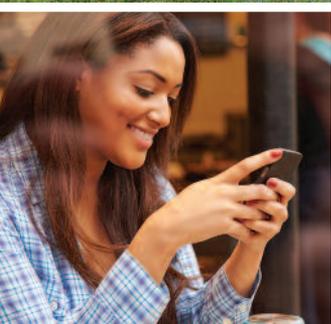




# Baltimore County Employees Federal Credit Union

## 2016 Annual Report

Federally Insured By NCUA  
Equal Housing Lender



# Welcome to our 54th

Dear Fellow Members,

At this time last year there was much anticipation of an improving United States economy and further interest rate increases in 2016. Unfortunately, these expectations were largely met with disappointment as the economy continued its lethargic pace as reflected by a two percent increase in the Gross Domestic Product (GDP) for the second straight year. A sense of renewed optimism returned in December 2016 as a second small increase in the federal funds rate was implemented for only the second time in ten years.

This unprecedented era of ultra-low interest rates has resulted in many members being more discerning with their hard-earned savings. We have witnessed a dynamic shift away from share certificate accounts to savings and money market accounts. This trend continued in 2016 as deposits in savings and money market accounts increased \$12 million and total member deposits topped \$340 million for the first time.

While the era of low interest rates has been especially difficult on our members with fixed-incomes, members looking to purchase a home, refinance an existing home loan or tap their home equity have been very pleased with extremely affordable mortgage rates. As your full-service mortgage partner, our Mortgage Counselors meet with you personally to discuss the various financing options that best suit your needs. For the year 2016, we were pleased to provide more than \$15 million in mortgage financing.

Ultra-low interest rates have also been beneficial for automobile sales as the total number of vehicles sold surpassed 17.5 million in 2016. As the price of new vehicles continues to escalate, the cost of financing a vehicle is more important than ever. With rates as low as 1.9% and a variety of payment protection options, we can help secure your new car investment. In 2016, we helped finance more than \$30 million in automobile loans for our members.



# Annual Meeting

Both our Visa credit and debit programs provide exceptional value and convenience. Our Visa credit card comes with a low Annual Percentage Rate, no annual fee and our popular *CU Rewards* program. Our Visa debit card also comes with no monthly maintenance fee and provides instant access to 55,000 surcharge free ATMs worldwide. During 2016, our members' total Visa credit and debit sales exceeded a record \$100 million.

In addition to the convenience provided by the Visa credit and debit card programs, our internet and mobile banking services continue to provide members a tremendous benefit. For the year, more than 10,000 members spent over 9 million minutes on-line checking their account balances and transferring funds and over 3,000 members used our *Bill Pay* service to pay more than \$18 million in charges for goods and services.

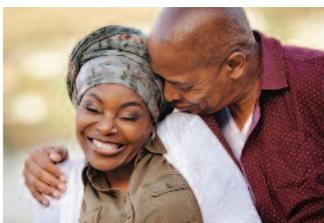
New this past year, we have partnered with Sallie Mae to offer the *Smart Option Student Loan*. For those members looking for help with the cost of college, the Smart Option Student Loan offers competitive interest rates, multiple repayment options, no origination fees and an easy to complete on-line application.

Whether you are looking for a safe and secure place to save or to borrow funds for a home, an automobile or college expenses, we are honored to meet your financial needs. Our wonderfully talented volunteers and staff are dedicated to serving you well. We thank you for your continued support and invite your family members and colleagues to experience the *Credit Union* difference.

**Bruce F. Keller**  
*Board Chair*

**David P. Hagar**  
*President*

April 11, 2017



# Financial Report of 2016

The annual audit of the accounts and financial records of the Baltimore County Employees Federal Credit Union as of December 31, 2016, was conducted by the firm of Rowles & Company, LLP, Certified Public Accountants. The year-end financial statements, as of December 31, 2016, 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, 2016 and 2015, 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, 2016 and 2015. We expressed an unmodified audit opinion on those audited financial statements in our report dated March 13, 2017.

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, 2016 and 2015, 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  
March 13, 2017

# Summary Balance Sheets

## BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 23,148,254	\$ 30,166,826
Loans to members, net	170,041,146	168,058,359
Investment securities available for sale	19,238,898	25,421,317
Investment securities held to maturity	139,548,094	109,434,921
Certificates of deposit in other financial institutions	11,260,000	16,826,000
National Credit Union Share Insurance Fund deposit	3,215,382	3,101,418
Accrued interest receivable	863,255	806,124
Property and equipment	4,080,288	3,893,091
Prepaid expenses and other assets	1,849,987	1,453,333
	<hr/>	<hr/>
Total assets	<b>\$ 373,245,304</b>	<b>\$ 359,161,389</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Members' Equity</b>		
Members' share accounts	\$ 340,479,109	\$ 327,907,187
Official checks payable	348,313	159,815
Accrued expenses and other liabilities	2,568,307	2,268,356
	<hr/>	<hr/>
Total liabilities	<b>343,395,729</b>	<b>330,335,358</b>
	<hr/>	<hr/>
Members' equity		
Regular reserve	3,458,704	3,458,704
Undivided earnings	29,302,230	28,256,168
Equity of merged credit union	98,630	98,630
Accumulated other comprehensive income		
Funded status of defined benefit plan	(3,043,530)	(3,028,814)
Unrealized gain on investment securities available for sale	33,541	41,343
	<hr/>	<hr/>
Total members' equity	<b>29,849,575</b>	<b>28,826,031</b>
	<hr/>	<hr/>
Total liabilities and members' equity	<b>\$ 373,245,304</b>	<b>\$ 359,161,389</b>
	<hr/> <hr/>	<hr/> <hr/>

