC (OTIE), a company also owned by Oneida, as of and for the year ended September 30:

Accounts payable	$ 1,107,872
Accrued expenses	148,158
Administrative expenses	835,010

Accounts payable and administrative expenses are relate to a service agreement with OTIE to provide general administrative support services including accounting, human resources, contract administration, IT support, and other clerical support.

See NOTE F for related party note payable the company has with OTIE.

SUPPLEMENTARY INFORMATION

ONEIDA ESC GROUP, LLC AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
September 30, 2015
(See Independent Accountant's Review Report)

	Parent	Subsidiaries			
	Oneida ESC Group, LLC	Mission Support Services, LLC	Sustainment and Restoration Services, LLC	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 7,332	$ 881,190	$ 0	$ 0	$ 888,522
Accounts receivable, net	0	644,542	18,344	(1,695)	661,191
Due from related party	836,937	0	0	(836,937)	0
Costs and estimated earnings in excess of billings on uncompleted contracts	0	1,159,223	131,465	0	1,290,688
Prepaid expenses	0	0	2,008	0	2,008
Total current assets	844,269	2,684,955	151,817	(838,632)	2,842,409
PROPERTY AND EQUIPMENT, net	0	48,165	3,694	0	51,859
OTHER ASSETS					
Investment in subsidiaries	(287,758)	0	0	287,758	0
Equity in unconsolidated joint ventures	0	510	0	0	510
Security deposit	0	0	1,012	0	1,012
Bond funds on deposit	300,000	0	0	0	300,000
Total other assets	12,242	510	1,012	287,758	301,522
TOTAL ASSETS	$ 856,511	$ 2,733,630	$ 156,523	$ (550,874)	$ 3,195,790
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Net outstanding items in excess of bank balance	$ 0	$ 0	$ 3,866	$ 0	$ 3,866
Accounts payable	960,294	2,464,083	132,766	(736,925)	2,820,218
Accrued expenses	0	186,244	45,692	0	231,936
Billings in excess of costs and estimated earnings on uncompleted contracts	0	226,133	17,420	0	243,553
Total current liabilities	960,294	2,876,460	199,744	(736,925)	3,299,573
LONG-TERM LIABILITIES, net of current maturities					
Notes payable, related party	300,000	0	101,707	(101,707)	300,000
Total long-term liabilities	300,000	0	101,707	(101,707)	300,000
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-
EQUITY (DEFICIT)					
Equity (deficit)	(403,783)	(142,830)	(144,928)	287,758	(403,783)
Total equity (deficit)	(403,783)	(142,830)	(144,928)	287,758	(403,783)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 856,511	$ 2,733,630	$ 156,523	$ (550,874)	$ 3,195,790

ONEIDA ESC GROUP, LLC AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS AND EQUITY (DEFICIT)
For the year ended September 30, 2015
(See Independent Accountant's Review Report)

	Parent	Subsidiaries			
	Oneida ESC Group, LLC	Mission Support Services, LLC	Sustainment and Restoration Services, LLC	Eliminations	Consolidated
Net sales	$ 0	$ 8,580,120	$ 164,227	$ 0	$ 8,744,347
Direct cost of sales:					
Subcontracting	0	5,941,912	2,880	0	5,944,792
Other direct costs	0	425,346	3,281	0	428,627
Direct labor	0	644,703	46,582	0	691,285
Total direct cost of sales	0	7,011,961	52,743	0	(7,064,704)
Gross profit	0	1,568,159	111,484	0	1,679,643
Operating expenses	72,365	1,363,396	229,139	0	1,664,900
Operrating income	(72,365)	204,763	(117,655)	0	14,743
Non-operating income (expense):					
Interest expense	(11,250)	0	0	0	(11,250)
Income from subsidiaries	86,053	0	0	(86,053)	0
Interest income	0	538	0	0	538
Other income (expense)	0	(342)	(1,251)	0	(1,593)
Total non-operating income (expense)	74,803	196	(1,251)	(86,053)	(12,305)
Consolidated net income (loss)	2,438	204,959	(118,906)	(86,053)	2,438
Equity (deficit), beginning	(406,221)	(347,789)	(26,022)	373,811	(406,221)
Equity (deficit), ending	$ (403,783)	$ (142,830)	$ (144,928)	$ 287,758	$ (403,783)

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For Boards, Committees, and Commissions

Oneida Nation School Board

Purpose:

The Oneida Nation School Board has the obligation of setting direction for the educational leadership of the students attending the Oneida Nation School System, and the planning for future educational development. Within the responsibility rests the authority to oversee and plan for the academic and cultural growth of the students. Within the authorities set out by the General Tribal Council pursuant to Section 1 (h) of the Article IV of the constitution of the Oneida Tribe of Indians of Wisconsin, and the agreements contained within the Memorandum for Agreement of March 21, 1988, the Oneida Nation School Board exists to ensure the compliance of the school with Tribal initiatives and planning, the community's desires, and sound academic practice.

