

ANNUAL REPORT

2016



Catch the Wave to Better BankingSM

Federally Insured by NCUA

President's Message

By all measures, Island Federal Credit Union has had another record-breaking year. We ended 2016 with over \$1.2 billion in Assets, a 14% increase versus 2015. Deposits topped \$905.2 million, a 6% increase, while Loan volume rose to \$628.4 million, an astounding 30% increase.

Island surpassed 36,000 members, as more Long Islanders have turned to Island for its competitive rates, low fees and state-of-the-art online and mobile banking services. We experienced growth at every branch, but most particularly at Stony Brook University.

As a member-owned cooperative, Island measures achievement not by financial statistics alone, but by the accomplishments of our members. Homeownership is one example where Island is doing its part to make dreams come true. Most Long Islanders aspire to own a home where they can live and raise a family, but to many it is a challenging and overwhelming task. Towards the goal of helping those who have never owned a home, Island expanded its program of homebuyer seminars, providing free in-person advice on how to navigate the home buying process and secure financing. In order to make it even easier for members to buy a home, Island introduced a "100% Financing Program" for first-time homebuyers. Both programs have resulted in a number of new homeowners right here on Long Island. That's an Island success by every measure!

Island Federal Credit Union continues to be among the nation's healthiest credit unions, thanks in large part to you, our member-owners, and to the dedicated assistance of our Volunteers who serve on the Board of Directors and the Supervisory Committee. I would also like to thank the Management and Staff of Island who work diligently to serve you. We urge you to recommend our first-rate banking services to your friends and neighbors as well.



Bret W. Sears
President/CEO

Chairman's Message

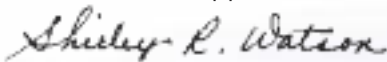
For more than 61 years, Island Federal Credit Union has been committed to doing the best for its members and the people of Long Island. Specifically, that means providing the best financial products with competitive rates, low fees and exceptional member service. We are equally committed to the region where we live and work.

Island is engaged in the community with its support of many events to make Long Island an even better place to live. The largest example is the summer-long Island Country Concert Series where more than 30,000 country music fans were entertained by such first class talent as Hunter Hayes, Big & Rich and Grammy winner Chris Stapleton.

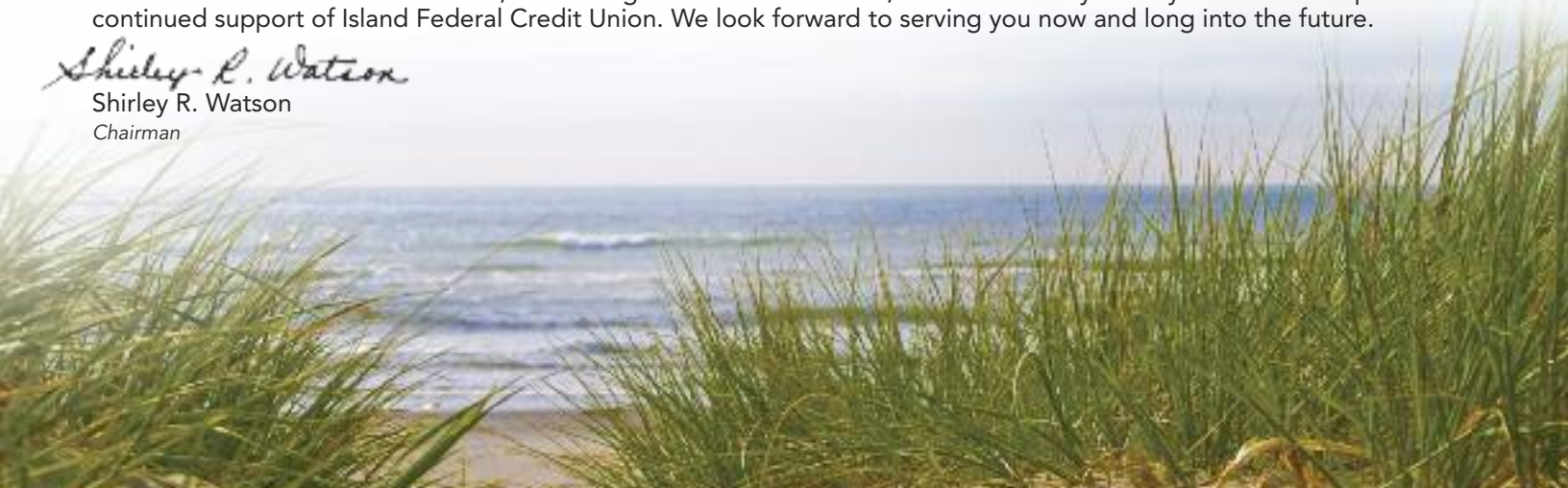
At Island, we strongly believe that charity begins at home, and, therefore, proudly concentrate our philanthropic efforts here on Long Island. During a time when local food banks face the challenge of serving more needy families, Island has provided funds to Long Island Cares, Inc. through the support of three different events: Dee Snider's Ride to Fight Hunger, Island's Thankful Thursdays Food Drive and the Concert For Children's Hunger Awareness. Once again, Island was the presenting sponsor of the Run For The Warriors that raised over \$35,000 for the Hope For The Warriors® organization. We also supported Veterans groups through our sponsorship of the Wounded Warrior Amputee Softball Team, enabling them to play exhibition games right here in Suffolk County.

