



forward together.



ANNUAL REPORT 2020

Who We Are

The Ohio Educational Credit Union (OHecu) is a full-service, not-for-profit financial institution.

Our goal is to recognize and understand the unique financial needs of our individual members and fulfill those needs through a variety of diversified products and services.

The credit union founding principle of “people helping people” is what sets us apart from other financial institutions.

Credit unions have members – not customers. When you join OHecu, you become a member and have a share of ownership.



OHecu and other credit unions exist to serve and benefit its members. We offer the same products, services and conveniences that you would find at a typical bank – often with lower fees and better interest rates.

Most banks on the other hand are “for-profit” and therefore, their primary objective is to increase profits for its investors.

OHecu is chartered by the State of Ohio to provide its member-owners with the financial security, flexibility and convenience necessary in today’s busy and everchanging world with all member deposits insured by American Share Insurance up to \$250,000 per account.

Whom We Serve

We now serve a variety of individuals including students, alumni, employees and retirees from primary and secondary schools, universities, teaching hospitals and public and private trade schools throughout Ohio.

We also serve those employed by select businesses, manufacturers, community service organizations, home healthcare providers, day-care services and arts organizations. Ever mindful of our goal of establishing and enhancing our members' financial well-being, we cater to the individual needs of our members and their families.

We've been here awhile...

It's hard to believe it's been nearly 88 years since the May 1933 incorporation of The Cleveland Teachers Credit Union, now known as OHecu.

Over the years we've served our members based on the fundamental principle of a financial cooperative "People helping People." Initially, we provided services for employees and family members of the Cleveland Public School System. Changes to our charter allow us to now offer membership to a much more diverse group.

Everyone at OHecu brings with them a wealth of experience that helps form a forwardthinking team that provides for the quality services our members enjoy. We continue invest in developing our employees and services to assist our members in building their financial futures.



Membership Services

To assist our members, we provide quality financial services for all stages of their lives. Our members enjoy the convenience and security of dealing with a reliable, established organization of financial specialists to assist them in the best way possible

Deposit products

Regular Savings Accounts
Share Draft (Checking) Accounts
Money Market Accounts
Term Certificates
Individual Retirement Accounts (IRA)

Special Savings Accounts

Holiday Savings
Vacation Savings
Summer Reserve Pay

Loan products

New & Used Auto Loans
Auto Loan Refinancing
Credit Cards
Boat & Recreational Vehicle Loans
First Mortgage Loans
Home Equity Lines of Credit
Personal Loans

Convenience services

Member Service Center
Online & Mobile Banking
Remote Deposit
Member Service Center
Budgeting Tools
Online Bill Pay
Access to a Large Network
of Surcharge Free ATMs
"Toni" The Touch-Tone Teller
Shared Branching through the
CO-OP Shared Branching Network
Identity Theft Monitoring and
Resolution Service
Insurance Products



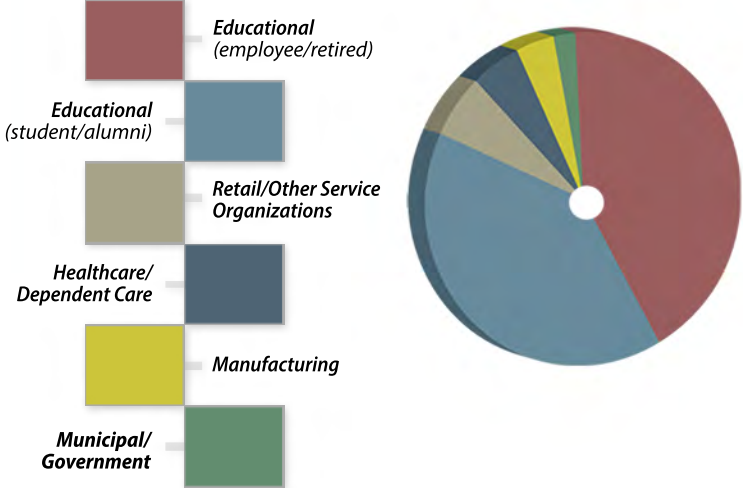
A Brief Overview

Our membership represents many diverse professions with education being the largest.

