



Baltimore County Employees Federal Credit Union

2017 Annual Report

Federally Insured By NCUA
Equal Housing Lender



Dear Fellow Members,

As by now you are aware, the almost decade long period of ultra-low interest rates may finally be coming to a close. As a result of increases in the US Gross Domestic Product and Real Personal Consumption, as well as leveled unemployment and inflation, the Federal Reserve Bank has continued to increase the “Federal Funds Rate.” Likewise, US Treasury rates and the “Prime Rate” all moved higher in 2017. Additionally, the year came to a close with congressional passage of a tax reform bill which includes significant reductions in the corporate tax rate. The positive economic news and tax reform bill helped send the stock markets to record highs. For instance, the S&P 500 closed up over 20% for the year and had gains in every month of the year to send price-to-earnings ratios to record levels.

Like most consumers, our members seemed to be heartened by the favorable economic news. Loan demand remained strong throughout the year with total originations surpassing \$67 million. Leading the charge was automobile lending with total originations exceeding \$38 million. As the price of automobiles continues to escalate, our attractive interest rates and a variety of payment protection options provide excellent affordability and value. First and second mortgage loan originations exceeded \$18 million for the year. We offer a wide array of loan terms and payment options to fit almost any budget. Our noncommissioned, full service mortgage counselors are readily accessible to guide you through the origination process. The Credit Union also offers unsecured loans for all your personal needs. Unsecured, personal loan originations totaled a record \$11 million in 2017.

The success of our various loan programs is only made possible as a result of the \$344 million in total member deposits, including \$150 million in savings accounts, \$63 million in money market accounts and \$85 million in certificate of deposit accounts. Additionally, more than 12,000 members enjoy a checking account that comes with no minimum balance requirement, overdraft

protection and access to 55,000 surcharge-free ATMs. More than 11,000 members used our internet banking service and 4,000 members used our mobile banking program to process over \$20 million in electronic bill payments.

Both our Visa credit and debit programs provide exceptional value and convenience. During 2017, our members’ total Visa credit and debit sales increased to \$105 million and earned more than \$1.2 million in interchange revenue. Interchange revenue is continually reinvested in the card programs to provide added convenience and security. New this year, members can enroll their credit and debit cards in the Visa Alert system and receive notifications when their card is used for large dollar amount, international, internet or telephone purchases. Also new this year, our debit card program was improved with the offering of an emergency replacement card at any of our three locations and EMV enabled “chip” cards for added purchase protection.

The results highlighted in this report are made possible through the hard work of our wonderfully talented volunteers and staff. On July 5, 2017, we wished a very happy retirement to Gloria Zorn who served as Branch Manager of our Perry Hall location since it opened in 2003. Gloria will be fondly remembered for over 27 years of dedicated service and wise counsel to our members.

Whether you are looking for a safe and secure place to save or to borrow funds for a new home, home improvements or an automobile, we are honored to meet your financial needs. 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 10, 2018



Financial Report of 2017

The annual audit of the accounts and financial records of the Baltimore County Employees Federal Credit Union as of December 31, 2017, was conducted by the firm of Rowles & Company, LLP, Certified Public Accountants. The year-end financial statements, as of December 31, 2017, 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, 2017 and 2016, the summary statements of income, summary statements of changes in members' equity, and summary statements of cash flow 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, 2017 and 2016. We expressed an unmodified audit opinion on those audited financial statements in our report dated March 9, 2018.

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, 2017 and 2016, 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 9, 2018



Summary Balance Sheets

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION

As of December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 20,592,570	\$ 23,148,254
Loans to members, net	181,098,355	170,041,146
Investment securities available for sale	14,030,061	19,238,898
Investment securities held to maturity	145,415,316	139,548,094
Certificates of deposit in other financial institutions	7,092,000	11,260,000
National Credit Union Share Insurance Fund deposit	3,321,663	3,215,382
Property and equipment	3,920,209	4,080,288
Prepaid expenses and other assets	3,094,123	2,713,242
Total assets	\$ 378,564,297	\$ 373,245,304
Liabilities and Members' Equity		
Members' share accounts	\$ 344,243,941	\$ 340,479,109
Accrued expenses and other liabilities	3,445,555	2,916,620
Total liabilities	347,689,496	343,395,729
Members' equity		
Regular reserve	3,458,704	3,458,704
Undivided earnings	30,365,920	29,302,230
Equity of merged credit union	98,630	98,630
Accumulated other comprehensive income		
Funded status of defined benefit plan	(2,999,402)	(3,043,530)
Unrealized gain (loss) on investment securities available for sale	(49,051)	33,541
Total members' equity	30,874,801	29,849,575
Total liabilities and members' equity	\$ 378,564,297	\$ 373,245,304