*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 Income

## BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Interest income</b>		
Interest on loans	\$ 7,680,324	\$ 7,508,349
Interest on investments	<u>2,267,878</u>	<u>2,219,993</u>
	<u>9,948,202</u>	<u>9,728,342</u>
<b>Interest expense</b>		
Dividends on members' shares	<u>1,613,195</u>	<u>1,674,765</u>
Net interest income	8,335,007	8,053,577
<b>Provision for loan losses</b>	<u>551,500</u>	<u>614,500</u>
Net interest income after provision for loan losses	<u>7,783,507</u>	<u>7,439,077</u>
<b>Noninterest income</b>		
Card services	1,514,026	1,439,755
Share draft fees	689,416	633,751
Rental income	110,125	92,315
Other	<u>255,593</u>	<u>237,603</u>
	<u>2,569,160</u>	<u>2,403,424</u>
<b>Noninterest expenses</b>		
Compensation and benefits	4,407,160	4,130,218
Office occupancy	668,935	643,876
Office operations	2,484,335	2,374,404
Education and promotion	241,267	189,909
ATM operating expense	1,108,637	896,968
Other	<u>396,271</u>	<u>500,705</u>
	<u>9,306,605</u>	<u>8,736,080</u>
<b>Net income</b>	<u><u>\$1,046,062</u></u>	<u><u>\$1,106,421</u></u>

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# Summary Statements of Changes in Members' Equity

## BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION

Years Ended December 31, 2016 and 2015

	Regular reserve	Undivided earnings	Accumulated other comprehensive income	Equity of merged credit union
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 pension plan adjustment	-	-	(394,779)	-
Unrealized loss on investments available for sale	-	-	(59,607)	-
Balance, December 31, 2015	3,458,704	28,256,168	(2,987,471)	98,630
Net income	-	1,046,062	-	-
Defined benefit pension plan adjustment	-	-	(14,716)	-
Unrealized loss on investments available for sale	-	-	(7,802)	-
<b>Balance, December 31, 2016</b>	<b><u>\$ 3,458,704</u></b>	<b><u>\$ 29,302,230</u></b>	<b><u>\$ (3,009,989)</u></b>	<b><u>\$ 98,630</u></b>

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# Summary Statements of Cash Flows

## BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Net income	\$ 1,046,062	\$ 1,106,421
<b>Items not requiring (providing) cash</b>		
Depreciation	356,664	317,757
Provision for loan losses	551,500	614,500
(Increase) decrease in loan origination costs	(6,834)	12,419
Amortization of premiums and accretion of discounts, net	818,990	1,008,147
Loss on disposition of property and equipment	-	98
Gain on disposition of foreclosed real estate	(19,207)	-
Loans originated for sale	(5,924,073)	(10,722,834)
Proceeds from loans sold	5,684,658	10,722,834
(Increase) decrease in accrued interest and other assets	108,930	(52,721)
Increase (decrease) in accrued expenses and other liabilities	473,733	(220,472)
	<u>3,090,423</u>	<u>2,786,149</u>
Net cash provided by operating activities		
<b>Cash flows from investing activities</b>		
Loans made, net of principal collected	(2,710,668)	(9,193,607)
Purchase of investments available for sale	(1,012,680)	(2,993,030)
Proceeds from maturity or call of investments available for sale	7,000,000	2,000,000
Purchase of investments held to maturity	(58,306,887)	(27,785,363)
Proceeds from maturity or call of investments held to maturity	27,562,021	36,198,507
Net decrease (increase) in certificates of deposit	5,566,000	(3,690,000)
Purchase of property and equipment	(543,861)	(242,251)
Proceeds from disposition of foreclosed real estate	202,422	-
Cash acquired in merger	-	1,637,321
Increase in FHLB stock	(323,300)	-
Increase in NCUSIF fund	(113,964)	(108,827)
	<u>(22,680,917)</u>	<u>(4,177,250)</u>
Net cash applied to investing activities		
<b>Cash flows from financing activities</b>		
Increase in members' share accounts	12,571,922	16,457,945
Net increase (decrease) in cash and cash equivalents	(7,018,572)	15,066,844
Cash and cash equivalents, beginning of year	30,166,826	15,099,982
Cash and cash equivalents, end of year	<u>23,148,254</u>	<u>\$30,166,826</u>
Noncash transactions		
Transfer from loans to foreclosed real estate	\$ 183,215	\$ -

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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
- Debt 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, Perry Hall, GBMC*
- 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



*Your Finances. Our Promise.*

Baltimore County Employees  
Federal Credit Union

[www.bcefcu.com](http://www.bcefcu.com)

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Towson

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Perry Hall

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Baltimore, Maryland 21236

GBMC

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Baltimore, Maryland 21204

Your savings federally insured to at least \$250,000  
and backed by the full faith and credit of the United States Government

**NCUA**

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

