PURSUE Happiness

2014 ANNUAL REPORT

USAlliance
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, USAAlliance 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 USAAlliance. 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 USAAlliance, it will only happen if our members are the better for it.

Thank you all for being one of the valued members of USAAlliance 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
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
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Thank you all for being one of the valued members of USAlliance and your continued support of our Credit Union.
### Statements of Financial Condition

#### As of December 31,

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

<table>
<thead>
<tr>
<th>LIABILITIES AND MEMBERS’ EQUITY</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members’ share and savings accounts</td>
<td>$836,355,340</td>
<td>$786,772,506</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>20,000,000</td>
<td>—</td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>12,373,913</td>
<td>10,042,811</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>868,729,253</td>
<td>796,815,317</td>
</tr>
<tr>
<td>Commitments and contingent liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members’ Equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular reserve</td>
<td>17,582,100</td>
<td>17,582,100</td>
</tr>
<tr>
<td>Undivided earnings</td>
<td>60,062,192</td>
<td>49,363,902</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(7,138,319)</td>
<td>(8,167,195)</td>
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<tr>
<td><strong>Total members’ equity</strong></td>
<td>70,505,973</td>
<td>58,778,807</td>
</tr>
<tr>
<td><strong>Total liabilities and members’ equity</strong></td>
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Let our journey begin.
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