



ANNUAL REPORT 2014



Cornerstone CFCU
You rate better here.

■ ABOUT US

Cornerstone CFCU started back in 1957 serving a small group of employees from Harrison Radiator in the basement of the local UAW hall. After nearly 60 years in business, we have grown to become the largest credit union based in Western New York with over 48,000 members and branches in five locations.

At Cornerstone CFCU, we are focused on offering better rates and lower fees than traditional financial institutions. Our members benefit from no-fee debit cards, 55,000+ surcharge-free ATMs,

free checking, free online banking and an interactive mobile app. Our goal is to continue providing great products and exceptional service to our members.

Our vision is to become the financial provider of choice by offering the highest standard of service to our members.

■ CORNERSTONE IN THE COMMUNITY

Being part of the community is very important to all of us at Cornerstone CFCU. We are always looking for ways to give back to the people who support us. In 2014, we made a giant leap in keeping this commitment by sponsoring the new 93,500-square-foot ice facility at 34 Chestnut Street in Lockport. The facility is named Cornerstone CFCU Arena.

The Cornerstone CFCU Arena features two NHL regulation-size rinks, a pro shop, a performance training center and seating for 630 spectators. In addition to competitive hockey, the facility is used

for training, figure skating, open skate and opportunities for those with physical or developmental disabilities and special needs. Much more than a sports facility, Cornerstone CFCU Arena will be a lasting community resource.

We look forward to welcoming players, skaters and spectators to Lockport for many seasons to come!



■ ■ PRESIDENT'S REPORT



As the financial services world becomes increasingly complex and Cornerstone CFCU continues to grow, members can rest assured in our commitment to providing excellent

service and steadfast protection while maintaining traditional values.

Our focus in 2014 was the conversion of the software system that operates as the backbone of the credit union and allows us to provide superior member service. This update was necessary to ensure that we keep pace with changing technology and expand our capabilities to meet the growing needs of our members.

Many months of hard work went into the process and the full conversion took place in September. Collectively, our staff put in more than 2,500 hours of classroom instruction, hands-on training and simulation testing to prepare for this major overhaul. The effort didn't end there though. As with any major undertaking, we've continued to make adjustments to guarantee that the new system meets our high standards and is tailored to your needs.

So how can you benefit from this tremendous undertaking? The system has been designed with convenience for members in mind and our OASIS Home Banking platform has many new offerings. Our expanded Bill Pay service allows you to receive electronic bills and pay almost any vendor in the United States with a few simple clicks. The new Popmoney personal payment service enables members to send person-to-person payments and the Transfer Money application allows you to set up transfers to and from external financial institutions.

From the Online Services tab, you can also access eDocuments, reorder checks, access VISA® Online for your credit card history and try out our new personal financial management program. MoneyDesktop allows you to gather the details from all of your financial accounts. You can set a budget, track spending patterns and even evaluate your net worth to see the bigger picture of your fiscal health all in one place.

For even more home banking convenience, download our new mobile app, available for both Apple and Android smartphones and tablets. It allows you to check balances, transfer funds, view your transaction history, search for the closest Allpoint ATM and remotely deposit checks using Snap Deposit.

Through this year of change, we've listened and made several improvements

based on your feedback. At your request, members can now select your own PIN for debit cards. Since the conversion, we've updated CURTIS, our telephone information system, so you can hear instructions from a friendly, human voice. Additional enhancements based on your member feedback have been requested.

We're proud of what we accomplished in 2014 and, most importantly, how our efforts strengthen the services we can provide to you, our valued members. In the coming year, we will further enhance the security of your debit and credit cards with advanced EMV chip technology.

Change is never easy, but it's necessary for growth. We deeply appreciate your patience last year, as we worked through the issues that undoubtedly come with the integration of multiple systems. We're still working out the kinks and will introduce further updates throughout 2015. As we continue to improve, know that we're always here to protect your finances, just as we always have.

Ann M. Hood
President & CEO



CHAIRMAN'S REPORT



At Cornerstone CFCU, community investment is in our DNA. We are committed to improving the quality of life in Niagara County for our neighbors who live, work, volunteer,

worship and go to school here.

