

PURSUE
Happiness

2014

ANNUAL
REPORT




USA ALLIANCE[®]
FEDERAL CREDIT UNION

NOTE FROM THE CHAIRMAN

“ *Before I leave for any trip, I make a checklist... Do you do the same? And if so, do you have one for that most important journey - life?* ”

George L. Barto



Before I leave for any trip, I make a checklist.

Take an inventory to make certain that I have everything I am going to need to make it safely and comfortably to my destination.

Do you do the same? And if so, do you have one for that most important journey – life?

In 2014 we encouraged our members to embark on the ultimate expedition – the pursuit of happiness. This call to ‘pursue happiness’ was more than just words. Over the course of the past year, USAlliance invested a great deal of thought and effort toward the concept of preparation, providing members with the financial products and services they need to get from point A to point B and of even greater value, those they need for the journey itself before they ever arrive at their intended destination.

It is our hope that everything that was on your pursuit checklist in 2014, at least from a financial services perspective, you found here at USAlliance. That’s very important to us. Every process we implement, every product we develop, every decision we make has one singular focus – to help make your journey through life a smooth ride. It’s the Credit Union’s own version of the pursuit, one that is tightly intertwined with our “happiness”.

Does this mean that the Credit Union has a list, a “what we need to do” guide in order help our members live life fully? We absolutely do. On it you’ll find a commitment to continue to quickly assimilate new technologies, particularly those that demonstrate the greatest potential to greatly enrich the member experience. Another priority is the modernization of our branches beginning in 2015 with the relocation of our Rye branch to a new state-of-the-art facility in Port Chester. Our new design reflects a holistic approach to member service, a recognition that even something as intangible as a savings account can have a natural element inherent in it. In conjunction with the Rye Branch relocation, we will be vacating our headquarters at 600 Midland Avenue in favor of, once again, a state-of-the-art facility in another part of Rye. Our employees will work in an environment that will increase interdepartmental interactions, promote the active exchange of ideas and cooperative problem solving. While we expect productivity to rise, even more importantly – creativity will flourish and result in new and enhanced service offerings.

As vital as all of the above are to helping the Credit Union help members in their pursuits, none occupies the coveted position of number one. That one is and always will be “It’s all about the member.” You may wonder why something that is just a simple statement, not a task or an initiative, is the most important item on what is essentially a “to do” list. It serves a perpetual reminder that no matter what comes next at USAlliance, it will only happen if our members are the better for it.

Thank you all for being one of the valued members of USAlliance and your continued support of our Credit Union.

