

Annual Report

2022



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 90 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
- 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



Report of the President

The Ohio Educational Credit Union (OHecu) is committed to providing value-based services to our membership. Your Board of Directors is committed to meeting the needs of our membership today and positioning the Credit Union for the future. We are financially strong, and the report of the Treasurer and Chief Executive Officer provides specifics on the continued financial performance of the Credit Union.

OHecu has a rich history of providing financial products and services to its membership under the movements philosophy of “people helping people.” For 90 years we have made a difference in our members’ lives and daily we work to maintain their loyalty. The changes seen in the economy over the prior year have been significant and OHecu is well positioned to work through these changes. There have been many economic cycles experienced over our 90-year history and we have always faithfully met our members needs through each of them. To learn more about OHecu’s history and the cooperative principles that make us different visit www.OHecu.com. The information is in the Credit Union Difference section under the tab About Us.

For many years OHecu provided convenient service delivery via electronic means. The use of these convenient service channels had grown rapidly during the Pandemic and continues to increase in acceptance by the membership during 2022. One example is the vehicle lending process. Sixty-eight percent of all vehicle loan applications are originated via members utilizing the OHecu website and mobile application or by a phone call to the OHecu Call Center. Many of these members also sign their loan documents electronically without the need to visit an OHecu office. More than twenty-seven percent of the vehicle loans in 2022 were signed by members electronically. OHecu will continue to expand these convenience services to maximize the convenience of our members.

Loan services has been a staple at OHecu for 90 years. Today, 75% of all member deposits are utilized by other members in the form of loans. OHecu remains focused on its philosophy of “people helping people.”

OHecu membership represents many diverse professions as well as an active student base working to build their futures. Forty-five percent (45%) of the membership consists of current students and alumni of schools in Ohio, 43% are employed or retired from Ohio schools and 12% come from other service organizations, including health/dependent care, manufacturing, retail and government organizations.

We are committed to continue providing personal service and the high quality financial products that deliver exceptional value to the membership. 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 delivery of quality financial products. Total assets grew by \$2.3 million closing the year at \$155,162,928. Member deposits remained steady through the year growing by \$676,738 or 0.47%. The most significant portion of the asset growth in 2022 was from the implementation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842 related to operating leases. The entry for this change represents an increase in assets and liabilities by \$2.7 million.

The loan portfolio grew during the year with net loans to members at \$109.4 million and represents a 9.7% increase. The loan portfolio remains well-diversified and well-positioned to manage interest rate risk. Loans outstanding to members consist of 70% new and used vehicles, 10% closed-end mortgages, 10% home equity lines-of-credit, 3% credit cards, and 7% in other consumer loans. Net loan losses in 2022 decreased by 56% from 2021 and the net provision for loan losses showed a net recovery of \$58,738. The Credit Union continues to maintain adequate reserves to cover potential losses. The allowance for loan losses contains \$746,851 with delinquent loans totaling \$130,366.

Member deposits that are not immediately used to fund loan demand are prudently invested in a well-diversified investment portfolio. The portfolio represents 23% of total assets and consists of interest-bearing deposits with insured financial institutions (13%), securities available for sale (36%), securities held to maturity (43%) and capital participation certificates (6%).

The increase in market interest rates helped improve interest margins resulting in strong growth for loan and investment income. Service fee income remained consistent with 2021. Operating expenses increased by 2.3% which was significantly below the inflation rate. The result was a year with net income of \$585,111.

Members' equity decreased by a net \$1.28 million during 2022. This change was a combination of an increase of \$585,111 from operations and a decrease of \$1,867,809 from the change in market value of available for sale investments.

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.

Gross outstanding loan balances increased during 2022 from \$99.7 million to \$109.2 million. New loan advances placed in the portfolio during the year were \$54.7 million. Loan originations continued to be strong through the entire year primarily in vehicle lending. The Credit Union is maintaining an adequate mix of fixed and variable rate real estate loans. The portfolio contains 70% in new and used vehicle loans, 10% in closed-end mortgages, 10% in home equity lines-of-credit, 3% in credit card lending, and 7% in other consumer loans.

The loan portfolio continues to perform well with 99.8% of outstanding loan balances receiving regularly scheduled payments. Loan write-offs, net of recoveries during 2022 improved by \$129,254 from 2021. The loan loss reserve was overfunded during 2022 and resulted in a \$58,738 reduction in provision expense. The loan loss reserves are being maintained at a level sufficient to meet any losses associated with non-performing loans. The Credit Union continues to work closely with the membership experiencing financial hardship.