No single charity better defines Island than the Island Federal Credit Union Scholarship program where we award \$50,000 annually to local high school seniors to help defray the cost of college. Since the scholarship program was launched 25 years ago, Island has given scholarships to 283 high school graduates, with total awards to date of nearly a half-million dollars.

On behalf of the Board of Directors, the Management team and Staff, I want to thank you for your membership and the continued support of Island Federal Credit Union. We look forward to serving you now and long into the future.



Shirley R. Watson
Chairman



Statements of Financial Condition

At December 31

	2016	2015
ASSETS		
Cash	\$ 3,956,615	\$ 4,351,999
Cash on Deposit in Other Financial Institutions	35,470,392	14,739,528
Investments:		
Available-for-sale securities	503,877,144	533,897,782
FHLB Stock	12,185,100	7,316,000
Loans	628,408,798	484,913,825
Deferred loan origination expense	3,358,005	2,797,729
Allowance for loan losses	(1,535,586)	(1,203,123)
Premium/(Discount) Loans Purchased	359,288	—
Loans Held for Sale	—	—
Accrued interest income	2,726,035	2,448,444
Deposit in National Credit Union Share Insurance Fund	7,719,737	7,143,622
Property and equipment, net of accumulated depreciation and amortization	12,665,716	13,356,495
Prepaid expenses and other assets	35,374,444	24,622,517
	\$ 1,244,565,688	\$ 1,094,384,818

LIABILITIES AND MEMBERS' EQUITY

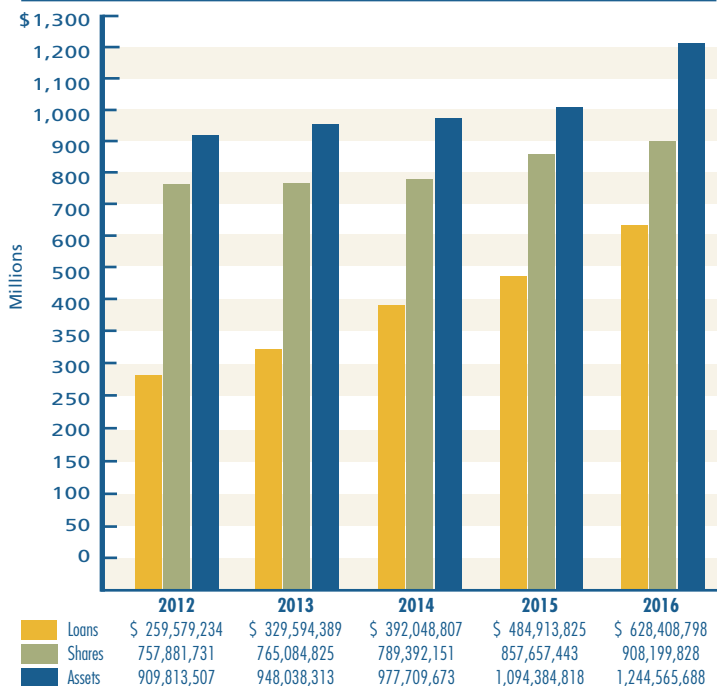
Liabilities:

Members' share accounts	\$ 905,199,828	\$ 857,657,443
Borrowings	237,600,000	132,000,000
Accrued expenses and other liabilities	14,554,051	11,879,131
	1,157,353,879	1,001,536,574

Members' Equity:

Regular reserve	\$ 7,551,186	\$ 7,551,186
Undivided earnings	101,984,156	95,652,139
Equity acquired in merger	307,339	307,339
Accumulated other comprehensive income	(22,630,872)	(10,662,420)
	87,211,809	92,848,244
	\$ 1,244,565,688	\$ 1,094,384,818

