

Annual REPORT

2015



Catch the Wave to Better BankingSM

President's Message

The year 2015 marks another outstanding year for Island Federal Credit Union. Island's assets totaled \$1.094 billion, representing a +12% increase versus 2014 as well as the first time that they topped one billion dollars. Island ended the year with \$857.7million in deposits, a +9% increase. Over the same period, our loan portfolio increased +24% to \$484.9 million, a new high for the credit union.

At Island, we are committed to providing the best banking experience available on Long Island. To accomplish this goal, Island offers our members a full menu of banking products with rates and fees that rank among the best around. Secondly, Island provides a level of personal service that is second to none. Finally, Island has created a truly convenient banking experience by making it easy for our members no matter where they live or work. Our branches are now open until 7pm on Thursdays. Whether they are travelling across town or across the country, Island members have access to more than 5,000 shared branches and more than 55,000 surcharge-free ATMs to handle their routine banking. That's more than any bank! And for those who need to speak to an Island representative late at night, members can call Island Anytime and speak to a live representative 24/7/365.

But we don't stop there! Island has invested in state-of-the-art new technology to introduce these new services in 2015:

- New islandfcu.com website and enhanced online banking
- New Mobile Banking App with Mobile Check Deposit and Popmoney®
- New Debit MasterCard and Credit MasterCard with EMV Chip
- UChoose Rewards® and CardValet® Benefits programs

This past year also represents the first full year of our 10-year partnership with Stony Brook University, a highly-respected university and internationally-recognized research institution. Island opened two beautiful branches on the Stony Brook Campus: one at the Student Activities Center and one at the Health Science Center. In addition, we provide 13 ATMs throughout the Stony Brook University campus. We are excited to be a part of this thriving institution that is a driving force in the Long Island economy.

Thank you for your membership and the ongoing support of Island's mission. We look forward to serving you in 2016 and for many years to come.



Bret W. Sears
President/CEO

Chairman's Message

Throughout our history, Island Federal Credit Union has been committed to providing affordable banking services for our members as they continue to live, work and raise a family on Long Island. That mission remains as critical today as it was when we were founded in 1955. The philosophy of people-helping-people is alive and well at Island.

At Island, we are determined to put our members first: to offer them extraordinary banking services while keeping our rates and fees among the best available. By adhering to that mission, Island Federal Credit Union has grown to be the strong, successful credit union we are today, benefiting our 35,000 member-owners.

Island's emphasis on people-helping-people extends to our role in the community as well; we recognize the importance of sharing our success with the Long Island communities we serve. For example, in 2015, Island provided funding for Long Island Cares' AsparaGus food truck to enable them to distribute food to at-risk children throughout Long Island. Island has also supported other philanthropic organizations, including The Hope For the Warriors®; the John Theissen Children's Foundation and the Stony Brook Children's Hospital (SBCH). Our support of SBCH is just one component of our partnership with Stony Brook University, one of the top educational institutions in America. Island also contributes to the Long Island State Veterans Home, Stony Brook Athletics, the Staller Center, and the School of Business.

Island's largest and most important philanthropic effort, as well as the effort that defines us, is the Island Federal Credit Union Scholarship Program which gives out \$50,000 annually to local high school seniors. Since the program was launched in 1992, Island has distributed Scholarships totaling more than \$450,000.

None of these accomplishments would be possible without the support of you, our member-owners. On behalf of our volunteer Board of Directors, Supervisory Committee, our Executives and Staff, I want to express my personal gratitude for your membership and continued support of Island Federal Credit Union.



Shirley R. Watson
Chairman

Statements of Financial Condition

At December 31

	2015	2014
ASSETS		
Cash	\$ 4,351,999	\$ 3,934,847
Cash on Deposit in Other Financial Institutions	14,739,528	5,789,899
Investments:		
Available-for-sale securities	533,897,782	531,895,982
FHLB Stock	7,316,000	5,130,800
Loans to members	484,913,825	392,048,807
Deferred loan origination expense	2,797,729	1,777,387
Allowance for loan losses	(1,203,123)	(1,357,289)
Loans Held for Sale	—	2,100
Accrued interest income	2,448,444	2,142,110
Deposit in National Credit Union Share Insurance Fund	7,143,622	7,172,939
Property and equipment, net of accumulated depreciation and amortization	13,356,495	12,329,175
Prepaid expenses and other assets	24,622,517	16,842,916
	\$ 1,094,384,818	\$ 977,709,673

LIABILITIES AND MEMBERS' EQUITY

Liabilities:

Members' share accounts	\$ 857,657,443	\$ 789,392,151
Borrowings	132,000,000	83,500,000
Accrued expenses and other liabilities	11,879,131	10,440,268
	1,001,536,574	883,332,419

Members' Equity:

Regular reserve	\$ 7,551,186	\$ 7,551,186
Undivided earnings	95,652,139	89,359,247
Equity acquired in merger	307,339	307,339
Accumulated other comprehensive income	(10,662,420)	(2,840,518)
	92,848,244	94,377,254
	\$ 1,094,384,818	\$ 977,709,673

