

# 2014 ANNUAL REPORT



*Catch the Wave to Better Banking*<sup>SM</sup>

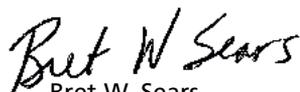
## PRESIDENT'S MESSAGE

We are pleased to report that 2014 was another record-setting year for Island Federal Credit Union. Our assets grew to \$977.7 million and our deposits topped \$789.4 million, each representing a +3% increase versus 2013. Our loan outstandings rose an impressive +19% to \$392.0 million, as members took advantage of our extensive array of offerings including Mortgages, Home Equity lines and loans, Auto loans, Personal loans, MasterCard® credit cards and Student Choice college loans.

From the time that we were first chartered six decades ago, Island Federal Credit Union has been committed to offering affordable high-quality financial services for our members. Through conscientious management, Island has maintained consistent financial strength throughout our history, allowing us to enhance the products and services available for all members. For example, in 2014, Island joined the Allpoint ATM Network, the largest surcharge-free ATM network in the country. With this association, our members now have access to more than 55,000 surcharge-free ATMs: that's more than customers of any bank, including Chase, Citibank and Bank of America. Island members can choose to get cash, check balances or make transfers at the ATMs located at Target®, CVS®, 7-Eleven®, Walgreen's and many other retailers throughout the US, without paying a fee.

Representing our most significant event of 2014, in October, Island Federal Credit Union announced a partnership with Stony Brook University, a highly respected university and internationally recognized research institution that is a driving force of the Long Island economy. The innovative, 10-year campus-wide partnership will give Island two full-service branches and multiple ATMs on campus; the naming rights of the Island Federal Credit Union Arena, home to Stony Brook's Division I Men's and Women's Basketball; presenting sponsorship of the renowned Stony Brook Film Festival; support of the Long Island State Veterans Home, the Stony Brook Children's Hospital and the School of Business; plus internship and other opportunities. We look forward to serving the entire University community, including student and alumni, faculty and staff beginning in 2015 and for many, many years to come.

As we look towards our 60<sup>th</sup> year, Island remains one of the healthiest credit unions in the country with assets of nearly \$1 billion and more than 32,000 members. We anticipate many benefits that we will offer our member-owners over the year ahead – more locations, more services and more reasons to bank with us at Island. While Island continues to grow, we remain focused on what is most important to us: serving you. Our emphasis on exceptional service is one aspect of Island that remains steadfast today and will continue through the decades ahead.

  
Bret W. Sears  
President/CEO



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# CHAIRMAN'S MESSAGE

This past year has been one of the most successful in the 59-year history of Island Federal Credit Union. During the past 12 months, Island experienced solid growth while maintaining its strong financial position.

Growth is important; however, what truly differentiates Island Federal Credit Union from other financial institutions is our focus on our members. From the very beginning until today, Island's mission remains the same: to provide a safe, sound and affordable alternative to traditional banks. Our members benefit by earning higher rates on savings, paying lower rates on loans and mortgages, and having checking accounts that are free of minimum balances and fees. And now, thanks to our alliance with the Allpoint Network, our members have access to America's largest surcharge-free ATM network. That's yet one more example of how Island members get more services for less.

Beyond our membership, Island Federal Credit Union is also committed to improving the lives of everyone who lives, works, or attends school on Long Island. To that end, Island supported a number of charitable and community endeavors in 2014. Throughout the summer, Island presented the Island Federal Credit Union Country Concert series, bringing world-class musical performers to more than 40,000 attendees at the Pennysaver Amphitheatre in Farmingville. For the second year in a row, the Island Wave team participated in the Long Island Run For The Warriors, raising more than \$34,000 for Hope For The Warriors to fund their veterans' programs. Most importantly, for the 22<sup>nd</sup> consecutive year, Island has provided the Island Federal Credit Union Scholarship Programs, providing \$50,000 in college scholarships to deserving high school seniors in 2014.

In October, we were especially honored that Island was selected by prestigious Stony Brook University for a 10-year partnership that will serve to enhance the Long Island community for many years to come. One of the factors that made this partnership possible was that Island and Stony Brook share the same value of "people helping people," with each organization firmly committed to providing the highest level of service for Long Islanders.