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 financial statements of The Ohio Educational Credit Union, which comprise the statements of financial condition as of December 31, 2022 and 2021, and the related statements of earnings, comprehensive 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with with auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Ohio Educational Credit Union as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Troy, Michigan
March 1, 2022

Statements of Financial Condition

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash and due from financial institutions	\$ 565,519	\$ 1,530,249
Federal funds sold	3,361,588	8,897,480
Total cash and cash equivalents	3,927,107	10,427,729
Interest bearing deposits	-	496,248
Investment securities (note 2):		
Available-for-sale debt	12,780,477	18,314,859
Held-to-maturity debt	19,936,966	17,528,230
Loans to members, net of allowance for loan losses (notes 3 and 8)	109,428,022	99,756,262
Accrued interest receivable	387,175	343,416
Property and equipment (note 4)	827,308	992,310
Right-of-use assets, operating leases (note 7)	2,781,022	-
Share insurance deposit	1,855,402	1,684,717
Capital share deposits	2,232,960	2,232,960
Other assets	1,006,489	1,031,220
Total assets	<u>\$ 155,162,928</u>	<u>\$ 152,807,951</u>
<u>Liabilities and Members' Equity</u>		
Liabilities:		
Members' shares and savings accounts (note 6)	\$ 143,400,003	\$ 142,723,265
Lease liabilities, operating leases (note 7)	2,781,022	-
Accounts payable and other accrued liabilities	986,644	806,729
Total liabilities	147,167,669	143,529,994
Commitments and contingent liabilities (note 10)		
Members' equity - substantially restricted (note 8):		
Appropriated statutory	4,208,616	3,964,942
Undivided earnings	5,881,493	5,540,056
Accumulated other comprehensive loss	(2,094,850)	(227,041)
Total members' equity	<u>7,995,259</u>	<u>9,277,957</u>
Total liabilities and members' equity	<u>\$ 155,162,928</u>	<u>\$ 152,807,951</u>

Statements of Operations

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Interest income:		
Loans receivable	\$ 4,104,372	\$ 3,646,060
Investments:		
Federal funds sold	121,399	11,556
Non-negotiable certificates of deposit	3,770	21,503
Investment securities	500,625	314,835
	<u>625,794</u>	<u>347,894</u>
Total investment interest income		
Total interest income	4,730,166	3,993,954
Interest expense:		
Interest and dividends on members' shares and savings accounts	<u>94,834</u>	<u>78,481</u>
Net interest income	4,635,332	3,915,473
Recapture of loan losses	<u>(58,738)</u>	<u>(103,340)</u>
Net interest income after recapture of loan losses	4,694,070	4,018,813
Non-interest income:		
Fees and charges	2,497,329	2,522,903
Non-interest expenses:		
Compensation and benefits	2,713,354	2,815,551
Office operations	827,180	892,377
Data and product services	2,307,769	2,047,802
Occupancy	593,116	554,275
Member education and promotion	46,593	56,921
Professional fees	91,914	71,825
Other	<u>26,362</u>	<u>16,737</u>
Total non-interest expenses	<u>6,606,288</u>	<u>6,455,488</u>
Net income	<u>\$ 585,111</u>	<u>\$ 86,228</u>

Statements of Members' Equity

YEARS ENDED DECEMBER 31, 2022 AND 2021

	Appropriated Statutory	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Members' equity - January 1, 2021	\$ 3,699,194	\$ 5,719,576	\$ 231,879	\$ 9,650,649
Transfer	265,748	(265,748)	-	-
Comprehensive income (loss):				
Net income	-	86,228	-	86,228
Other comprehensive loss	-	-	(458,920)	(458,920)
Comprehensive income (loss)	-	86,228	(458,920)	(372,692)
Members' equity - December 31, 2021	3,964,942	5,540,056	(227,041)	9,277,957
Transfer	243,674	(243,674)	-	-
Comprehensive income (loss):				
Net income	-	585,111	-	585,111
Other comprehensive loss	-	-	(1,867,809)	(1,867,809)
Comprehensive income (loss)	-	585,111	(1,867,809)	(1,282,698)
Members' equity - December 31, 2022	<u>\$ 4,208,616</u>	<u>\$ 5,881,493</u>	<u>\$ (2,094,850)</u>	<u>\$ 7,995,259</u>