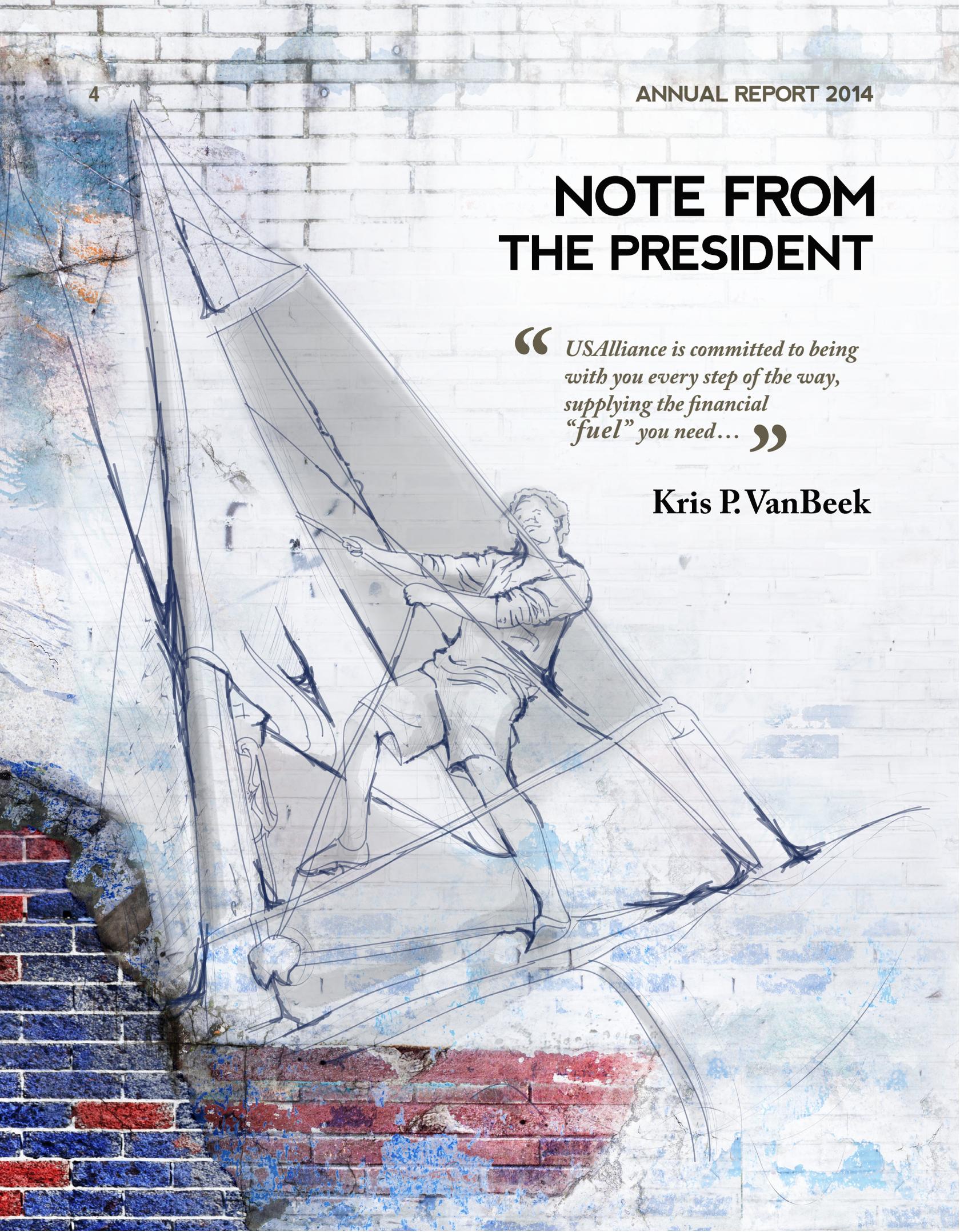


George L. Barto
Chairman

NOTE FROM THE PRESIDENT

“ *USAlliance is committed to being with you every step of the way, supplying the financial “fuel” you need...* ”

Kris P. VanBeek



Pursue Happiness. It's a bold directive.

On the surface, it may not seem so. After all, don't we all aspire to achieve happiness? Aspire, yes. But actively pursue? For the majority of us, I believe the answer is no.

Why is that? According to our founding fathers the pursuit of happiness is an unalienable right. But their vision didn't guarantee happiness; only the pursuit of it. The actual chase – that's up to each of us to undertake. And therein lays the challenge. In today's multi-tasking, go 100 miles an hour, get it done yesterday world, who has the time and the resources to pursue happiness?

That's precisely why we adopted "Pursue Happiness" as the rallying cry for USAlliance in 2014 – to encourage our members to go for it; get your pursuit started. For us, it's more than telling you to go out and pursue. It's not a solo effort on your part. This is a cooperative endeavor. USAlliance is committed to being with you every step of the way, supplying the financial "fuel" you need – products designed to be time-saving, convenient and most importantly – empowering.

Sounds easy, doesn't it? In reality, it is a much more daunting task. The pursuit of happiness is a very personal adventure. Your end game is different from hers, which is different from his, which bears absolutely no resemblance to mine. Now take that concept and multiply it by over 75,000 unique members and we are up for the challenge!

With all these pursuits, each heading towards a unique destination, how can we help everyone stay on course? We look for common threads – the financial tools that each member needs along their journey. These universal elements became the foundation for our 2014 strategic initiatives. The end result? A year that was highlighted by emboldening members through:

- **Greater Mobility:** Yes, you can and should take it with you. Never before has the concept of financial portability - account access and management from anywhere at any time - been more important or desired. We get that, and in 2014, we introduced a new state-of-the-art mobile banking platform that helps transform your mobile phone into an indispensable hand-held financial management tool. You can use it to check balances before logging in, pay bills through our Web Bill Pay system, pay your USAlliance credit card, deposit checks remotely, and even check your free monthly credit score on Internet Banking. And look for more to come in the area of mobilization with the expansion of this platform to tablets and the introduction of Apple Pay in 2015.

