

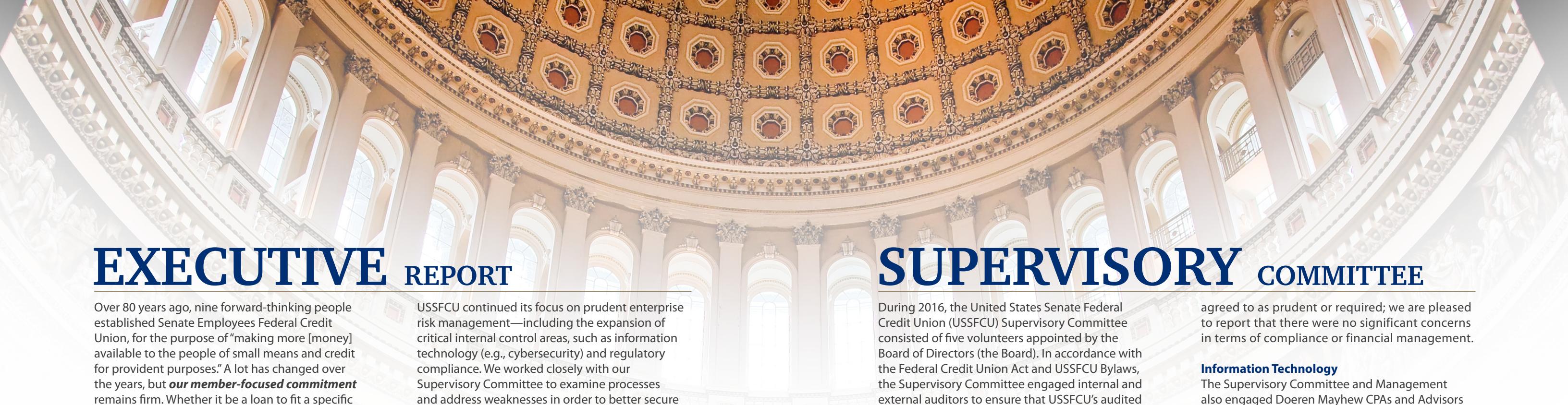


# 2016 — ANNUAL REPORT

*Serving the Senate Community Since 1935*



UNITED STATES  
SENATE FEDERAL  
CREDIT UNION



# EXECUTIVE REPORT

Over 80 years ago, nine forward-thinking people established Senate Employees Federal Credit Union, for the purpose of “making more [money] available to the people of small means and credit for provident purposes.” A lot has changed over the years, but **our member-focused commitment** remains firm. Whether it be a loan to fit a specific member’s needs and budget(s); a safe and secure place to grow savings; or convenient and efficient means to transact business, our focus is on the financial well-being of the U.S. Senate community and our members.

Last year was a transition-filled year for the United States Senate Federal Credit Union (USSFCU): we welcomed a change in leadership and started moving in a new, strategic direction. Throughout 2016, we emphasized understanding members’ needs by asking questions, listening and striving to better invest surplus liquidity, all leading to enhanced member service and convenience.

Our strong 2016 financial results included a 3.5% growth in Total Assets to \$609 million (a new **record high** for USSFCU), Return on Assets of 0.88%, and a Net Worth Ratio of 11.73%, which was significantly greater than the “well capitalized” regulatory threshold of 7.00%. These metrics show our promotion of efficient operations and good stewardship of our members’ deposits. Our Net Interest Margin was 3.12% (above peer group), Non-Interest Income was 0.86% (below peer group and evidence of lower member fee charges), and our Non-Interest Expense was 2.86% (below peer group and evidence of a well-managed expense structure). We invite you to review our 2016 Financial Summary here and in greater detail at [ussfcu.org/financials](http://ussfcu.org/financials).

USSFCU continued its focus on prudent enterprise risk management—including the expansion of critical internal control areas, such as information technology (e.g., cybersecurity) and regulatory compliance. We worked closely with our Supervisory Committee to examine processes and address weaknesses in order to better secure Credit Union and membership data. We previously converted credit cards to the newer secure-chip technology, and will convert debit cards in 2017. Other initiatives for 2017 include enhanced ACH processing, website upgrades, and enhanced functionality for our Online and Mobile Banking solutions. The primary objectives of these initiatives are to expand member service and convenience.