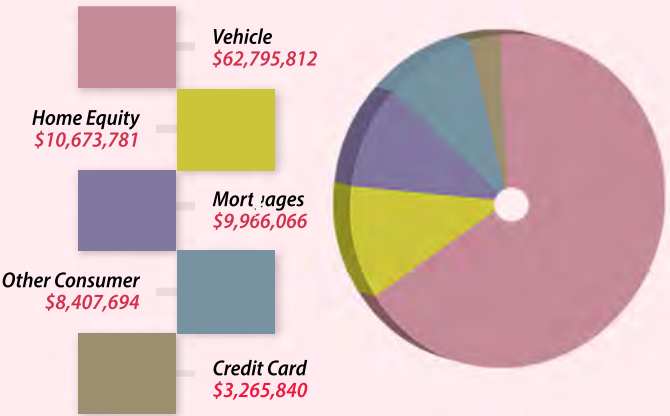
We're proud of our strength and financial stability and that throughout our 88-year history we've been faithful to our fundamental principle of "People helping People."



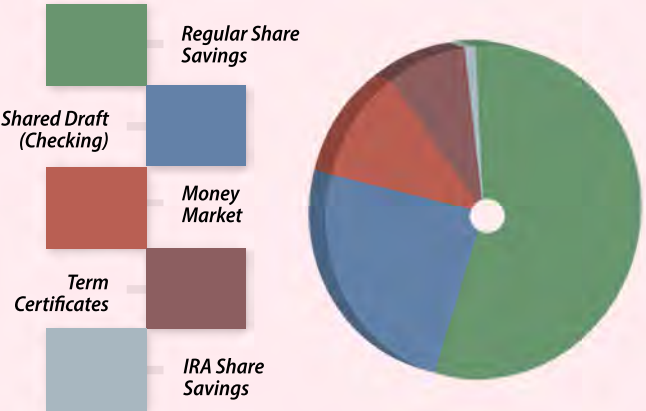
Member Diversity



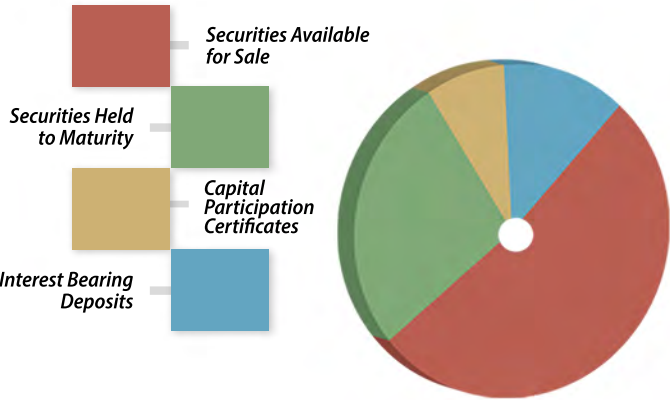
Loan Portfolio (2020)



Deposit Portfolio (2020)



Investment Portfolio (2020)



Report of the President

The events of 2020 affected our members in many ways. The Ohio Educational Credit Union worked tirelessly to assist our member during these challenging times. The Credit Union maintains contingency plans to manage through various disruptions, including pandemics. These plans were implemented, as needed, during the Pandemic. The Credit Union was there to meet the financial service needs of our membership while complying with the various regulatory and health order requirements.

The Credit Union for many years has invested in new technology to provide electronic service conveniences for the membership. These ongoing investments proved to be beneficial when early Pandemic restrictions moved many service delivery methods to a remote environment. One example includes the Credit Unions home/mobile services platform. Many members began to use these existing conveniences more frequently.

A second example is the electronic delivery of documents. The Credit Union experienced strong growth in vehicle loans during 2020. Many of these loans were originated utilizing electronic delivery of documents. Third, the Credit Union expanded its loan payment skip/deferment program to assist members that experienced employment disruptions during the Pandemic. These are only three examples of the many thing your Credit Union did to assist our membership. We remain true to the credit union movement's philosophy of "People Helping People."

The financial position of the Credit Union is strong, and we continue to deliver exceptional value to the membership. The report of the Treasurer and Chief Executive Officer provides specifics on the continued financial performance of the Credit Union.

OHecu membership represents many diverse professions as well as an active student base working to build their futures. Forty percent (40%) of the membership consists of current students and alumni of schools in Ohio, 43% are employed or retired from Ohio schools and 17% come from other service organizations, including health/dependent care, manufacturing, retail and government organizations.