None of these achievements would be possible without the support of you, the member-owner, and the dedicated assistance of our Volunteers, who serve on the Board of Directors and the Supervisory Committee. On behalf of the Board of Directors, the Management team and staff, I want to thank you for your membership and continued support of Island Federal Credit Union. We look forward to serving you now and long into the future.

*Shirley R. Watson*

Shirley R. Watson  
Chairman of the Board



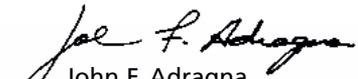
## *SUPERVISORY COMMITTEE CHAIRMAN'S MESSAGE*

The volunteer members of Island Federal Credit Union's Supervisory Committee are dedicated to ensuring the safety and soundness of your Credit Union. They are appointed by the Board of Directors to review operations and internal controls to determine that they are adequate and in regulatory compliance. In this way, your funds are protected and the Credit Union remains strong.

The Supervisory Committee works closely with the Credit Union's Internal Auditor to coordinate periodic examinations by the federal regulators, the National Credit Union Administration (NCUA). It is also actively involved with the annual audit of the Credit Unions' financial statements by an independent certified public accounting (CPA) firm. The Committee provides oversight to properly implement any recommendations identified during these reviews in order to strengthen internal controls and improve operations. Every few years, the Supervisory Committee solicits bids from various accounting firms to review the scope and fees associated with the proposed audit work. In 2014, this process was performed and the Supervisory Committee's recommendation to retain the Credit Union's current auditors for an additional three-year period was approved by the Board of Directors.

The Supervisory Committee serves as a liaison between the Board of Directors, Management, staff and you, the member-owner, to be an independent source for questions and resolution of any concerns. We work diligently to ensure that you are satisfied with the products and services that you receive. We believe that the Credit Union will exceed your expectations and provide you with excellent service. If you have additional questions or concerns, please contact us at [supervisory@islandfcu.org](mailto:supervisory@islandfcu.org).

I would like to take this opportunity to thank my fellow volunteers, who are members of the Supervisory Committee and Board of Directors, as well as Island Management and Staff, for their commitment and dedication to serve your Credit Union. The Supervisory Committee appreciates your membership at Island and the financial relationship you have established. Together, we can ensure the growth of Island Federal Credit Union and continue to provide you with the best products and services for years to come.

  
John F. Adragna  
Supervisory Committee Chairman



# STATEMENTS OF FINANCIAL CONDITION

At December 31

ASSETS	2014	2013
Cash	\$ 3,934,847	\$ 4,601,692
Cash on Deposit in Other Financial Institutions	5,789,899	8,673,481
Investments:		
Available-for-sale securities	531,895,982	564,256,631
FHLB Stock	5,130,800	6,112,900
Loans to members	392,048,807	329,594,389
Deferred loan origination expense	1,777,387	945,724
Allowance for loan losses	(1,357,289)	(1,178,641)
Loans Held for Sale	2,100	255,527
Accrued interest income	2,142,110	2,135,155
Deposit in National Credit Union Share Insurance Fund	7,172,939	6,678,377
Property and equipment, net of accumulated depreciation and amortization	12,329,175	12,874,581
Prepaid expenses and other assets	16,842,916	13,088,497
	<b>\$ 977,709,673</b>	<b>\$ 948,038,313</b>

## LIABILITIES AND MEMBERS' EQUITY

Liabilities:

Members' share accounts	<b>\$ 789,392,151</b>	\$ 765,084,825
Borrowings	83,500,000	99,000,000
Accrued expenses and other liabilities	10,440,268	8,272,632
	<b>883,332,419</b>	872,357,457

Members' Equity:

Regular reserve	\$ 7,551,186	7,551,186
Undivided earnings	89,359,247	82,099,971
Equity acquired in merger	307,339	307,339
Accumulated other comprehensive income	(2,840,518)	(14,277,640)
	<b>94,377,254</b>	75,680,856
	<b>\$ 977,709,673</b>	<b>\$ 948,038,313</b>

