

2019 ANNUAL REPORT

Baltimore County  Employees
Federal Credit Union



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

Welcome to our 57th Annual Meeting

Dear Fellow Members,

We are pleased to share with you our operating results for the year-ended 2019. Like all financial institutions, our results are significantly impacted by the level of economic activity and changes in interest rates. The year began with US treasury rates on the rise and the Gross Domestic Product above three (3) percent. Unfortunately, the momentum could not be sustained and by year-end both US treasury rates and the Gross Domestic Product had declined one (1) percent.

The positive economic developments included a decrease in the unemployment rate from 3.9% to 3.5%, a four (4) percent increase in disposable income and an eight (8) percent increase in personal savings. The Credit Union was a beneficiary of the increase in personal savings as total member deposits rose six (6) percent to more than \$364 million dollars. And despite the decrease in US treasury rates, we were able to increase member dividends more than thirty (30) percent to \$2.6 million. Both the strong growth in member deposits and increase in member dividends led total assets to exceed \$400 million dollars for the first time.

The decline in Gross Domestic Product was partly the result of a two (2) percent drop in US auto sales. Likewise, the Credit Union experienced a similar decline in its automobile portfolio. The decline in US treasury rates also resulted in a decline in mortgage rates which led to an eleven (11) percent increase in our first mortgage portfolio. The first mortgage portfolio was also stimulated by the unique 15/15 adjustable rate mortgage whereby the interest rate adjusts one time after fifteen years. For the first fifteen years, the borrowers enjoy a lower interest rate than the traditional thirty-year fixed rate mortgage. The 15/15 first mortgage has been very popular with those members who plan on being in their homes less than fifteen years. For the year 2019, first mortgage loan originations surpassed \$10 million dollars and total loan originations exceeded \$70 million dollars.



The rapid adoption of new technology and demand for member convenience is often juxtapose to the need for information security to protect against privacy and data breaches. In order to meet this challenge, the Credit Union has invested close to one million dollars in a technology plan consistent with the goal to improve the member experience. The technology plan includes improvements to our infrastructure, business systems and continuity plans. It includes upgrades to our home and mobile banking services, as well as new mobile apps that will provide credit and debit cardholders with fraud alerts and controls.

Both our VISA credit and debit programs provide exceptional value and convenience. For the year, our members' total VISA credit and debit sales increased to more than \$114 million and earned more than \$1.6 million in interchange revenue. Interchange revenue is continually reinvested in the card programs to provide added member benefits. One of the many benefits of our VISA credit card is the CU Rewards Program where members earn points for every dollar spent using their card. Last year, members redeemed more than \$220,000 points for travel, merchandise, gift cards and *CASH* – the latest addition to our program that offers a cash deposit into your account or payment to your credit card.

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 the personalized service they provide in a friendly and trustworthy manner. 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 7, 2020



Financial Report of 2019

The annual audit of the accounts and financial records of the Baltimore County Employees Federal Credit Union as of December 31, 2019, was conducted by the firm of Rowles & Company, LLP, Certified Public Accountants. The year-end financial statements, as of December 31, 2019, 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, 2019 and 2018, 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, 2019 and 2018. We expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2020.

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, 2019 and 2018, 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, 2020