This January, the Cornerstone CFCU Arena opened its doors and has already positively impacted the local economy with a promising outlook for more to come. An anchor of the ongoing rebirth of the Erie Canal corridor in downtown Lockport, the facility was made possible through partnership with the City of Lockport, the

Grigg-Lewis Foundation, the Western New York Regional Economic Development Council, and dozens of other community organizations and individual donors. We are proud to help support a project that will be a lasting community resource for decades to come.

Last year, we were also pleased to support Niagara University Athletics, the TNT Women's Expo and the Mighty Niagara Half Marathon, in addition to many other events and organizations we've supported long-term, such as Lockport Cruise Night, the Niagara County Fair, the Lewiston Jazz Fest, the Chamber of Commerce of the Tonawandas and many more. Niagara County is thriving and Cornerstone is doing our part to boost that energy.

While we continued to invest in our community through local sponsorships, we also made a major investment in the credit union itself through the conversion of our core data processing platform to a new system. I'd like to personally thank you for your patience during the process as we continue to make adjustments that ensure our members receive even better, more efficient service.

Thank you for trusting Cornerstone to meet your financial services needs. Let's continue to grow together in 2015.

David M. Nemi
Chairman of the Board



BOARD OF DIRECTORS

(From left to right)

A. Angelo DiMillo – First Vice Chairman
Edward P. Sandell – Treasurer
David M. Nemi – Chairman of the Board
Barry Goodin – Director
Sally J. Moore – Secretary
James Budde – Director
Edwin Rosier – Second Vice Chairman
Lawrence C. Pease – Director
Robert S. Santarsiero – Director

TREASURER'S REPORT



The success of Cornerstone CFCU is a testament to the loyalty shown to us by our members, so we strive each year to earn that support through steady, balanced financial

performance. Our final results analysis for 2014 reflects a continuing trend toward meeting this challenge and strengthening our financial base.

Cornerstone's total member shares grew 3% during the year to \$323,978,901, while our total investments decreased by 9.8% to \$104,767,903. Our total equity also rose by 3.4% to \$28,662,532,

and we added 1,679 new members for a net increase of 2.1% over the course of the year. While many other lenders experienced stagnant or reduced demand, the total value of Cornerstone's loans surged by approximately 10% to \$227,044,312.

Cornerstone is a well-capitalized credit union, which is demonstrated by our sound prompt corrective action (PCA) net worth ratio of 8.074%. Our net income for 2014 was \$606,485, which declined when compared with the previous year largely due to an increase in charge-offs on uncollectable loans.

Our commitment to protecting members' finances means that the Board of Directors will continue to ensure that prudent

financial decisions are made in order to maintain your trust. Our members can be certain that Cornerstone's vigilant approach will result in a solid foundation for you to build a plan that achieves your goals.

Edward P. Sandell
Treasurer

2014 FINANCIAL HIGHLIGHTS

Assets	
Loans to Members	\$227,044,312
(Less) Allowance for Loan Losses	(\$1,622,141)
Net Loans	\$225,422,170
Cash and Net Investments	\$111,082,621
Other Assets	\$18,078,307
Total Assets	\$354,583,098

Liabilities and Equity	
Total Liabilities	\$1,941,665
Total Member Shares	\$323,978,901
Regular Reserve	\$5,526,467
Contingency Reserve	\$7,119,882
Undivided Earnings	\$15,980,970
Acc Gain/Loss on AFS Securities	\$35,213
Total Liabilities and Equity	\$354,583,098

Operating Income	
Net Loan Interest	\$11,173,919
Income from Investments	\$1,379,383
Other Operating Income	\$4,836,061
Total Income	\$17,389,363

Operating Expenses	
Staff Salary and Benefits	\$7,495,825
Office Occupancy and Operation	\$2,506,753
Provision for Loan Losses	\$1,564,304
Marketing and Promotional	\$769,530
Loan Servicing	\$1,040,613
Professional and Outside Services	\$2,196,943
NCUA Federal Operating Fees	\$65,846
NCUA Stabilization Fund	\$0
All Other Expenses	\$203,312
Total Expenses	\$15,843,126

