

# ANNUAL REPORT



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

## President's Message

We are exceptionally proud to report that once again Island Federal Credit Union had strong financial performance in 2017. We experienced another record-breaking year with Assets nearing \$1.4 billion, a 12% increase versus 2016. Deposits grew to \$1.0 billion, representing a 10% increase, and Loans increased to \$.7 billion, also a 10% increase.

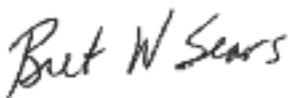
At Island, our mission is to provide an exceptional banking experience for those who live or work on Long Island. To accomplish this goal, Island offers a full menu of banking products and services with rates and fees that are among the very best on Long Island.

While it is important to provide affordable banking services, Island is equally dedicated to ensuring that banking at Island is convenient no matter where you may live, work or travel. Whether you are banking in-person with our branch staff, accessing our state-of-the-art mobile banking or calling a member representative at Island Anytime 24/7, we strive to provide the same exceptional member service.

Finally, we are committed to adding new products and services to improve the member experience, such as these new services added in 2017:

- The CO-OP ATM Network. When combined with the Allpoint ATM Network, Island now offers more than 75,000 surcharge-free ATMs, a total that is unsurpassed by any other local credit union.
- A new First-time Car Buying program. This program helps those just starting out their career to purchase a vehicle and start to build credit.
- Expansion of our Mortgage offerings and educational seminars. These programs aim to make it easier for first-time homebuyers to get the home of their dreams.
- Island Financial Services that offers investment and retirement planning, annuities and other services for our members.

Thank you for your membership and the ongoing support of Island's mission. We look forward to serving you in 2018 and beyond.



Bret W. Sears  
President/CEO

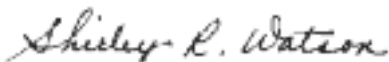
## Chairman's Message

The year 2017 marks 10 years since Island Federal Credit Union transitioned from a single-sponsor credit union to a community credit union that is open to nearly all Long Islanders. When we first made this charter change, we promised that while our field of membership would grow, Island would remain as committed to our members as we have throughout our history. We are proud to say that we continue to uphold that promise.

While we have grown to be a \$1.4 billion credit union with nearly 40,000 members, Island continues to put its members first. We offer high quality financial products that serve you throughout a lifetime. These include savings and certificate products with competitive rates, loans and mortgages with some of the lowest rates around and free checking with a state-of-the-art mobile app. What truly distinguishes Island from other financial institutions is our experienced, member-oriented staff. It is not surprising that Island was once again named by Long Island Business News as one of the 'Best Places to Work' on Long Island.

Island is known in our community, not just for our premier banking services, but for being a great supporter of organizations that make Long Island an even better place to live, work and raise a family. In 2017, we provided funding for Long Island Cares' Homeless Outreach program so that they could distribute healthy meals to some of our neighbors who aren't served by other charities. Island also provided philanthropic support to the Hope For The Warriors®, the John Theissen Children's Foundation and the Stony Brook Children's Hospital (SBCH), among others. Of course, our 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 its inception in 1992, Island has provided scholarships to more than 290 high school seniors, totaling more than a half-million dollars.

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

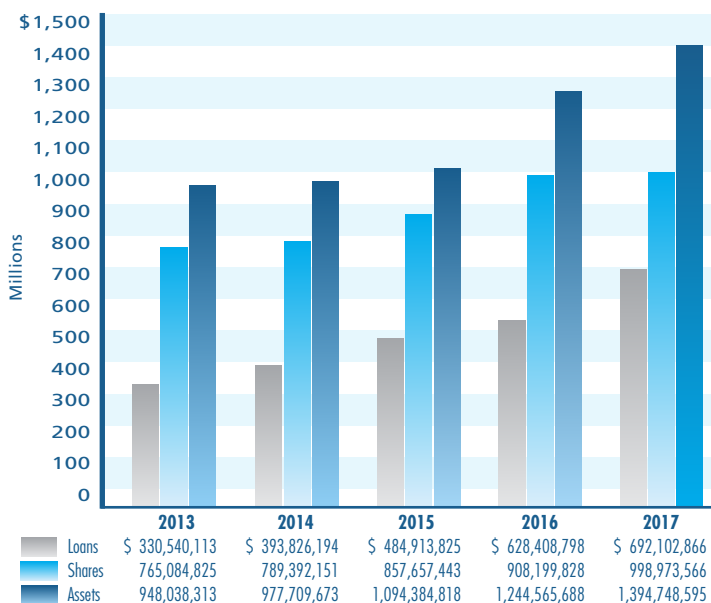
At December 31

	2017	2016
<b>ASSETS</b>		
Cash	\$ 3,586,740	3,956,615
Cash on Deposit in Other Financial Institutions	16,620,049	35,470,392
Investments:		
Available-for-sale securities	604,288,930	503,877,144
FHLB Stock	14,058,600	12,185,100
Loans	692,102,866	628,408,798
Deferred loan origination expense	4,352,205	3,358,005
Allowance for loan losses	(1,653,697)	(1,535,586)
Premium/(Discount) Loans Purchased	1,058,756	359,288
Loans Held for Sale	927,360	—
Accrued interest income	3,539,375	2,726,035
Deposit in National Credit Union Share Insurance Fund	8,683,177	7,719,737
Property and equipment, net of accumulated depreciation and amortization	12,183,278	12,665,716
Prepaid expenses and other assets	35,000,956	35,374,444
	<b>\$ 1,394,748,595</b>	<b>1,244,565,688</b>