- **Enhanced Product Line Versatility:** One of the greatest myths perpetrated on the American public (in my opinion) is the concept of "one size fits all". The reality is that one size does not fit all, especially when it comes to financial products. Our members are as different as the notion of happiness each pursues. We recognize that a commonality among them is actually their "un-commonality" and respond by continually evaluating and adding to our product line. In 2014, we focused on our mortgage and home equity programs and expanded our First Time Home Buyer program to include a 5% down payment option with no private mortgage insurance to help make the road to home ownership easier to travel. On the home equity side, we provided members more flexibility with an increased spectrum of terms. In the savings area, we maintained our reputation as a leader in offering high-yield certificate accounts across a wide variety of maturities. Looking forward, we are investigating new checking account alternatives and unique lending vehicles.

• **Consistency in Service Delivery Excellence:** As I mentioned earlier, USAlliance is committed to being with you on every leg of your pursuit. And not just with products. There is a definite human element at play here; a team to assist with advice, hands-on service, and encouragement. We are your team. Every employee is member-centric, acutely focused on making sure that whatever you need to cross that finish line is, quite simply, the best. To that end, we went live last year with an online review process giving members the opportunity to tell us if we're on track, performing up to their expectations. I am very happy (and quite proud) to report that members have overwhelmingly been giving USAlliance a very big thumbs up. To date, the combined level of our 4 and 5 star ratings is at an impressive 87% level, a clear testament to the outstanding and dedicated staff we are privileged to have at USAlliance.

I would like to end this letter as I started it. Pursue happiness. Just don't obsess about reaching it. Ralph Waldo Emerson wrote "Life is a journey, not a destination." You see, it's not about that final destination – happiness is all about the journey. What makes you happy today may not be what will tomorrow.

Go forth with your pursuit. Just don't approach it as a 100 yard dash. Think of it more as a marathon, undertaken with patience and a carefully orchestrated game plan. And USAlliance will be there with you, on the sidelines helping you to manage and funnel your efforts towards a goal I believe all of us share – to live life fully.

Let our journey begin.



Kris P. VanBeek
President/CEO



REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is an independent body, appointed by the Board of Directors, which has the responsibility to ensure that the financial statements accurately and fairly present the financial condition of the Credit Union and that management practices and procedures safeguard the members' assets.

To accomplish our goals, the Committee engages both internal auditors and an independent public accounting firm to audit the consolidated financial statements. Internal audit findings, recommendations, and management responses are reviewed by the Supervisory Committee and presented to the Board of Directors. To ensure the consolidated financial statements fairly represent the Credit Union's financial position, the Supervisory Committee retained the services of the certified public accounting firm of Orth, Chakler, Murnane & Company, CPAs to perform an audit in accordance with Generally Accepted Accounting Principles and to express an opinion on the fairness of the consolidated financial statements. Their audit report, which contained an unqualified opinion, dated March 6, 2015, confirmed the Credit Union's consolidated financial statements for 2014 were materially correct and presented in conformity with Generally Accepted Accounting Principles.

For a complete copy of the independent audit report performed by Orth, Chakler, Murnane & Company, CPAs, please call the Credit Union at 800.431.2754 or email your request to emailbox@usalliance.org.



Scott J. Forbes
Chairman
Supervisory Committee

VOLUNTEERS

BOARD of DIRECTORS

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George L. Barto

Vice Chairman

Peter H. Staley

Secretary

Judith A. Brandt

Treasurer

Carla M. Palma

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Ellen Dulberger

Paul Gravenese

William H. Lusk

Ferdinand S. Spucci

Alan L. Stuart

Associate Directors

Ronald M. Quagliani

Darren Smith

Directors Emeritus

James R. Collins

Thomas F. McCormick

John Murphy

SUPERVISORY COMMITTEE

Chairman

Scott J. Forbes

Secretary

Allan Bednowitz

Members

Paul Gravenese

Peter Kadra

Timothy J. Sugrue

Associate Members

Nancy R. Rossi

Hany Saleeb



STATEMENTS OF FINANCIAL CONDITION

As of December 31,

ASSETS	2014	2013
Cash	\$99,093,437	\$98,206,800
Investments:		
Available-for-sale	60,384,240	86,747,445
Other	9,448,792	7,282,355
Loans to members, net allowance for loan losses	735,802,797	627,264,308
Accrued interest receivable:		
Investments	144,235	256,034
Loans	2,681,883	2,462,338
Prepaid and other assets	20,988,378	19,653,230
Property and equipment	3,171,459	6,551,321
NCUSIF deposit	7,520,005	7,170,293
Total assets	\$939,235,226	\$855,594,124