We are grateful for the opportunity to serve the U.S. Senate community and our membership for over 80 years; we express our gratitude by giving back—through financial donations and the USSFCU staff “Day of Service” time contributions to various charitable organizations that support our local communities. We invite you to celebrate with us!

On behalf of the Board of Directors, Management and staff, we thank you, our membership, for your continued support of USSFCU.

Respectfully,



**Kenneth W. Kramer,**  
President and CEO



**Christopher D. Shunk,**  
Chairman of the Board

# SUPERVISORY COMMITTEE

During 2016, the United States Senate Federal Credit Union (USSFCU) Supervisory Committee consisted of five volunteers appointed by the Board of Directors (the Board). In accordance with the Federal Credit Union Act and USSFCU Bylaws, the Supervisory Committee engaged internal and external auditors to ensure that USSFCU’s audited financial statements accurately represented its financial condition. The results of these audits once again showed that USSFCU complied with all applicable laws, regulations and policies; most importantly, members’ deposits and privacy remained safeguarded.

## Financial

The Supervisory Committee engaged the independent accounting firm Doeren Mayhew CPAs and Advisors to render an opinion about the presentation of USSFCU’s 2016 financial condition. The resulting unqualified opinion independently attested that USSFCU’s financial statements fairly represent in all material respects its financial position for the year ended December 31, 2016.

## Internal Controls

The Supervisory Committee also engaged the accounting firm Crowe Horwath, LLP to ensure that USSFCU complied not only with applicable requirements, but that Management also maintained an effective system of internal controls designed to provide reasonable assurance that assets were safeguarded against loss or unauthorized use. Throughout 2016, Crowe Horwath, LLP continued to make various control and procedural recommendations. These recommendations were discussed in quarterly reports to the Supervisory Committee and USSFCU Management. Management satisfactorily addressed or is working to address all of Crowe Horwath, LLP’s recommendations for which the Committee

agreed to as prudent or required; we are pleased to report that there were no significant concerns in terms of compliance or financial management.

## Information Technology

The Supervisory Committee and Management also engaged Doeren Mayhew CPAs and Advisors to conduct a cybersecurity assessment as well as a control and risk audit that will be directly focused on USSFCU’s Information Technology (IT) operations. The Board and Management team agree that data security is a high-level strategic directive to ensure membership data safeguards. The control and risk audit will potentially provide the Credit Union with various recommendations that will continue to help strengthen data security and IT operations overall, as the USSFCU’s technology team continues to work to mitigate data threats. In addition to the specific IT control and risk audit, the Board and Management recently formed an IT Advisory Committee that will assist the Board, Supervisory Committee and Management in terms of providing valuable external perspectives regarding technology security, technology policy, trends and data management.

On behalf of the Supervisory Committee, I’d like to thank the USSFCU Board of Directors and staff for supporting our work to assure fiscal soundness for the benefit of our members. This Committee is proud to volunteer their time to serve our valued members.

Respectfully,



**JOHN S. DUTTON**  
Chair

# TREASURER'S REPORT

I am pleased to report that the financial performance of United States Senate Federal Credit Union (USSFCU) continues to be very strong.

As of December 31, 2016, total assets were \$609.1 million.

Our net loan portfolio ended the year at \$364.9 million and \$132.5 million in loans were approved; this was an approved loan increase of \$34.7 million, compared to 2015. Our loan delinquency and charge-offs have remained low during this reporting period and lending continues to remain a high-level strategic goal.

Management's calculation of USSFCU's allowance for loan loss was reviewed by our internal and external audit firms, in addition to the National Credit Union Administration (NCUA). They have all indicated that our loan loss reserves continue to be conservatively stated to meet potential loan losses as of December 31, 2016.

In 2016, deposits ended the year at \$532.7 million.