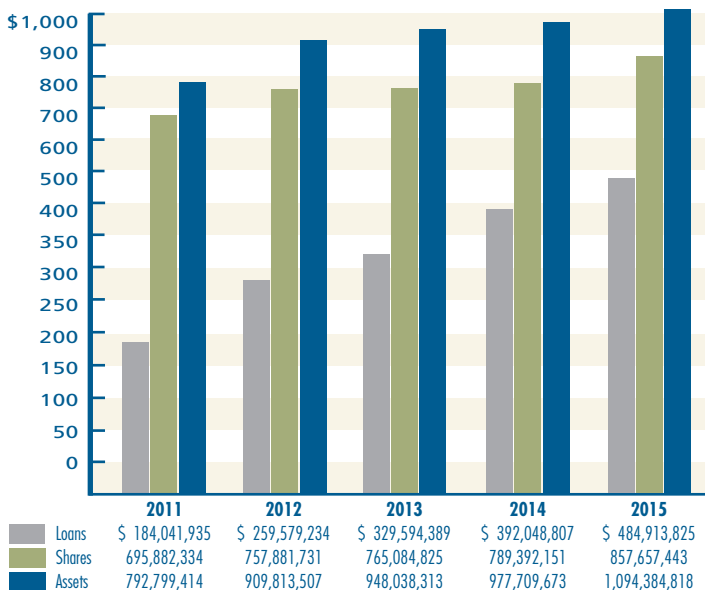
Statements of Income

For the Years Ended December 31

	2015	2014
INTEREST INCOME		
Interest on loans	\$ 13,774,587	\$ 11,311,190
Interest on investments	13,598,371	14,629,719
	27,372,958	25,940,909
INTEREST EXPENSE		
Dividends on share accounts	6,655,546	6,247,364
Interest on borrowed funds	1,022,093	655,990
	7,677,639	6,903,354
Net interest income	19,695,319	19,037,555
Provision for loan losses	660,000	552,665
Net interest income after provision for loan losses	19,035,319	18,484,890
NON-INTEREST INCOME		
Fees and other operating revenues	2,649,735	2,294,780
Gain on sale of investments	1,092,052	937,966
Other non-operating income	657,851	—
Gain/(Loss) on disposition of Assets	—	—
	4,399,638	3,232,746
	23,434,957	21,717,636
NON-INTEREST EXPENSES		
Compensation	5,197,903	5,842,671
Employee benefits	1,416,118	1,414,041
Travel & Conference	138,080	194,167
Office occupancy expenses	2,071,844	1,955,989
Office operations expenses	3,523,315	2,880,062
Educational and promotional expenses	1,751,780	934,779
Loan servicing expenses	1,671,622	100,899
Professional and outside development expenses	603,864	525,668
Corporate CU Stabilization fund assessment	—	—
Members' insurance	72,474	83,346
Federal supervision and examination expenses	163,497	156,647
Miscellaneous operating expenses	531,568	370,091
	17,142,065	14,458,360
Net income	6,292,892	\$ 7,259,276

Total Loan, Share & Assets

Millions

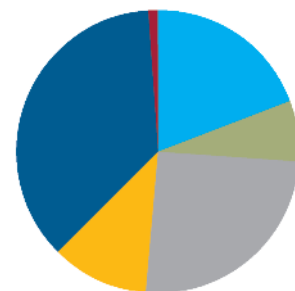


Financial Overview

Distribution of Shares

As of December 31, 2015

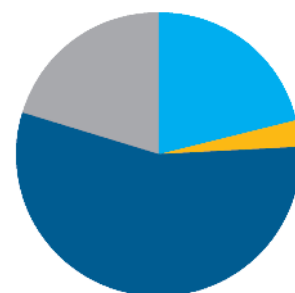
Shares	\$161,661,953	19%
Checking	63,490,621	7%
Money Market	210,896,450	25%
IRA	97,380,481	11%
Certificates	311,660,472	36%
All Other	12,567,466	1%
Total	\$857,657,443	100%



Gross Income Allocation

As of December 31, 2015

Dividends	\$ 6,655,546	21%
Interest On Borrowings	1,022,093	3%
Operating Expenses	17,142,065	55%
Undivided Earnings	6,292,892	20%
Total	\$31,112,596	100%



Supervisory Committee Chairman's Message

The Island Federal Credit Union Supervisory Committee is comprised of board-appointed volunteers who oversee the internal controls and operations of the Credit Union. The Committee monitors Credit Union processes to ensure that your funds are safeguarded while maintaining compliance with policies, procedures, rules and regulations.

The Supervisory Committee works directly with the Credit Union's Internal Audit function to facilitate internal audits and compliance reviews based on risk and regulatory requirements. The Committee retains the services of an independent certified public accounting (CPA) firm to perform an annual certified audit of the Credit Union's financial statements and verification of members' accounts. As required, the Committee coordinates periodic federal examinations by the National Credit Union Administration (NCUA.)

The Supervisory Committee strives to ensure the satisfaction of every member and is available for the resolution of any concerns you may have. If we may be of assistance, please contact us at supervisory@islandfcu.com.

I would like to thank my fellow volunteers who serve on the Supervisory Committee and the Board of Directors, along with Island Federal Credit Union Management and Staff, for their dedication and assistance. Your support is appreciated as we continue to strengthen and grow your Credit Union.


John F. Adragna
Supervisory Committee Chairman

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
John McGregor – 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 BankingSM

Locations

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

Sayville
4820 Sunrise Highway
Sayville, NY 11782

Selden
920 Middle Country Road
Selden, NY 11784

Riverhead
1071 Old Country Road
Riverhead, NY 11901

Stony Brook University
Student Activities Center
Health Sciences Center

631-851-1100

islandfcu.com

Serving Our Members and Their Families Since 1955

Federally Insured by NCUA