Summary Balance Sheets

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION As of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 25,866,521	\$ 14,205,131
Loans to members, net	207,658,004	204,606,033
Investment securities available for sale	9,758,434	7,932,984
Investment securities held to maturity	144,337,397	135,697,306
Certificates of deposit in other financial institutions	4,364,000	6,100,000
National Credit Union Share Insurance Fund deposit	3,484,753	3,437,236
Perpetual contributed capital	33,740	33,740
Federal Home Loan Bank stock	341,100	340,900
Accrued interest receivable	1,130,701	994,592
Property and equipment	3,969,527	4,043,139
Prepaid expenses and other assets	1,408,245	1,412,210
	<u>\$ 402,352,422</u>	<u>\$ 378,803,271</u>
Liabilities and Members' Equity		
Members' share accounts	\$ 364,909,833	\$ 343,112,388
Net pension liability	1,458,976	1,059,394
Official checks payable	233,660	306,242
Accrued expenses and other liabilities	1,700,797	1,912,871
	<u>368,303,266</u>	<u>346,390,895</u>
Members' equity		
Regular reserve	3,458,704	3,458,704
Undivided earnings	33,589,683	31,894,993
Equity of merged credit union	98,630	98,630
Accumulated other comprehensive income (loss)		
Defined benefit pension plan	(3,119,848)	(2,964,547)
Unrealized gain (loss) on investment securities available for sale	21,987	(75,404)
	<u>34,049,156</u>	<u>32,412,376</u>
Total members' equity	<u>34,049,156</u>	<u>32,412,376</u>
Total liabilities and members' equity	<u>\$ 402,352,422</u>	<u>\$ 378,803,271</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Interest income		
Interest on loans	\$ 9,419,781	\$ 8,497,616
Interest on investments	2,979,567	2,892,985
	<u>12,399,348</u>	<u>11,390,601</u>
Interest expense		
Dividends on members' shares	2,619,156	1,769,860
Borrowed funds	1	37
	<u>2,619,157</u>	<u>1,769,897</u>
Net interest income	9,780,191	9,620,704
Provision for loan losses	<u>768,335</u>	<u>891,600</u>
Net interest income after provision for loan losses	<u>9,011,856</u>	<u>8,729,104</u>
Noninterest income		
Card services	1,692,389	1,615,120
Share draft fees	741,513	724,557
Rental income	81,115	86,406
Gain on sale of loans	33,392	33,807
Other	338,666	513,226
	<u>2,887,075</u>	<u>2,973,116</u>
Noninterest expense		
Compensation and benefits	4,936,685	4,853,554
Office occupancy	687,203	680,192
Office operations	2,604,414	2,717,190
Education and promotion	302,860	291,171
ATM operating expense	1,151,715	1,115,146
Other	521,364	515,894
	<u>10,204,241</u>	<u>10,173,147</u>
Net income	<u>\$ 1,694,690</u>	<u>\$ 1,529,073</u>

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Summary Statements of Changes in Members' Equity

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION Years Ended December 31, 2019 and 2018

	Regular reserve	Undivided earnings	Accumulated other comprehensive income (loss)	Equity of merged credit union
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
Net income	-	1,694,690	-	-
Defined benefit pension plan adjustment	-	-	(155,301)	-
Unrealized gain on investments available for sale	-	-	97,391	-
Balance, December 31, 2019	\$ 3,458,704	\$ 33,589,683	\$ (3,097,861)	\$ 98,630

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Summary Statements of Cash Flows

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Net income	\$ 1,694,690	\$ 1,529,073
Reconciliation of net income to net cash provided by operating activities		
Depreciation	320,905	337,740
Provision for loan losses	768,335	891,600
Increase in loan origination costs	3,865	(196,681)
Amortization of premiums and accretion of discounts, net	184,650	414,827
Gain on sale of loans	(33,392)	(33,807)
Mortgage loans originated for sale	(4,064,724)	(2,097,033)
Proceeds from mortgage loans sold	4,098,116	2,356,698
(Increase) decrease in accrued interest and other assets	(132,144)	91,623
Decrease in accrued expenses, pension liability, and other liabilities	(40,376)	(132,193)
Net cash provided by operating activities	<u>2,799,925</u>	<u>3,161,847</u>
Cash flows from investing activities		
Loans made, net of principal collected	(3,824,171)	(24,202,597)
Purchase of investments available for sale	(6,750,710)	-
Proceeds from maturity or call of investments available for sale	5,000,000	6,000,000
Purchase of investments held to maturity	(36,948,896)	(18,394,902)
Proceeds from maturity, paydown, or call of investments held to maturity	28,146,806	27,768,809
Net decrease in certificates of deposit	1,736,000	992,000
Purchase of property and equipment	(247,292)	(460,670)
Increase in FHLB stock	(200)	(4,800)
Increase in NCUSIF capitalization deposit	(47,517)	(115,573)
Net cash applied to investing activities	<u>(12,935,980)</u>	<u>(8,417,733)</u>
Cash flows from financing activities		
Increase (decrease) in members' share accounts	21,797,445	(1,131,553)
Net increase (decrease) in cash and cash equivalents	11,661,390	(6,387,439)
Cash and cash equivalents, beginning of year	14,205,131	20,592,570
Cash and cash equivalents, end of year	<u>\$25,866,521</u>	<u>\$ 14,205,131</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
- QuickTeller – Audio Response, On-Line Account Access, and Bill Payment
- Mobile Banking/Mobile Deposit/BCCU Mobile app
- 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 Debit Card/BCCU Debit app
- VISA Platinum Credit Card with CU Rewards and No Annual Fee
- VISA Online/BCCU Credit app

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

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NCUA

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