# STATEMENTS OF INCOME

*For the Years Ended December 31*

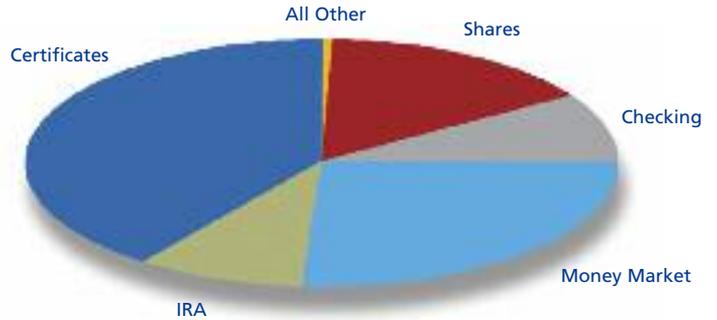
	2014	2013
Interest Income:		
Interest on loans	\$ 11,311,190	\$ 9,556,816
Interest on investments	14,629,719	13,008,465
	<u>25,940,909</u>	22,565,281
Interest Expense:		
Dividends on share accounts	6,247,364	6,232,786
Interest on borrowed funds	655,990	479,891
	<u>6,903,354</u>	6,712,677
<b>Net interest income</b>	<b>19,037,555</b>	15,852,604
Provision for loan losses	552,665	523,175
	<u>552,665</u>	523,175
<b>Net interest income after provision for loan losses</b>	<b>18,484,890</b>	<b>15,329,429</b>
Non-interest income:		
Fees and other operating revenues	2,294,780	2,225,664
Gain on sale of investments	937,966	1,784,017
Other non-operating income	–	144,229
Gain/(Loss) on disposition of Assets	–	(3,975)
	<u>3,232,746</u>	4,149,935
	<u>21,717,636</u>	19,479,364
Non-interest expenses:		
Compensation	5,842,671	5,194,648
Employee benefits	1,414,041	2,144,684
Travel & Conference	194,167	76,269
Office occupancy expenses	1,955,989	1,484,933
Office operations expenses	2,880,062	2,489,280
Educational and promotional expenses	934,779	657,738
Loan servicing expenses	100,899	45,204
Professional and outside development expenses	525,668	571,011
Corporate CU Stabilization fund assessment	–	521,224
Members' insurance	83,346	73,199
Federal supervision and examination expenses	156,647	195,534
Miscellaneous operating expenses	370,091	114,890
	<u>14,458,360</u>	13,568,614
<b>Net income</b>	<b>\$ 7,259,276</b>	<b>\$ 5,910,750</b>

# FINANCIAL OVERVIEW

## Distribution of Shares

As of December 31, 2014

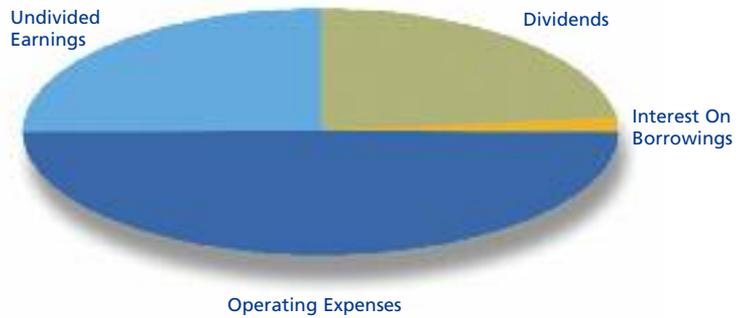
Shares	\$148,279,048	19%
Checking	51,451,038	7%
Money Market	207,378,264	26%
IRA	73,642,947	9%
Certificates	306,089,511	39%
All Other	2,551,343	0%
<b>Total</b>	<b>\$789,392,151</b>	<b>100%</b>