BCC Members

Debra Danforth, Chair

Rhiannon Metoxen, Secretary

Melinda K. Danforth, At-Large Member

Fred Muscavitch, At-Large Member

Apache Danforth, Parent Member

Dewain Danforth, Parent Member

Todd Hill, Parent Member

Neset Skenandore, Parent Member

Shanna Torres, Parent Member

Budget

Funding Sources for FY-2016

TRIBAL CONTRIBUTION:	23%
GRANTS:	77%
OTHER SOURCES:	

Status as of 3/31/16

Total Budget: $11,068,981.78

Budget as of 3/31/16: $7,965,216.14

Expenditures as of 3/31/16: $6,332,005.52

Variance Explanation:

The School System has a positive variance in the 2016 budget due to additional grant funds received along with staff vacancies that have not been filled during the 2015-16 school year.

Stipends

Regular Stipend Amount: Click here to enter the stipend amount per meeting – example: $50.00 per meeting

	For each month, ENTER TOTAL DOLLAR amount paid	For each month, enter NUMBER of meetings, of each type.		
		Regular	*Special/Emergency/ Retreat*	*Hearings/screening/ interviews*
October 2015	600	1	0	1
November 2015	825	1	0	2
December 2015	825	1	0	2
January 2016	450	0	0	2
February 2016	675	1	0	1
March 2016	825	1	1	0

Update on up to Three (3) Strategic Goals for FY-2016

Please refer to your Annual Report submission for FY-2016 and provide an update on the Goals

GOAL 1

Goal:

The School Board has a goal to review, update and resubmit the Education Code to the Legislative Operating Committee for GTC consideration. The Education Code will ensure consistency in educational excellence and standards from "cradle to grave".

Strategic Direction: Implementing "Good Governance" Processes

Practical Vision: Accountable & Effective Governmental Design

Update on Goal:

The School Board has met with their attorney and is working on revisions to the draft Education Code to align with the proposed Employment Law/Personnel Policies and Procedures.

GOAL 2

Goal:

The School Board and School System will continue to collaborate with other tribal departments to provide the best quality education and services to the students of the Oneida Nation School System.

Strategic Direction: Creating a Positive Organizational Culture

Practical Vision: Long Term Sustainability Plans

Update on Goal:

The School System and School Board continue to collaborate with other tribal departments to provide services such as: Health Center – School Nurse and In-house dental; Behavioral Health – in-house counseling and Social Worker appointments; Oneida Farm – Farm to School Grant to provide farm fresh foods for the cafeteria; Oneida Recreation Program provides an Experiential Education program for the middle school students to participate in recreational activities – team building, rock wall climbing, snowshoeing, etc.; Arts Program provides for the school band teacher; Language Program provides a teacher for an advanced Oneida Language class. With approval of the ANA grant, the Language house will be providing additional Oneida Language support for the school system.

GOAL 3

Goal:

The School Board and School System will continue to collaborate to enhance the leadership skills of the students of the Oneida Nation School System while instilling and enhancing language and culture of the Oneida Community.

Strategic Direction: Advancing On^yote?a.ka Principles

Practical Vision: Leaders Who Promote Positive Social Change

Update on Goal:

School Administration is working with tribal departments for an internship program for high school students to work in various departments within the tribe for work experience prior to graduation. The High School also works with local higher education facilities for dual credit/youth options. This allows high school students to take advanced courses at local colleges/technical schools which obtaining both high school and college credits.

Meetings

Held the 1st Monday of every month.

Meeting Location: ONES Library

Meeting Time: 5:00 pm

Meetings are open to the public

Contact

MAIN CONTACT: Debra Danforth,

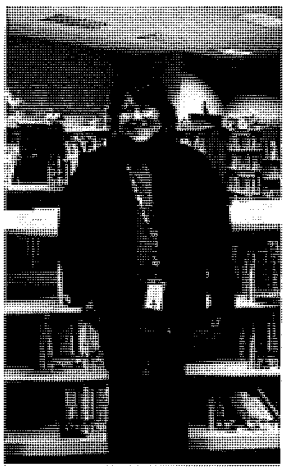
MAIN CONTACT TITLE: School Board Chair

MAIN PHONE: 920-869-2711

MAIN EMAIL: PO Box 365, Oneida, WI 54155

MAIN WEBSITE: https://oneida-nsn.gov/education/oneida-nation-school-system/

Other Pictures that may be included in your section of the report



For Boards, Committees, and Commissions

Note: If you have other required reporting that must be included in the FY-2016 Semi-annual Report, please submit such reports along with this completed template. Thank you.