Your Board has continued to measure the strength of your financial institution by means of total capital. USSFCU completed the year with a very strong capital position (and Net Worth Ratio) of 11.73% of assets or \$71.3 million; therefore, USSFCU remains well capitalized.

To maintain financial soundness, the Asset Liability Management Committee (ALCO), Management and the Board monitor financial activities on a monthly basis. ALCO uses both external and independent models to assess balance sheet risk, return and volatility over various rate cycles. USSFCU's balance sheet risk is currently considered "Low Risk," as

calculated by an independent third party as well as our regulatory agency—the NCUA.

Management remains dedicated towards the accuracy and integrity of our financial statements and accompanying footnotes. Our financials are prepared in conformity with the United States' generally accepted accounting principles. USSFCU's independent auditor, Doeren Mayhew CPAs and Advisors, has completed the 2016 audit and again issued a favorable opinion. Audited 2016 financial statements are available at [ussfcu.org/financials](http://ussfcu.org/financials).

We continue to extend our thanks to you, our valued members, for placing your trust in the safety and soundness of USSFCU.

Respectfully,



**Christopher C. Dey**  
Board Treasurer

# FINANCIAL REPORT

## CONDENSED BALANCE SHEETS (UNAUDITED)

As of December 31,  
2015 2016

### Assets:

Cash and Cash Equivalents	\$ 205,217,817	\$ 191,670,304
Loans and Leases to Members, Net	317,586,311	364,894,964
Investments	49,615,286	35,936,795
Property and Equipment, Net	3,517,733	3,991,365
National Credit Union Share Insurance Fund Deposit	4,500,887	4,514,231
Other Assets	8,352,002	8,111,603
<b>Total Assets</b>	<b>\$ 588,790,036</b>	<b>\$ 609,119,262</b>

### Liabilities and Members' Equity:

Members' Share Accounts	\$ 517,580,572	\$ 532,699,532
Accrued Dividends and Other Liabilities	5,125,718	5,084,809
<b>Total Liabilities</b>	<b>522,706,290</b>	<b>537,784,341</b>
<b>Total Members' Equity</b>	<b>66,083,746</b>	<b>71,334,921</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 588,790,036</b>	<b>\$ 609,119,262</b>

## CONDENSED INCOME STATEMENTS (UNAUDITED)

For the years ended December 31,  
2015 2016

Interest on Loans	\$ 16,775,846	\$ 19,085,592
Interest on Investments	1,288,452	1,525,348
<b>Total Interest Income</b>	<b>18,064,298</b>	<b>20,610,940</b>
Interest Expense	(2,081,927)	(1,932,775)
<b>Provision for Loan and Lease Losses</b>	<b>(1,756,965)</b>	<b>(1,404,824)</b>
Net Interest Income after Provision Expense	14,225,406	17,273,341
<b>Non-Interest Income</b>	<b>5,684,390</b>	<b>5,149,314</b>
<b>Non-Interest Expense:</b>		
Compensation and Benefits	(8,358,252)	(9,253,002)
Office Operations	(3,010,231)	(3,362,883)
Other	(4,070,663)	(4,549,319)
<b>Total Non-Interest Expenses</b>	<b>(15,439,146)</b>	<b>(17,165,204)</b>
<b>Net Income</b>	<b>\$ 4,470,650</b>	<b>\$ 5,257,451</b>

These condensed financial statements do not constitute a complete presentation. The complete set of audited financial statements, including the statements of cash flows and changes in members' equity, and notes to financial statements, are available at the Credit Union office during normal hours of operation or through our website at [ussfcu.org/financials](http://ussfcu.org/financials).

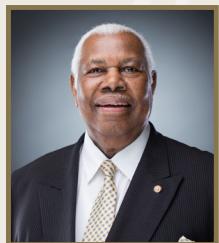
# NOMINATING COMMITTEE ANNUAL ACCOMPLISHMENTS

As of May 2017, three (3) seats on the USSFCU Board of Directors will expire. Pursuant to Article V, of the USSFCU Bylaws, a Nominating Committee was appointed by the Chairman of the Board. This Committee is annually charged with an obligation to find three qualified candidates who would agree to fill any existing or pending Board vacancies. The appointed committee consisted of: Judy Rainey (Chair), Margo Rushing, and Chris Shunk.

