



Baltimore County Employees Federal Credit Union

2015 Annual Report

Federally Insured By NCUA
Equal Housing Lender



Welcome to our 53rd

Dear Fellow Members,

The United States economy continued to inch along in 2015 as evidenced by a two percent increase in the Gross Domestic Product (GDP), a one percent increase in the Consumer Price Index (CPI) and a two percent decline in the Dow Jones Industrial Average. By year-end, the Federal Reserve Board was confident in the stability of the economy and raised its Federal Funds Rate, an inter-bank loan rate, for the first time in nine years.

While the United States economy plodded along, your Credit Union was able to increase its total loans to members by more than six percent to \$169 million. Leading the way were automobile loans, which increased \$7.6 million, buoyed by automobile and light truck sales that reached a fifteen year high. In addition to our growth in automobile loans, we realized gains in first mortgages, personal loans, and VISA Lines-of-Credit.

We believe our VISA program provides you an excellent value with low rate balance consolidation specials and “double the points” opportunities throughout the year. In total, members earned more than \$300,000 in reward points and redeemed a record high \$175,000 in merchandise and travel rewards. New this year, was the issuance of VISA credit cards with the EMV (Europay, MasterCard, VISA) chip. As this advancement in technology becomes more widely accepted in the United States, the incidences of fraud and related member inconvenience should decline.

In addition to the introduction of the EMV chip card, the Credit Union upgraded its online banking services with an advanced Bill Pay service. The new Bill Pay service lets you transfer funds between your account with us and your account at another financial institution and make payments to friends and family members without having to write them a check or wire funds to their bank account. More than two thousand members are enrolled in the new Bill Pay service and paid more than four thousand bills totaling almost \$1.5 million



Annual Meeting

during the month of December. When coupled with last year's investment in mobile banking and mobile deposit, we continue to demonstrate our commitment to providing you the ultimate in member convenience. As a result, total member share deposits and total assets exceeded \$327 million and \$359 million, respectively, both of which are record highs.

Our latest technological upgrade is a new loan application and processing software system. While still in the implementation process, the new software system includes an integrated web site application and document imaging and electronic signature software. We expect to have the new system fully functional in 2016.

Much of our success is attributable to the wonderfully talented volunteers and staff who are dedicated to helping you achieve greater financial security by providing members a safe and secure place to save and offering loans at reasonable rates for prudent and productive purposes. Accordingly, we were given the opportunity this year to serve a new group of members from the former HealthCare United Federal Credit Union. These new members provide a full range of health care related services at the Greater Baltimore Medical Center (GBMC), Sheppard Pratt Health System and Gilchrest Hospice Care. We look forward to providing these new members with the same high quality financial products and services you've come to expect from us.

The final ingredient in our success is "you" our most valued members. We *thank you* for the confidence and trust you have shown us and we invite your family members and colleagues to enjoy the benefits of credit union membership.

Bruce F. Keller
Board Chair

David P. Hagar
President

April 12, 2016



Financial Report of 2015

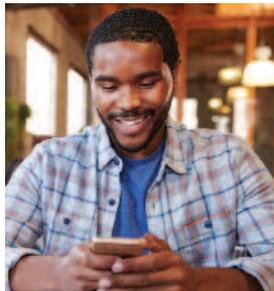
The annual audit of the accounts and financial records of the Baltimore County Employees Federal Credit Union as of December 31, 2015, was conducted by the firm of Rowles & Company, LLP, Certified Public Accountants. The year-end financial statements, as of December 31, 2015, were also audited by Rowles & Company, LLP.

In addition, the records of the Credit Union were evaluated for compliance with regulations and laws by the Federal examiners employed by the NCUA (National Credit Union Administration).

A Supervisory Committee meets monthly to test and verify various financial records of the Credit Union. The Committee is proud to report that all records and accounts are kept in a satisfactory manner by the personnel at the Credit Union.