As of December 31,

LIABILITIES AND MEMBERS' EQUITY	2014	2013
Liabilities:		
Members' share and savings accounts	\$836,355,340	\$786,772,506
Borrowed funds	20,000,000	—
Accounts payable and other liabilities	12,373,913	10,042,811
Total liabilities	868,729,253	796,815,317
Commitments and contingent liabilities		
Members' Equity:		
Regular reserve	17,582,100	17,582,100
Undivided earnings	60,062,192	49,363,902
Accumulated other comprehensive loss	(7,138,319)	(8,167,195)
Total members' equity	70,505,973	58,778,807
Total liabilities and members' equity	\$939,235,226	\$855,594,124

STATEMENT OF INCOME

For the years ended December 31:

	2014	2013
INTEREST INCOME:		
Loans to members	\$35,368,238	\$30,712,242
Investments	1,297,756	1,498,685
Total interest income	36,665,994	32,210,927
INTEREST EXPENSE:		
Members' share and savings accounts	4,492,758	4,338,083
Interest on borrowed funds	53,540	—
Total interest expense	4,546,298	4,338,083
Net interest income	32,119,696	27,872,844
PROVISION FOR LOAN LOSSES:	5,000,000	3,350,000
Net interest income after provision for loan losses	27,119,696	24,522,844
NON-INTEREST INCOME:		
Fees and service charges	6,390,641	5,222,579
Gain on sale of property and equipment	3,299,598	—
Gain on sale of loans	682,081	915,777
Total non-interest income	10,372,320	6,138,356
	37,492,016	30,661,200
NON-INTEREST EXPENSE:		
Compensation and employee benefits	15,077,431	14,102,577
Office operating costs	6,094,694	5,899,093
Office occupancy expenses	2,830,031	2,643,227
Other expenses	2,446,866	2,728,932
Loan expenses	1,451,345	1,202,665
Total non-interest expense	27,900,367	26,576,494
Net income	\$9,591,649	\$4,084,706

EXECUTIVE MANAGEMENT TEAM

Kris P. VanBeek
President/CEO

James B. White
CFO/Senior Vice President

Chris J. Lazowy
Senior Vice President
Sales & Member Services

Kevin A. Randall
Senior Vice President
Electronic Systems & Information Technology

Denise M. Enlund
Vice President
Compliance & Risk Management

Jon W. Krumdick
Vice President
Consumer Loans & Business Development

Kimberly London
Vice President
Real Estate Lending

Raksha Shirali
Vice President
Human Resources

Regina Farley
Assistant Vice President
Business Systems

Felicia A. Hudson
Assistant Vice President
EFT /Card Services, ATMs & Imaging

Kristi L. Kenworthy
Assistant Vice President
E-Commerce

Marion T. Murphy
Assistant Vice President
Staffing, Employee Relations & Training

Shireen Shen
Assistant Vice President
Information Technology

April Slattery
Assistant Vice President
Branch Operations

BRANCH LOCATIONS

Connecticut

502 Main Street
West Haven, CT

VA Hospital
950 Campbell Avenue
Building 5, Ground Floor
West Haven, CT

Westchester (New York)

555 Boston Post Road
Port Chester, NY

219A E. Hartsdale Avenue
Hartsdale, NY

The Landmark at Eastview
777 Old Saw Mill River Road
Tarrytown, NY

303 S. Broadway, Suite 126
Tarrytown, NY

Eastern New York

710 Berme Road
Napanoch, NY

25 Sullivan Avenue
Liberty/Ferndale, NY

390 State Route 52
Woodbourne, NY

49 Sanatorium Road
Otisville, NY

1296 Route 208
Wallkill, NY

Walmart
7500 Route 209
Napanoch, NY

New York City

350 West 31st Street
New York, NY

AMEX*
200 Vesey Street, 3rd Floor
New York, NY

El Barrio
156 East 117th Street
New York, NY

Massachusetts

1960 Massachusetts Avenue
Cambridge, MA

Liberty Tree Mall
100 Independence Way
Danvers, MA

1032 Eastern Avenue
Malden, MA

71 Station Landing
Medford, MA




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