The following candidates were found to be highly qualified and willing to serve on the Board of Directors; they were nominated by the Committee to fill the three expiring seats.

- **Bertie Bowman (Incumbent)**
- **Christopher C. Dey (Incumbent)**
- **Anthony J. "Tony" Zagami (Incumbent)**

Nominations for vacancies could have also been made through signed petition by obtaining the signatures of 1% of the membership



**Bertie Bowman**  
(Incumbent)  
Director



**Christopher C. Dey**  
(Incumbent)  
Director



**Anthony J.  
"Tony" Zagami**  
(Incumbent)  
Director

A USSFCU member since 1966, who has served on the Board for 42 years. Bertie has served on several committees including ALCO, Supervisory, and Bylaws. He currently serves as the Hearing Coordinator for the Senate Foreign Relations Committee.

A USSFCU member since 1998, who has served on the Board for 15 years and numerous committees. Christopher currently serves as the as Chief Financial Officer for the Office of the Sergeant at Arms of the U.S. Senate and has an M.B.A from New York University.

A USSFCU member since 1967, who has served on the USSFCU Board in various positions for 31 years and on numerous committees. Tony has a B.S. from the University of Maryland and a J.D from George Mason University School of Law.

To learn more about our leadership, visit [ussfcu.org/leadership](http://ussfcu.org/leadership).

(approximately 332 members). Petitions were to be received by the Nominating Committee no later than Monday, April 3, 2017. As of close of business on April 3, 2017, there were no petitions submitted. As a result, no election was conducted by ballot and there were no nominations from the floor since the number of nominees equaled the number of vacancies to be filled.

The three nominees, therefore, will be elected by acclamation and will each serve three-year terms. Please join me in congratulating them as they volunteer their personal time to serve you, our members.

Respectfully,

**JUDY RAINY**  
Chair

Launched immediate credit through Remote Deposit Anywhere (RDA) with Mobile Banking

Upgraded ATMs to accept cash and check deposits

Brought mortgages in-house

Welcomed new CEO, Kenneth W. Kramer

Upgraded the company-wide phone systems to Voice Over IP (VOIP)

Reached \$600 million in assets

Began posting ACH transactions earlier, which allows members access to their funds sooner

Launched the new website and updated Online Banking

Made a \$10K donation to the Capital Area Food Bank in Washington, DC

Made a \$10K donation to Carpenter's Shelter in Alexandria, VA

**JUNE**  
2016

**JULY**  
2016

**AUG**  
2016

**SEPT**  
2016

**OCT**  
2016

**NOV**  
2016

**DEC**  
2016

**JAN**  
2017

**FEB**  
2017

**MAR**  
2017

## BOARD OF DIRECTORS

Christopher D. Shunk, Chairman  
Margaret "Margo" P. Rushing, Vice Chair  
Christopher C. Dey, Secretary/Treasurer  
Timothy Anderson, Director  
Bertie Bowman, Director  
Ileana Garcia, CPA, Director  
Denis P. O'Donovan, Director  
Judy Kimmitt Rainey, Director  
Anthony "Tony" J. Zagami, Director  
Penelope A. Gross, Recording Secretary

## MANAGEMENT

Kenneth W. Kramer, President/CEO  
Dennis R. Will, CFO  
Michael Sisk, COO  
Angela Collier, VP Lending  
Libby Fike, VP Risk Management  
Douglas "DJ" Haines, VP IT  
Denise Hayden, VP Accounting & Finance  
James Ruley, VP Sales & Service  
Chantel Evans, Director of Marketing  
Stefanie Mortenson, Director of HR  
Roxane Rowe, Director of Operations

## SUPERVISORY COMMITTEE

John S. Dutton, Chair  
Jay McCarthy  
Stephanie Magnell  
Jay Moore  
Ileana Garcia, CPA



UNITED STATES  
SENATE FEDERAL  
CREDIT UNION

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