The continued support of the membership has enabled OHecu to meet the expanding financial service needs of the membership. We are committed to continue providing personal service and the high-quality financial products that deliver exceptional value to the membership. While the post-pandemic economy and member service needs may be different, your Credit Union is ready to meet your changing financial needs. On behalf of the Board of Directors, we thank you for the support you provide your Credit Union.

Respectfully submitted,

Tony H. Smith, Sr.
President of the Board of Directors



Report of the Treasurer and Chief Executive Officer

The Ohio Educational Credit Union (OHeCU) continued to serve its membership through the Pandemic related challenges experienced through 2020. One of the most significant changes is the net growth in deposit balances. Member deposits grew by \$16.7 million, which represents a 14.8% growth rate. Member deposits grew from a combination of reduced member spending and the influx of Federal stimulus payments. Member deposits grew to \$129,593,620 on December 31, 2020. The mix of member deposits includes regular savings representing 56% of all deposits and term certificates representing 8%. The transaction account services, which include checking and money market accounts, represent 35% of all deposits and the remaining 1% is in IRA savings.

Members' equity decreased by a net \$5,393 during 2020, with a decrease of \$262,269 from operations and an increase of \$256,876 from the change in market value of available for sale investments. The equity ratio decreased to 6.9% due to the rapid increase in deposits during 2020.

The Pandemic impacted member transaction and borrowing activity, both of which reduced revenue to the Credit Union. Market rate reductions negatively impacted earnings on investments. A net operating loss of \$262,269 was realized during 2020. Net interest income after provision expense decreased by \$108,720 from 2019 to 2020. Fee income for the same period decreased by \$578,451. Adjustments to operations were made to reduce expenses by \$293,384, partially offsetting the reduction in revenue.

The loan portfolio remains well-diversified and well-positioned to manage interest rate risk. Loans outstanding to members consist of 66% new and used vehicles, 10% closed-end mortgages, 11% home equity lines-of-credit, 3% credit cards, and 9% in other consumer loans. Approximately 89% of the loan portfolio is collateralized loans. Net loan losses in 2020 decreased by 52% from 2019 and the net provision for loan loss expense in 2020 was \$318,639 lower in 2020. The Credit Union continues to maintain adequate reserves to cover potential losses.

Member deposits that are not immediately used to fund loan demand are prudently invested in a well-diversified investment portfolio. The portfolio represents 20% of total assets and consists of interest-bearing deposits with insured financial institutions (13%), securities available for sale (52%), securities held to maturity (27%) and capital participation certificates (8%). The portfolio is recorded at market value monthly and is showing an unrealized gain of \$256,876.

Respectfully submitted,

Mario Danese
Treasurer

Jerome Valco
Chief Executive Officer



Credit Committee Report

The Credit Committee meets monthly to review credit applications that are outside of normal guidelines, evaluate loan portfolio performance and monitor lending practices to help ensure compliance with lending regulations and the Credit Union's loan policy. Loan applications that have been denied were shared with the Committee on a weekly basis. The Credit Committee also reviewed all special lending products and made appropriate recommendations to the Board of Directors.

Outstanding loan balances increased during 2020 from \$91.4 million to \$94.7 million. New loan advances placed in the portfolio during the year were \$45.1 million. Loan originations slowed from historic levels during the early months of the Pandemic when many stay-at-home orders were active. Vehicle lending was very strong in the third and fourth quarter and contributed to the overall growth in the portfolio. The Credit Union is maintaining an adequate mix of fixed and variable rate real estate loans. The portfolio contains 66% in new and used vehicle loans, 10% in closed-end mortgages, 11% in home equity lines-of-credit, 3% in credit card lending, and 9% in other consumer loans. Approximately 89% of the loan portfolio is in collateralized loans.

The loan portfolio continues to perform well with 99.7% of outstanding loan balances receiving regularly scheduled payments. Loan write-offs, net of recoveries during 2020 improved by \$125,372 from 2019. Required funding to the loan loss reserve was \$318,639 less in 2020 than the prior year due to lower loan delinquency. The loan loss reserves are being maintained at a level sufficient to meet any losses associated with non-performing loans. The Credit Union has worked closely with the membership during the Pandemic and continues to manage long-term delinquencies and removing those obligations from our portfolio.

