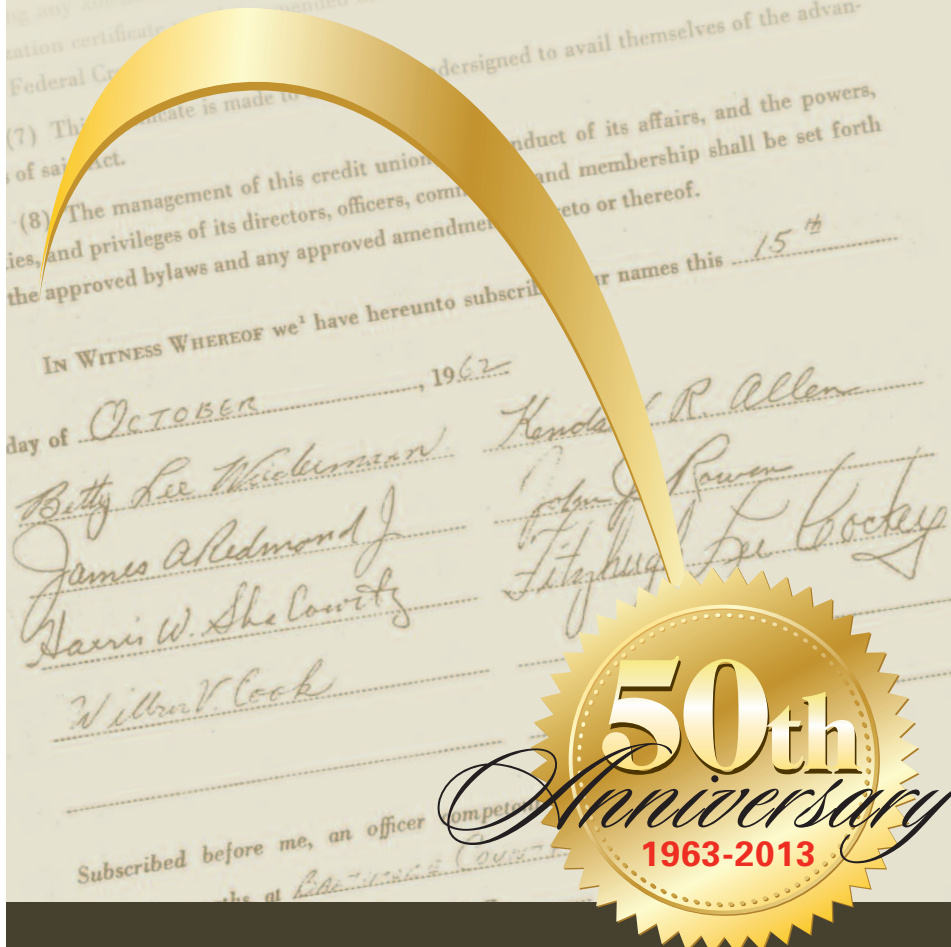


# Annual Report 2013

A HALF-CENTURY OF  
SERVING OUR MEMBERS



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

BALTIMORE COUNTY  
EMPLOYEES FEDERAL  
CREDIT UNION

# Welcome To Our 51<sup>st</sup> Annual Meeting

Dear Fellow Members,

The Credit Union was honored to celebrate fifty years of service to you, our loyal members, in 2013. We were not the only organization in a celebratory mood as our hometown Baltimore Ravens won Super Bowl XLVII. Not all happenings last year were pleasant, as the world mourned the passing of former British Prime Minister, Margaret Thatcher, and former South African President, Nelson Mandela. While these different events brought about a mix of emotions, they can serve to remind us that, through hard work and determination, we can prevail over a myriad of obstacles.

It is our fervent hope and desire that 2013 will also be remembered as the year the United States economy began to rise above the 2008 financial crisis. In fact, the early signs of recovery are promising as home values have started to rise, the stock markets had a very good year, and long-term interest rates have crept higher.

Here at your Credit Union, we have witnessed the positive effects of these changes, as an increase in the demand for vehicle and home equity financing offset the decrease in the number of members refinancing their first mortgage loans. As a result, total annual loan disbursements approached \$50 million.