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, 2017 and 2016

	2017	2016
Interest income		
Interest on loans	\$ 7,857,841	\$ 7,680,324
Interest on investments	2,558,833	2,267,878
	<u>10,416,674</u>	<u>9,948,202</u>
Interest expense		
Dividends on members' shares	1,529,109	1,613,195
Net interest income	8,887,565	8,335,007
Provision for loan losses	569,115	551,500
Net interest income after provision for loan losses	8,318,450	7,783,507
Noninterest income		
Card services	1,545,983	1,514,026
Share draft fees	715,766	689,416
Other	403,558	365,718
	<u>2,665,307</u>	<u>2,569,160</u>
Noninterest expenses		
Compensation and benefits	4,579,317	4,407,160
Office occupancy	668,807	668,935
Office operations	2,636,852	2,484,335
ATM operating expense	1,276,666	1,108,637
Other	758,425	637,538
	<u>9,920,067</u>	<u>9,306,605</u>
Net income	\$ 1,063,690	\$ 1,046,062

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Summary Statements of Changes in Members' Equity

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION
Years Ended December 31, 2017 and 2016

	Regular reserve	Undivided earnings	Accumulated other comprehensive income	Equity of merged credit union
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)	-
Balance, December 31, 2016	3,458,704	29,302,230	(3,009,989)	98,630
Net income	-	1,063,690	-	-
Defined benefit pension plan adjustment	-	-	44,128	-
Unrealized loss on investments available for sale	-	-	(82,592)	-
Balance, December 31, 2017	\$ 3,458,704	\$ 30,365,920	\$ (3,048,453)	\$ 98,630

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Summary Statements of Cash Flows

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Net income	\$ 1,063,690	\$ 1,046,062
Items not requiring (providing) cash		
Depreciation	359,973	356,664
Provision for loan losses	569,115	551,500
Increase in loan origination costs	(60,499)	(6,834)
Amortization of premiums and accretion of discounts, net	665,780	818,990
Gain on disposition of foreclosed real estate	-	(19,207)
Loans originated for sale	(1,323,995)	(5,924,073)
Proceeds from loans sold	1,337,552	5,684,658
(Increase) decrease in accrued interest and other assets	(381,638)	108,930
Increase (decrease) in accrued expenses and other liabilities	573,063	473,733
Net cash provided by operating activities	2,803,041	3,090,423
Cash flows from investing activities		
Loans made, net of principal collected	(11,565,825)	(2,710,668)
Purchase of investments available for sale	-	(1,012,680)
Proceeds from maturity or call of investments available for sale	5,000,000	7,000,000
Purchase of investments held to maturity	(37,703,772)	(58,306,887)
Proceeds from maturity or call of investments held to maturity	31,297,015	27,562,021
Net decrease in certificates of deposit	4,168,000	5,566,000
Purchase of property and equipment	(199,894)	(543,861)
Proceeds from disposition of foreclosed real estate	-	202,422
Increase in FHLB stock	(12,800)	(323,300)
Increase in NCUSIF fund	(106,281)	(113,964)
Net cash applied to investing activities	(9,123,557)	(22,680,917)
Cash flows from financing activities		
Increase in members' share accounts	3,764,832	12,571,922
Net decrease in cash and cash equivalents	(2,555,684)	(7,018,572)
Cash and cash equivalents, beginning of year	23,148,254	30,166,826
Cash and cash equivalents, end of year	\$ 20,592,570	\$ 23,148,254
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



Convenience Services

- Savings ATM Card
- Checking Services
- Statement Express
- Overdraft Protection with line of credit
- Courtesy Pay protection coverage
- VISA Debit 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



New and Used Vehicle Loans

Auto-Related Services:

- AutoSMART
- UBS – United Buying Service
- 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



Additional Lending Services

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

Specialty Loans

- Student Loans by Sallie Mae®
- Home Cash/Auto Cash
- Education/Computer
- Personal/Preferred Credit
- Share Secured
- Recreational Vehicle
- Vacation, Holiday, and more



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

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