Respectfully submitted,

Mark Bates
Chairperson



Independent Auditor's Report



To the Board of Directors and Audit Committee of The Ohio Educational Credit Union

We have audited the accompanying financial statements of The Ohio Educational Credit Union, which comprise the statements of financial condition as of December 31, 2020 and 2019, and the related statements of operations, comprehensive income (loss), members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ohio Educational Credit Union as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years

A handwritten signature in blue ink that reads "Doeren Mayhew".

Troy, Michigan
February 12, 2021



Statements of Financial Condition

December 31, 2020 and 2019



<u>Assets</u>	<u>2020</u>	<u>2019</u>
Cash and due from financial institutions	\$ 2,050,861	\$ 1,128,262
Federal funds sold	11,229,602	5,570,847
Total cash and cash equivalents	13,280,463	6,699,109
Interest bearing deposits	3,477,249	4,473,738
Investment securities (note 2):		
Available-for-sale debt	14,545,229	10,532,858
Held-to-maturity debt	7,539,030	2,894,868
Loans held-for-sale	-	708,194
Loans to members, net of allowance for loan losses (notes 3 and 8)	94,749,244	91,379,632
Accrued interest receivable	363,648	417,654
Property and equipment (note 4)	1,139,151	1,098,069
Share insurance deposit	1,467,613	1,466,369
Capital share deposits	2,232,960	2,232,960
Other assets	1,442,112	1,322,542
Total assets	<u>\$ 140,236,699</u>	<u>\$ 123,225,993</u>
<u>Liabilities and Members' Equity</u>		
Liabilities:		
Members' shares and savings accounts (note 6)	\$ 129,593,620	\$ 112,893,287
Accounts payable and other accrued liabilities	992,430	676,664
Total liabilities	130,586,050	113,569,951
Commitments and contingent liabilities (note 9)		
Members' equity - substantially restricted (note 7)		
Appropriated statutory	3,699,194	3,699,194
Undivided earnings	5,719,576	5,981,845
Accumulated other comprehensive income (loss)	231,879	(24,997)
Total members' equity	9,650,649	9,656,042
Total liabilities and members' equity	<u>\$ 140,236,699</u>	<u>\$ 123,225,993</u>

Statements of Operations

December 31, 2020 and 2019

	2020	2019
Interest income:		
Loans receivable	\$ 3,796,577	\$ 4,079,768
Investments:		
Federal funds sold	32,408	172,616
Non-negotiable certificates of deposit	74,329	90,064
Investment securities	283,076	301,573
Total investment interest	389,813	564,253
income Total interest income	4,186,390	4,644,021
Interest expense:		
Interest and dividends on members' shares and savings accounts	144,254	168,525
Net interest income	4,042,136	4,475,496
Provision for loan losses	126,507	451,147
Net interest income after provision for loan losses	3,915,629	4,024,349
Non-interest income:		
Fees and charges	1,687,618	2,271,583
Interchange fees	587,895	591,496
Other	178,169	169,054
Total non-interest income	2,453,682	3,032,133
Non-interest expenses:		
Compensation and benefits	2,893,055	3,045,200
Office operations	864,486	914,614
Data and product services	2,101,766	2,173,195
Occupancy	581,616	504,764
Member education and promotion	94,517	142,499
Professional fees	58,580	109,408
Other	37,560	35,284
Total non-interest expenses	6,631,580	6,924,964
Net (loss) income	\$ (262,269)	\$ 131,518



Statements of Members' Equity

Years Ended December 31, 2020 and 2019

	Appropriated Statutory	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Members' equity - January 1, 2019	\$ 3,699,194	\$ 5,850,327	\$ (201,183)	\$ 9,348,338
Comprehensive loss:				
Net income	-	131,518	-	131,518
Other comprehensive income	-	-	176,186	176,186
Comprehensive income	-	131,518	176,186	307,704
Members' equity - December 31, 2019	3,699,194	5,981,845	(24,997)	9,656,042
Comprehensive income:				
Net loss	-	(262,269)	-	(262,269)
Other comprehensive income	-	-	256,876	256,876
Comprehensive (loss) income	-	(262,269)	256,876	(5,393)
Members' equity - December 31, 2020	<u>\$ 3,699,194</u>	<u>\$ 5,719,576</u>	<u>\$ 231,879</u>	<u>\$ 9,650,649</u>