## LIABILITIES AND MEMBERS' EQUITY

<b>Liabilities:</b>		
Members' share accounts	\$ 998,973,566	905,199,828
Borrowings	282,100,000	237,600,000
Accrued expenses and other liabilities	17,085,541	14,554,051
	<b>1,298,159,107</b>	<b>1,157,353,879</b>
<b>Members' Equity:</b>		
Regular reserve	\$ 7,551,186	7,551,186
Undivided earnings	108,779,590	101,984,156
Equity acquired in merger	307,339	307,339
Accumulated other comprehensive income	(20,048,627)	(22,630,872)
	<b>96,589,487</b>	<b>87,211,809</b>
	<b>\$ 1,394,748,595</b>	<b>1,244,565,688</b>

## Total Loan, Share & Assets



# Statements of Income

For the Years Ended December 31

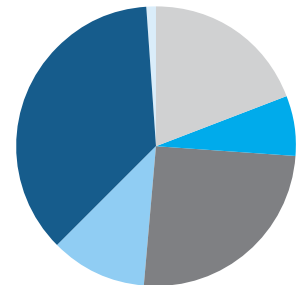
	2017	2016
<b>INTEREST INCOME</b>		
Interest on loans	\$ 19,673,089	16,446,692
Interest on investments	14,299,412	12,407,703
	<b>33,972,501</b>	<b>28,854,395</b>
<b>INTEREST EXPENSE</b>		
Dividends on share accounts	9,054,294	7,417,438
Interest on borrowed funds	3,827,314	1,734,421
	<b>12,881,607</b>	<b>9,151,859</b>
<b>Net interest income</b>	<b>21,090,894</b>	<b>19,702,536</b>
Provision for loan losses	720,000	960,000
<b>Net interest income after provision for loan losses</b>	<b>20,370,894</b>	<b>18,742,536</b>
<b>NON-INTEREST INCOME</b>		
Fees and other operating revenues	3,891,134	3,404,562
Gain on sale of investments	1,601,546	3,227,459
Other non-operating income	—	—
Gain/(Loss) on disposition of Assets	—	—
	<b>5,492,680</b>	<b>6,632,021</b>
	<b>25,863,573</b>	<b>25,374,557</b>
<b>NON-INTEREST EXPENSES</b>		
Compensation	5,482,046	5,857,228
Employee benefits	1,829,899	1,794,901
Travel & Conference	147,475	136,518
Office occupancy expenses	2,233,391	2,197,455
Office operations expenses	4,368,774	3,961,917
Educational and promotional expenses	1,830,816	1,723,590
Loan servicing expenses	2,100,034	1,570,071
Professional and outside development expenses	760,472	733,243
Corporate CU Stabilization fund assessment	—	—
Members' insurance	74,362	60,767
Federal supervision and examination expenses	229,900	175,135
Miscellaneous operating expenses	10,971	831,715
	<b>19,068,140</b>	<b>19,042,540</b>
<b>Net income</b>	<b>\$ 6,795,434</b>	<b>6,332,017</b>

## Financial Overview

### Distribution of Shares

As of December 31, 2017

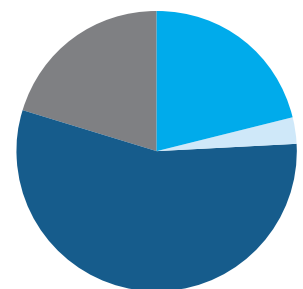
Shares	\$183,525,846	18%
Checking	81,127,598	8%
Money Market	182,889,496	18%
IRA	99,772,729	10%
Certificates	439,780,027	44%
All Other	11,877,870	1%
<b>Total</b>	<b>\$998,973,566</b>	<b>100%</b>



### Gross Income Allocation

As of December 31, 2017

Dividends	\$ 9,054,294	23%
Interest On Borrowings	3,827,314	10%
Operating Expenses	19,068,140	49%
Undivided Earnings	6,795,434	18%
<b>Total</b>	<b>\$38,745,181</b>	<b>100%</b>



# Supervisory Committee Chairman's Message

Appointed by the Board of Directors, the Supervisory Committee oversees the operations and internal controls of Island Federal Credit Union. A primary responsibility of the Committee is to ensure that strong policies and procedures are in place to protect members' funds. The Supervisory Committee also ensures that Island is operating in accordance with required financial reporting objectives established by the National Credit Union Administration (NCUA), accounting principles generally accepted in the United States of America (GAAP/USA) and other regulatory guidance.

The Supervisory Committee, along with Island's Internal Audit function, coordinates periodic examinations by the NCUA, as well as an annual audit of the credit union's financial statements by an independent certified public accounting (CPA) firm. The Internal Auditor also reviews certain financial accounts and transactions to confirm the accuracy of balances and the adequacy of internal controls.

The Supervisory Committee's volunteer members are actively involved in monitoring the credit union's activities with your best interests in mind. We are committed to ensuring your satisfaction with Island's products and services. In this regard, if you have any questions, concerns or comments about your account, please contact the credit union directly. If you require further assistance, you are welcome to contact the Supervisory Committee at [supervisory@islandfcu.com](mailto:supervisory@islandfcu.com) to address your concerns and facilitate a fair resolution.

The success of Island Federal Credit Union is supported by the dedicated efforts of Island's Management and Staff, as well as my fellow volunteers who serve on the Supervisory Committee and Board of Directors. We understand the importance of having a safe, sound place to conduct your financial transactions. We value your membership and appreciate that you are part of 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 Banking*<sup>SM</sup>

## 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

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Serving Our Members and Their Families Since 1955

Federally Insured by NCUA

