

2018 ANNUAL REPORT

Helping **our**
members
achieve greater
financial security!



Your Finances. Our Promise.

Baltimore County Employees
Federal Credit Union

Welcome to our 56th Annual Meeting

Dear Fellow Members,

We are pleased to share with you our operating achievements for the year ended 2018. Like all financial institutions, our results are significantly impacted by the nation's economy and changes in interest rates. Economic activity in the United States remained healthy throughout most of the year as measured by a Gross Domestic Product above 3%, an unemployment rate of 4% and a consumer price index hovering near 2%. This positive outlook led the Federal Reserve Bank to increase interest rates four times during the course of the year.

As a result of the nation's upbeat economic environment, your Credit Union witnessed substantial loan growth in excess of \$23 million in 2018. Leading the surge was the demand for auto loans which grew by more than \$21 million as over 17.2 million light vehicles were sold in the United States last year. As interest rates increased throughout 2018, so too did mortgage rates. The steady rise in home loan rates, however, curtailed much of the mortgage refinance market. As a result, our mortgage loan growth was negligible for the year.

While the rise in interest rates dampened the mortgage market, higher rates lifted the return on our investment portfolio. In doing so, we were able to raise dividend rates across all of our deposit products including share savings, money market and certificate of deposit accounts. By the end of the year, total dividends increased 10% to more than \$1.6 million.

Helping our members achieve greater financial security is the primary goal of the Credit Union. The hallmark of this effort is our checking account program with *No* minimum balance requirements, *No* monthly maintenance fees, *No* monthly debit cards fees and *No* per check charges. We offer low-cost Overdraft Protection and free Online and Mobile Banking, with electronic Bill Pay. Members have access to 55,000 surcharge-free Allpoint ATMs and enjoy the ease of depositing a paper check with just a few taps on their smartphone. In addition, members who take advantage of our *Bonus Checking* program earn monthly patronage dividends and loan rebates.



Both our VISA credit and debit programs provide exceptional value and convenience. During 2018, our members' total VISA credit and debit sales increased to more than \$110 million and earned more than \$1.5 million in interchange revenue. Interchange revenue is continually reinvested in the card programs to provide added convenience and security. One of the many benefits of our VISA credit card is the CU Rewards Program where members earn points for every dollar charged on their card. Last year, close to \$200,000 worth of points were redeemed for travel, merchandise and gift cards.

New this year, we began offering a Reloadable Debit Card. Much like a gift card, money is placed on the reloadable card which can be used anywhere the VISA Logo is accepted. Funds can be added to the card periodically and you can withdraw cash *surcharge-free* at any MoneyPass ATM. The Reloadable card is ideal for making internet purchases, teaching teenagers the wise use of money, and buying merchandise when traveling. Members enjoy the safety of not carrying cash and the protection of being able to replace the card if it becomes lost or stolen.

The results highlighted in this report are made possible through the hard work of our wonderfully talented volunteers and staff. We consistently receive *high marks* for their professionalism in listening to your needs, answering your questions and addressing your concerns. In doing so, we continue to build lasting and rewarding relationships.

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 be your financial partner. 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 9, 2019



Financial Report of 2018

The annual audit of the accounts and financial records of the Baltimore County Employees Federal Credit Union as of December 31, 2018, was conducted by the firm of Rowles & Company, LLP, Certified Public Accountants. The year-end financial statements, as of December 31, 2018, 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, 2018 and 2017, 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, 2018 and 2017. We expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2019.

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, 2018 and 2017, 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 6, 2019

Summary Balance Sheets

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 14,205,131	\$ 20,592,570
Loans to members, net	204,606,033	181,098,355
Investment securities available for sale	7,932,984	14,030,061
Investment securities held to maturity	135,697,306	145,415,316
Certificates of deposit in other financial institutions	6,100,000	7,092,000
National Credit Union Share Insurance Fund deposit	3,437,236	3,321,663
Perpetual contributed capital	33,740	33,740
Federal Home Loan Bank stock	340,900	336,100
Loans held for sale	-	225,858
Accrued interest receivable	994,592	975,445
Property and equipment	4,043,139	3,920,209
Prepaid expenses and other assets	1,412,210	1,522,980
	<u>\$ 378,803,271</u>	<u>\$ 378,564,297</u>
Liabilities and Members' Equity		
Members' share accounts	\$ 343,112,388	\$ 344,243,941
Net pension liability	1,059,394	1,121,055
Official checks payable	306,242	392,813
Accrued expenses and other liabilities	1,912,871	1,931,687
	<u>346,390,895</u>	<u>347,689,496</u>
Members' equity		
Regular reserve	3,458,704	3,458,704
Undivided earnings	31,894,993	30,365,920
Equity of merged credit union	98,630	98,630
Accumulated other comprehensive income (loss)		
Defined benefit pension plan	(2,964,547)	(2,999,402)
Unrealized loss on investment securities available for sale	(75,404)	(49,051)
	<u>32,412,376</u>	<u>30,874,801</u>
Total members' equity	<u>\$ 378,803,271</u>	<u>\$ 378,564,297</u>
Total liabilities and members' equity	<u>\$ 378,803,271</u>	<u>\$ 378,564,297</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 Income