Total Loan, Share & Assets



Statements of Income

For the Years Ended December 31

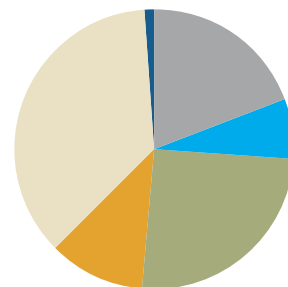
	2016	2015
INTEREST INCOME		
Interest on loans	\$ 16,446,692	\$ 13,774,587
Interest on investments	12,407,703	13,598,371
	28,854,395	27,372,958
INTEREST EXPENSE		
Dividends on share accounts	7,417,438	6,655,546
Interest on borrowed funds	1,734,421	1,022,093
	9,151,859	7,677,639
Net interest income	19,702,536	19,695,319
Provision for loan losses	960,000	660,000
Net interest income after provision for loan losses	18,742,536	19,035,319
NON-INTEREST INCOME		
Fees and other operating revenues	3,404,562	2,649,735
Gain on sale of investments	3,227,459	1,092,052
Other non-operating income	—	657,851
Gain/(Loss) on disposition of Assets	—	—
	6,632,021	4,399,638
	25,374,557	23,434,957
NON-INTEREST EXPENSES		
Compensation	5,857,228	5,197,903
Employee benefits	1,794,901	1,416,118
Travel & Conference	136,518	138,080
Office occupancy expenses	2,197,455	2,071,844
Office operations expenses	3,961,917	3,523,315
Educational and promotional expenses	1,723,590	1,751,780
Loan servicing expenses	1,570,071	1,671,622
Professional and outside development expenses	733,243	603,864
Corporate CU Stabilization fund assessment	—	—
Members' insurance	60,767	72,474
Federal supervision and examination expenses	175,135	163,497
Miscellaneous operating expenses	831,715	531,568
	19,042,540	17,142,065
Net income	\$ 6,332,017	6,292,892

Financial Overview

Distribution of Shares

As of December 31, 2016

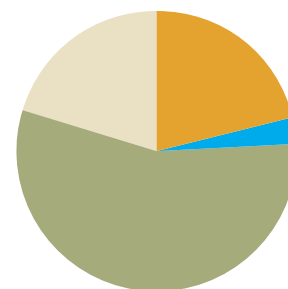
Shares	\$168,799,608	19%
Checking	71,154,247	8%
Money Market	196,737,984	22%
IRA	101,011,955	11%
Certificates	355,803,877	39%
All Other	11,692,158	1%
Total	\$905,199,828	100%



Gross Income Allocation

As of December 31, 2016

Dividends	\$ 7,417,438	21%
Interest On Borrowings	1,734,421	5%
Operating Expenses	19,042,540	55%
Undivided Earnings	6,332,017	18%
Total	\$34,526,416	100%



Supervisory Committee Chairman's Message

The Supervisory Committee is appointed by the Board of Directors to ensure the safety and soundness of Island Federal Credit Union. Its volunteer members provide oversight to protect your financial assets and transactions. The Committee reviews credit union operations in accordance with established policies, procedures and regulatory guidance. They also make sure that management's financial reporting is accurate and complete.

To carry out these responsibilities, the Supervisory Committee works closely with Island's Internal Audit function to perform routine audits of financial balances and compliance audits set forth by regulation. The Supervisory Committee also engages an independent certified public accounting (CPA) firm to conduct an annual audit of the credit union's financial statements and verification of members' accounts. As required, the Committee oversees periodic examinations by the National Credit Union Administration (NCUA). The Supervisory Committee, along with the Internal Audit function, promptly follow-up on any audit/examination findings in an effort to strengthen internal controls and improve operations. As a result, Island Federal Credit Union remains strong and is able to offer you the highest quality, most-reliable products and services.

The Supervisory Committee is organized as a primary contact between the Board of Directors, credit union personnel and you, a valued member-owner. The Committee is dedicated to ensure your satisfaction at Island. In this regard, you are welcome to express any comments or concerns to the Supervisory Committee at supervisory@islandfcu.com.

With sincere appreciation, I would like to recognize my fellow members of the Supervisory Committee, as well as the Board of Directors and Island's Management and Staff, for their ongoing commitment to serve you. On behalf of the Supervisory Committee, thank you for your membership and participation at Island Federal 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
Randy J. Wiley – EVP/CFO
Craig A. Booth – VP/CIO
John McGregor – VP/Retail Delivery
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

Hicksville
85 East Old Country Road
Hicksville, NY 11801

Sayville
4820 Sunrise Highway
Sayville, NY 11782

Riverhead
1071 Old Country Road
Riverhead, NY 11901

Bellmore
2752 Sunrise Highway
Bellmore, NY 11710

Massapequa
824 Hicksville Road
Massapequa, NY 11758

Selden
920 Middle Country Road
Selden, NY 11784

Stony Brook University
Student Activities Center
Health Sciences Center

631-851-1100

islandfcu.com

Serving Our Members and Their Families Since 1955

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