Our Visa debit and credit card programs also continued to increase in popularity. For the year ended 2013, total debit sales increased 8% and total credit sales increased 4% to a combined total of more than \$90 million.

Another positive sign pointing toward recovery was the decrease in the number of delinquent and charged-off loans. As of December 31, 2013, the combined total of delinquent and charged-off loans fell 14% when compared to the year-end numbers for 2012.

The small rise in long-term interest rates that took place during the second half of 2013 was not accompanied by a corresponding rise in short and medium term interest rates. As a result, most members continue to place their money in savings and money market accounts rather than certificates of deposit. By December 31, 2013, total member share deposits increased to more than \$299 million.

More than 12,000 members continue to enjoy the benefits of a Credit Union checking account. Our checking account is a great value with no minimum balance requirement, no monthly maintenance fee and a free Visa SmartCash debit card with access to more than 50,000 surcharge-free Automated Teller Machines (ATMs).

Our convenient QuickTeller internet banking service is now used by more than 7,000 members to conduct balance inquiries, view account balances, transfer funds and pay bills electronically. In the fourth quarter of 2013, we processed more than \$3 million in bill payments. Mobile banking is our latest enhancement in convenience. Early adoption of this service has been terrific as the number of users doubled during 2013. Look for further advances in convenience in 2014.

As 2013 came to a close, our long-time friend and volunteer, Lawrence "Larry" Huber, retired after more than 40 years of service to the Credit Union. Larry is one of many volunteers who have contributed to the growth and stability of the Credit Union during its first fifty years of service to the membership.

On behalf of all of our dedicated and selfless volunteers and employees, we thank you, for your continued support of the Credit Union and we invite your family members and colleagues to enjoy the benefits of credit union membership.

**Douglas L. Burgess**

*Board Chair*

**David P. Hagar**

*President*

April 8, 2014



# Financial Report of 2013

The annual audit of the accounts and financial records of the Baltimore County Employees Federal Credit Union as of December 31, 2013, was conducted by the firm of Rowles & Company, LLP, Certified Public Accountants. The year-end financial statements, as of December 31, 2013, 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, 2013 and 2012, the summary statements of income, summary statements of changes in members' equity, and summary statements of cash flows 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, 2013 and 2012. We expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2014.

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, 2013 and 2012, 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 10, 2014

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION

Summary Balance Sheets

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 13,886,044	\$ 19,342,473
Loans to members, net	147,277,657	147,131,152
Investment securities available for sale	21,874,483	15,731,817
Investment securities held to maturity	123,614,436	118,233,359
Certificates of deposit in other financial institutions	11,893,000	13,479,000
National Credit Union Share Insurance Fund deposit	2,944,094	2,844,438
Property and equipment	4,183,328	4,241,281
Prepaid expenses and other assets	<u>2,821,094</u>	<u>2,715,596</u>
Total assets	<u>\$ 328,494,136</u>	<u>\$ 323,719,116</u>
<b>Liabilities and Members' Equity</b>		
Members' share accounts	\$ 299,262,501	\$ 294,777,719
Accrued expenses and other liabilities	<u>1,379,926</u>	<u>2,478,122</u>
Total liabilities	<u>300,642,427</u>	<u>297,255,841</u>
Members' equity		
Regular reserve	3,458,704	3,458,704
Undivided earnings	26,102,448	25,202,558
Accumulated other comprehensive income	<u>(1,709,443)</u>	<u>(2,197,987)</u>
Total members' equity	<u>27,851,709</u>	<u>26,463,275</u>
Total liabilities and members' equity	<u>\$ 328,494,136</u>	<u>\$ 323,719,116</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.*

BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION

Summary Statements of Income

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Interest income</b>		
Interest on loans	\$ 7,206,291	\$ 7,735,985
Interest on investments	<u>2,232,589</u>	<u>2,500,903</u>
	9,438,880	10,236,888
<b>Interest expense</b>		
Dividends on members' shares	<u>2,065,982</u>	<u>3,011,029</u>
Net interest income	7,372,898	7,225,859
<b>Provision for loan losses</b>	<u>662,000</u>	<u>591,500</u>
Net interest income after provision for loan losses	<u>6,710,898</u>	<u>6,634,359</u>
<b>Noninterest income</b>		
Card services	1,392,648	1,322,073
Share draft fees	683,336	686,570
Rental income	106,960	107,603
Other	<u>516,541</u>	<u>593,024</u>
	<u>2,699,485</u>	<u>2,709,270</u>
<b>Noninterest expenses</b>		
Compensation and benefits	3,868,377	3,917,923
Office occupancy	649,771	631,745
Office operations	2,093,866	2,040,892
Education and promotion	184,508	167,891
ATM operating expense	819,427	752,026
NCUSIF stabilization	235,527	270,222
Other	<u>659,017</u>	<u>695,436</u>
	<u>8,510,493</u>	<u>8,476,135</u>
<b>Net income</b>	<u>\$ 899,890</u>	<u>\$ 867,494</u>

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**BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION**  
**Summary Statements of Changes in Members' Equity**  
Years Ended December 31, 2013 and 2012

	Regular reserve	Undivided earnings	Accumulated other comprehensive income
Balance, December 31, 2011	\$ 3,458,704	\$ 24,335,064	\$ (2,410,748)
Net income	-	867,494	-
Defined benefit plan adjustment	-	-	155,743
Unrealized gains on investments available for sale	-	-	57,018
Balance, December 31, 2012	3,458,704	25,202,558	(2,197,987)
Net income	-	899,890	-
Defined benefit plan adjustment	-	-	660,861
Unrealized loss on investments available for sale	-	-	(172,317)
<b>Balance, December 31, 2013</b>	<b><u>\$ 3,458,704</u></b>	<b><u>\$ 26,102,448</u></b>	<b><u>\$ (1,709,443)</u></b>

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**BALTIMORE COUNTY EMPLOYEES FEDERAL CREDIT UNION**  
**Summary Statements of Cash Flows**  
Years Ended December 31, 2013 and 2012

	2013	2012
<b>Cash flows from operating activities</b>		
Net income	\$ 899,890	\$ 867,494
<b>Items not requiring (providing) cash</b>		
Depreciation	280,636	245,976
Provision for loan losses	662,000	591,500
Amortization of loan origination costs	447	71,859
Amortization of premiums and accretion of discounts, net (Gain) loss on disposition of property and equipment	1,302,908	1,232,903
Loans originated for sale	944	(311)
Cash from loans sold	(4,719,585)	(2,017,848)
(Increase) decrease in accrued interest and other assets	4,244,242	2,017,848
Increase (decrease) in accrued expenses and other liabilities	369,845	(531,024)
	<u>(437,335)</u>	<u>(351,245)</u>
Net cash provided by operating activities	<u>2,603,992</u>	<u>2,127,152</u>
<b>Cash flows from investing activities</b>		
Loans made, net of principal collected	(808,952)	1,913,207
Purchase of investments available for sale	(7,516,417)	(9,301,620)
Proceeds from maturity or call of investments available for sale	1,000,000	4,000,000
Purchase of investments held to maturity	(33,602,567)	(38,739,843)
Proceeds from maturity or call of investments held to maturity	27,120,016	23,002,795
Net decrease in certificates of deposit	1,586,000	1,672,000
Purchase of property and equipment	(223,627)	(382,921)
Proceeds from disposition of property and equipment	-	1,000
Increase in NCUSIF fund	(99,656)	(152,939)
Net cash applied to investing activities	<u>(12,545,203)</u>	<u>(17,988,321)</u>
<b>Cash flows from financing activities</b>		
Increase in members' share accounts	4,484,782	16,389,045
Net increase (decrease) in cash and cash equivalents	(5,456,429)	527,876
Cash and cash equivalents, beginning of year	<u>19,342,473</u>	<u>18,814,597</u>
Cash and cash equivalents, end of year	<u>\$ 13,886,044</u>	<u>\$ 19,342,473</u>

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# Member 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



## Loan Products/Services

### 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”

### Mortgage Loans –

- For the purchase or refinance of a home



## Specialty Loans

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



## Additional Lending Services

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



## 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
- Credit Union ATMs – *Towson and Perry Hall*
- ATM Network Affiliations featuring over 50,000 no-surcharge Allpoint ATMs
- Direct Deposit / Payroll Deduction
- Automatic Transfer – payroll deduction for our non-county government members
- 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

## 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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