The Supervisory Committee also serves as a membership representative. If members have an unresolved financial matter with the Credit Union, they are encouraged to contact the committee confidentially by writing to:

Supervisory Committee
Baltimore County Employees Federal Credit Union
P.O. Box 6785
Towson, Maryland 21285-6785



Supervisory Committee
Baltimore County Employees Federal Credit Union
Towson, Maryland

Report of Independent Auditors on Summary Financial Statements

The accompanying summary financial statements, which comprise the summary balance sheets as of December 31, 2015 and 2014, the summary income statements, summary statements of changes in members' equity, and summary cash flow statements for the years then ended, are derived from the audited financial statements of Baltimore County Employees Federal Credit Union as of and for the years ended December 31, 2015 and 2014. We expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2016.

The summary financial statements do not contain the statements of comprehensive income and all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Baltimore County Employees Federal Credit Union.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note 1 of Baltimore County Employees Federal Credit Union's audited financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion about whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with auditing standards generally accepted in the United States of America. The procedures consisted principally of comparing the summary financial statements with the related information in the audited financial statements from which the summary financial statements have been derived, and evaluating whether the summary financial statements are prepared in accordance with the basis described in Note 1. We did not perform any audit procedures regarding the audited financial statements after the date of our report on those financial statements.

Opinion

In our opinion, the summary financial statements of Baltimore County Employees Federal Credit Union as of and for the years ended December 31, 2015 and 2014, referred to above are consistent, in all material respects, with the audited financial statements from which they have been derived, on the basis described in Note 1 of the audited financial statements.

Rowles & Company, LLP

Baltimore, Maryland
February 22, 2016

Summary Statements of Income

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Interest income		
Interest on loans	\$ 7,508,349	\$ 7,250,996
Interest on investments	<u>2,219,993</u>	<u>2,293,641</u>
	<u>9,728,342</u>	<u>9,544,637</u>
Interest expense		
Dividends on members' shares	1,674,765	1,784,018
Interest on borrowed funds	-	10
	<u>1,674,765</u>	<u>1,784,028</u>
Net interest income	8,053,577	7,760,609
Provision for loan losses	<u>614,500</u>	<u>844,500</u>
Net interest income after provision for loan losses	<u>7,439,077</u>	<u>6,916,109</u>
Noninterest income		
Card services	1,439,755	1,409,233
Share draft fees	633,751	650,426
Rental income	92,315	93,935
Other	<u>237,603</u>	<u>219,286</u>
	<u>2,403,424</u>	<u>2,372,880</u>
Noninterest expenses		
Compensation and benefits	4,130,218	3,913,232
Office occupancy	643,876	630,697
Office operations	2,374,404	2,266,437
Education and promotion	189,909	165,698
ATM operating expense	896,968	857,795
Other	<u>500,705</u>	<u>407,831</u>
	<u>8,736,080</u>	<u>8,241,690</u>
Net income	<u>\$ 1,106,421</u>	<u>\$ 1,047,299</u>

These summary financial statements do not constitute a complete presentation. The complete set of audited financial statements, including the statements of comprehensive income and the notes to the financial statements, are available at the Credit Union office during normal hours of operation.

Summary Statements of Changes in Members' Equity

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION

Years Ended December 31, 2015 and 2014

	Regular reserve	Undivided earnings	Accumulated other comprehensive income	Equity of merged credit union
Balance, December 31, 2013	\$ 3,458,704	\$ 26,102,448	\$ (1,709,443)	\$ -
Net income	-	1,047,299	-	-
Defined benefit plan adjustment	-	-	(796,122)	-
Unrealized loss on investments available for sale	-	-	(27,520)	-
Balance, December 31, 2014	3,458,704	27,149,747	(2,533,085)	-
Equity of HealthCare United Federal Credit Union	-	-	-	98,630
Net income	-	1,106,421	-	-
Defined benefit plan adjustment	-	-	(394,779)	-
Unrealized loss on investments available for sale	-	-	(59,607)	-
Balance, December 31, 2015	<u>\$ 3,458,704</u>	<u>\$ 28,256,168</u>	<u>\$ (2,987,471)</u>	<u>\$ 98,630</u>

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Summary Statements of Cash Flows