Southeastern Oneida Tribal Advisory Board (SEOTS)

Purpose:

The Board's purpose is to provide advice and constructive input to the Southeastern Wisconsin Oneida Tribal Services (SEOTS) Director in order that the SEOTS office can formulate social services program for the Oneida people residing in Southeastern Wisconsin. Each member of the Board acts as an ambassador for the SEOTS program by promoting its mission whenever possible; review the program's budget; guide and advise SEOTS administration and adhere to the appropriate chain of command in any and all relative communications with the Oneida Business Committee.

BCC Members

Daniel Schiller, Chairman

Jackie Zalim, Vice Chairwoman

Christine Cottrell, Board Member

Linda Langen, Board Member

Renee Zakhar, Board Member

Casey Houtsinger, Board Member

James Flores, Board Member Leave of Absence

Budget

Funding Sources for FY-2016

TRIBAL CONTRIBUTION: Click here to enter % of budget funded by tribal contribution
N/A
GRANTS: Click here to enter % of budget funded by grants
N/A
OTHER SOURCES:

Click here to enter name of other funding source	Click here to enter % of budget funded by other sources
Click here to enter name of other funding source	Click here to enter % of budget funded by other sources
Click here to enter name of other funding source	Click here to enter % of budget funded by other sources
Click here to enter name of other funding source	Click here to enter % of budget funded by other sources

Status as of 3/31/16

Total Budget: $5,750 Click here to enter total budget for FY-2016

Budget as of 3/31/16: Click here to enter budget as of 3/31

Expenditures as of 3/31/16: Click here to enter expenditures as of 3/31

Variance Explanation: The Board is well under budget due to; no board training or travel during this budget year as well as unpaid stipends.

Click here to enter a brief explanation of any variance, positive or negative – 50 words or less

Stipends

Regular Stipend Amount: $50 per meeting; applies to one of two monthly meetings. Stipends have not been paid.

	For each month, ENTER TOTAL DOLLAR amount paid	For each month, enter NUMBER of meetings, of each type.		
		Regular	*Special/Emergency*	*Hearings/Other*
October 2015				
November 2015				
December 2015				
January 2016				
February 2016				
March 2016				

Update on up to Three (3) Strategic Goals for FY-2016

Please refer to your Annual Report submission for FY-2016 and provide an update on the Goals

Encourage Community participation

It is our goal to accomplish this task through hard work and dedication to make sure the community is aware that we are here not only as an advisory board but also as community members that strive to seek change through action within our community. We are out in the community talking to members at community events to see what vision our people have for the future here in the southeastern Wisconsin!

Traditions

Tradition is vital to us as Oneida people and preserving them is crucial to our keep our identity as Oneidas we are very focused on revitalizing this within our community, We currently are trying to gain funding for the Indian Summer Festival so that we can bring these traditions to all community members, In the past some Oneidas in the southern region have at times have felt disconnected being away from the reservation and this has brought the culture that they seek or may not have been afforded to them. Also this speaks loudly to the community at large that we as Oneida people are here and our traditions are alive and well.

Communication with all ages

Currently communication is key to solidifying us as a community our goal is to set up community meetings outside of normal board meetings. Although we encourage and welcome any and all members to attend these board meetings we feel that it is necessary to hold mass community meetings so that we can accurately gauge the wants and needs of all ages within our community and provide chance to have a voice no matter their vision in an open forum

Meetings

Held every 2nd and 4th Tuesdays of the month. Tribal Members welcome call 414-329-4101 to confirm date/time.

Meeting Location: 5233 Morgan Ave., Milwaukee, WI 53220

Meeting Time: 6:00 pm

Meetings are Choose an item.

Contact

MAIN CONTACT: Daniel Schiller

MAIN CONTACT TITLE: Chairman

MAIN PHONE: 414-329-4101 (SEOTS Office)

MAIN EMAIL:

MAIN WEBSITE: Click here to enter website address – example: www.oneida-nsn.gov/HigherEd

Special Business Committee Meeting
9:00 A.m. Wednesday, June 2, 2016
Thank you for printing clearly

Lisa Higgins