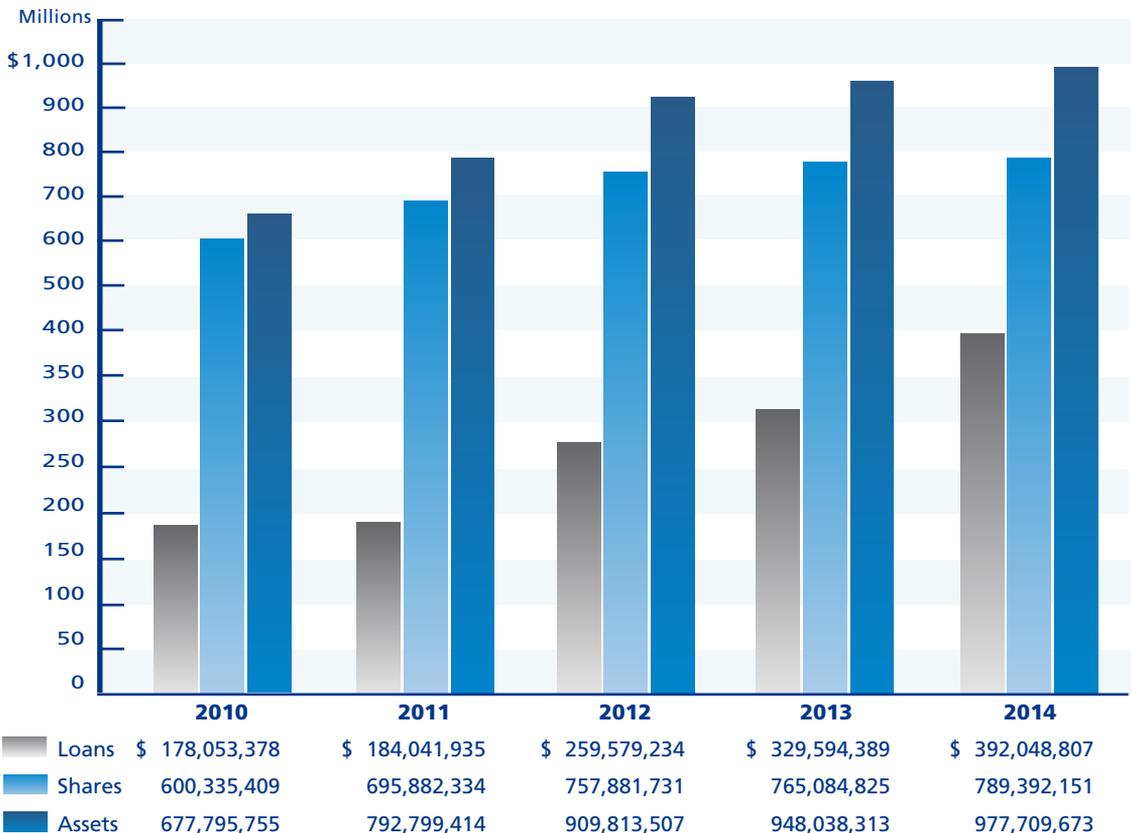
## Gross Income Allocation

As of December 31, 2014

Dividends	\$ 6,247,364	22%
Interest On Borrowings	655,990	2%
Operating Expenses	14,458,360	51%
Undivided Earnings	7,259,276	25%



Total \$28,620,990 100%



## BOARD OF DIRECTORS

Shirley R. Watson – Chairman  
Edward G. Doster – Vice Chairman  
Timothy P. Kiernan – Treasurer  
John F. Adragna – Secretary  
John J. Brody – Director  
Denis A. Burgoyne – Director  
Richard A. Rapp, Jr. – Director  
Paul F. Scollan – Director  
Tina M. Spy – Director

## EXECUTIVE STAFF

Bret W. Sears – President/CEO  
Craig A. Booth – VP/CIO  
Anthony J. Sidoti – VP/CLO  
Randy J. Wiley – VP/CFO  
Paul D. Young – VP/COO

## SUPERVISORY COMMITTEE

John F. Adragna – Chairman  
Elizabeth Cardone  
Jerome Gaetani  
Leslie Maddison

## GENERAL COUNSEL

Pugatch & Nikolis  
220 Mineola Blvd.  
Mineola, NY 11501



*Catch the Wave to Better Banking*<sup>SM</sup>

### Hauppauge Main Office

120 Motor Parkway  
Hauppauge, NY 11788

### Bellmore

2752 Sunrise Highway  
Bellmore, NY 11710

### Hicksville

85 East Old Country Road  
Hicksville, NY 11801

### Massapequa

824 Hicksville Road  
Massapequa, NY 11758

### Riverhead

1071 Old Country Road  
Riverhead, NY 11901

### Sayville

4820 Sunrise Highway  
Sayville, NY 11782

### Selden

920 Middle Country Road  
Selden, NY 11784

**631-851-1100 800-475-5263**

**islandfcu.com**

*Serving Our Members and Their Families Since 1955*