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Net income	\$ 1,106,421	\$ 1,047,299
Items not requiring (providing) cash		
Depreciation	317,757	301,763
Provision for loan losses	614,500	844,500
Amortization of loan origination costs	12,419	38,195
Amortization of premiums and accretion of discounts, net	1,008,147	1,215,007
Loss on disposition of property and equipment	98	-
Loans originated for sale	(10,722,834)	(5,074,962)
Cash from loans sold	10,722,834	5,550,305
(Increase) decrease in accrued interest and other assets	(52,721)	206,496
Increase (decrease) in accrued expenses and other liabilities	(220,472)	53,230
	<u>2,786,149</u>	<u>4,181,833</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Loans made, net of principal collected	(9,193,607)	(11,207,588)
Purchase of investments available for sale	(2,993,030)	(6,096,177)
Proceeds from maturity or call of investments available for sale	2,000,000	3,000,000
Purchase of investments held to maturity	(27,785,363)	(26,458,452)
Proceeds from maturity or call of investments held to maturity	36,198,507	30,563,626
Net increase in certificates of deposit	(3,690,000)	(343,000)
Purchase of property and equipment	(242,251)	(87,130)
Cash acquired in merger	1,637,321	-
Increase in NCUSIF fund	(108,827)	(32,168)
	<u>(4,177,250)</u>	<u>(10,660,889)</u>
Net cash applied to investing activities		
Cash flows from financing activities		
Increase in members' share accounts	16,457,945	7,692,994
Net increase (decrease) in cash and cash equivalents	15,066,844	1,213,938
Cash and cash equivalents, beginning of year	15,099,982	13,886,044
Cash and cash equivalents, end of year	<u>\$ 30,166,826</u>	<u>\$ 15,099,982</u>

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Member Products and Services

Savings Products

- Share Savings
- Holiday, Personal, and Vacation Clubs
- Premier Money Market
- IRA Savings
- Share Certificates
- IRA Share Certificates
- Youth Accounts
- Teen Checking
- Special Baby Account



New and Used Vehicle Loans

Auto-Related Services:

- AutoSMART
- UBS - United Buying Service
- MVCP - Motor Vehicle Certification Program
- Enterprise Car Sales
- GAP (Guaranteed Auto Protection)
- Mechanical Breakdown Protection



Home Equity Loans

- Variable rate and Fixed rate options with "no closing costs" including Residential Investment Property Loans

Mortgage Loans

- For the purchase or refinance of a home including Residential Investment Property Loans

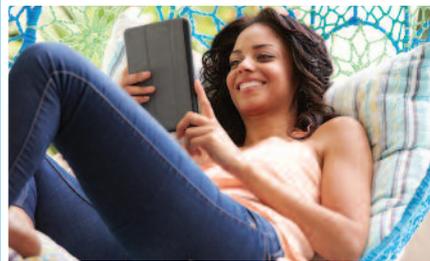
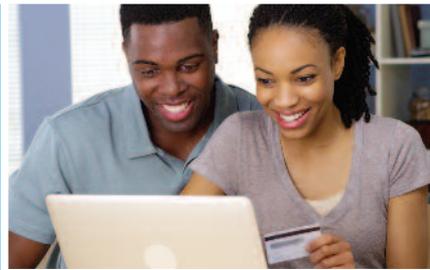
Specialty Loans

- Home Cash
- Auto Cash
- Education/Computer
- Personal/Preferred Credit
- Share Secured
- Recreational Vehicle
- Vacation, Holiday, and more



Convenience Services

- Savings ATM Card
- Checking Services
- Statement Express
- Overdraft Protection with line of credit
- Courtesy Pay protection coverage
- SmartCash VISA Check Card
- QuickTeller – Audio Response, On-Line Account Access, and Bill Payment
- Mobile Banking/Mobile Deposit
- Credit Union ATMs – *Towson and Perry Hall*
- ATM Network Affiliations featuring over 55,000 no-surcharge Allpoint ATMs
- Direct Deposit
- Automatic Transfer
- ACH – Automated Clearing House – electronic transfer of funds for example: payrolls, mortgage payments, insurance premiums
- VISA Platinum Credit Card with CU Rewards and no annual fee



Additional Lending Services

- On-Line Loan applications
- Pre-qualification Counseling
- Loan Payment Calculators
- Disability and Credit Life Insurance

Special Services

- Money Orders
- Notary Public
- Postage Stamps
- VISA Gift Cards
- CU Succeed Teen Network
- Coin Counting Machine
- Discounted Movie Passes
- Discounted Theme Park Tickets
- Scholarship Program
- Special Events



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NCUA

National Credit Union Administration, a U.S. Government Agency