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Interest income		
Interest on loans	\$ 8,497,616	\$ 7,857,841
Interest on investments	2,892,985	2,558,833
	<u>11,390,601</u>	<u>10,416,674</u>
Interest expense		
Dividends on members' shares	1,769,860	1,529,109
Borrowed funds	37	-
	<u>1,769,897</u>	<u>1,529,109</u>
Net interest income	9,620,704	8,887,565
Provision for loan losses	<u>891,600</u>	<u>569,115</u>
Net interest income after provision for loan losses	<u>8,729,104</u>	<u>8,318,450</u>
Noninterest income		
Card services	1,615,120	1,545,983
Share draft fees	724,557	715,766
Rental income	86,406	93,000
Other	547,033	310,558
	<u>2,973,116</u>	<u>2,665,307</u>
Noninterest expenses		
Compensation and benefits	4,853,554	4,579,317
Office occupancy	680,192	668,807
Office operations	2,717,190	2,636,852
Education and promotion	291,171	280,919
ATM operating expense	1,115,146	1,276,666
Other	515,894	477,506
	<u>10,173,147</u>	<u>9,920,067</u>
Net income	<u>\$ 1,529,073</u>	<u>\$ 1,063,690</u>

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Summary Statements of Changes in Members' Equity

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION Years Ended December 31, 2018 and 2017

	Regular reserve	Undivided earnings	Accumulated other comprehensive income (loss)	Equity of merged credit union
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
Net income	-	1,529,073	-	-
Defined benefit pension plan adjustment	-	-	34,855	-
Unrealized loss on investments available for sale	-	-	(26,353)	-
Balance, December 31, 2018	\$ 3,458,704	\$ 31,894,993	\$ (3,039,951)	\$ 98,630

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Summary Statements of Cash Flows

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Net income	\$ 1,529,073	\$ 1,063,690
Reconciliation of net income to net cash provided by operating activities		
Depreciation	337,740	359,973
Provision for loan losses	891,600	569,115
Increase in loan origination costs	(196,681)	(60,499)
Amortization of premiums and accretion of discounts, net	414,827	665,780
Mortgage loans originated for sale	(1,454,927)	(1,323,995)
Proceeds from mortgage loans sold	1,680,785	1,337,552
(Increase) decrease in accrued interest and other assets	91,623	(381,638)
Increase (decrease) in accrued expenses, pension liability, and other liabilities	(132,193)	573,063
Net cash provided by operating activities	<u>3,161,847</u>	<u>2,803,041</u>
Cash flows from investing activities		
Loans made, net of principal collected	(24,202,597)	(11,565,825)
Proceeds from maturity or call of investments available for sale	6,000,000	5,000,000
Purchase of investments held to maturity	(18,394,902)	(37,703,772)
Proceeds from maturity, paydown, or call of investments held to maturity	27,768,809	31,297,015
Net decrease in certificates of deposit	992,000	4,168,000
Purchase of property and equipment	(460,670)	(199,894)
Increase in FHLB stock	(4,800)	(12,800)
Increase in NCUSIF capitalization deposit	(115,573)	(106,281)
Net cash applied to investing activities	<u>(8,417,733)</u>	<u>(9,123,557)</u>
Cash flows from financing activities		
Increase (decrease) in members' share accounts	(1,131,553)	3,764,832
Net decrease in cash and cash equivalents	(6,387,439)	(2,555,684)
Cash and cash equivalents, beginning of year	<u>20,592,570</u>	<u>23,148,254</u>
Cash and cash equivalents, end of year	<u>\$14,205,131</u>	<u>\$20,592,570</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 & 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

Specialty Loans

- Student Loans by Sallie Mae®
- 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
- 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 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
- Payment Protection

Special Services

- Money Orders
- Notary Public
- Postage Stamps
- VISA Gift Cards
- Reloadable Debit Card
- Coin Counting Machine
- Discounted Movie Passes
- Discounted Theme Park Tickets
- Scholarship Program



Your Finances. Our Promise.

Baltimore County Employees
Federal Credit Union

www.bcefcu.com

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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