Net Operating Income	\$1,546,237
Dividends Paid On Shares	\$943,481
Gain or Loss Disp. Assets	\$3,729
Net Income	\$606,485

Financial Highlights	2014	2013	%
Assets	\$354,583,098	\$344,467,126	2.94%
Shares	\$323,978,901	\$315,014,178	2.85%
Loans	\$227,044,312	\$206,432,868	9.98%
Members	48,338	47,355	2.08%

■ REPORT FROM THE SUPERVISORY COMMITTEE



The Supervisory Committee's responsibility is to serve Cornerstone CFCU members by making certain that your assets are adequately safeguarded and ensuring the processes for financial reporting

are properly followed by management. The committee works independently to monitor the overall soundness of the credit union.

To fulfill this obligation, we retain an accounting firm to perform an annual opinion audit. Due to Cornerstone's

continuous membership growth and increased complexity of services, a new firm was hired in 2014 to better meet our needs. We are pleased with the efforts of Firley, Moran, Freer and Essa, CPA, P.C. of Syracuse, New York. They work with businesses throughout Upstate New York and share our commitment to quality and accuracy.

We are happy to report that Cornerstone is in excellent financial condition. The results of the 2014 audit showed that the credit union remains in compliance with all National Credit Union Administration (NCUA) requirements and guidelines.

Cornerstone staff and management successfully implemented a major

undertaking in 2014 with the conversion of the credit union's software system and we commend them for sustaining a high level of service throughout this transition. I would also like to thank my fellow members on the Supervisory Committee and the Board of Directors for their continued efforts to provide our members with the best service possible.

Wm. Keith McNall
Chairperson, Supervisory Committee

■ CORNERSTONE VOLUNTEERS

We would like to thank the following volunteers for their dedication and support in the past year:

Nathanial Bolt
Irene Bull
Sam D'Agostino
Patricia Degan
Al Ferrante
Barbara Garey
Todd McNall
Wm. Keith McNall
Dan Napoleone
Robert Nemi
Frank Oakes
John Santasiero
Gary Smith
John Tolli
Jeremy Verratti

■ MANAGEMENT TEAM

Ann M. Hood – President/CEO
Constance L. Kelkenberg – VP of Auditing
Mark R. Kennedy – VP of Information Systems
Robert Pfeil – VP of Human Resources
Mary E. Scheib – VP of Operations
Mark Szafranski – VP of Finance
Ellen Zastrow – VP of Lending

Willam A.C. Coder – Network Administrator
Cynthia A. Culverwell – Employee Relations Manager
Suzanne English – Marketing Director
Nancy Freishlag – Regional Branch Manager
Carolyn Koons – Branch Manager
Molly Lutz – Indirect Lending Manager
Daniel Martin – Collections Manager
Denise Salmons – Operations Manager
Andrea Schultz – Payroll and Benefits Manager
Lisa Whittaker – Lending Manager



PRODUCTS AND SERVICES

- Savings and Checking Accounts
- Health Savings Accounts
- IRAs and Money Market Accounts
- Business Accounts
- Online Banking and Bill Payment
- VISA® Credit Card Accounts
- Auto, Truck and Recreational Vehicle Loans
- Home Equity and Mortgage Loans
- Online Lending and Loans-by-Phone/ 24-Hour Lending
- VISA® Gift Cards and Travel Money Cards
- Discount Darien Lake and Martin's Fantasy Island Tickets
- Scholarship Programs
- Money Orders
- Notary Public and Signature Guarantee Services
- Safe Deposit Boxes
- Mobile App with Snap Deposit

For more information on our products and services, visit our website at CornerstoneCommunityFCU.org.

WORK WITH SOMEONE YOU TRUST



David H. Goldpenny, CRPC®, LUTCF
Vice President, Wealth Management

Cornerstone Investment & Retirement Services

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CornerstoneCommunityFCU.org



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