



# ANNUAL

REPORT **2023**



Building our members' financial future through a full range of superior financial services, education and exceptional value.

- **OHecu** Mission Statement

## 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.

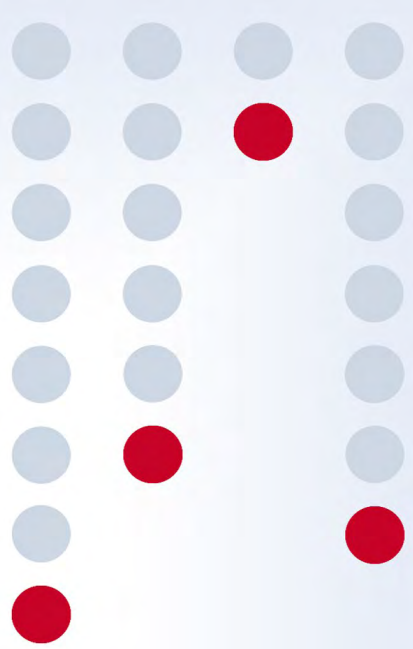
The credit union founding principle of “people helping people” is what sets us apart from other financial institutions.

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 exists to serve and benefit its members.

We offer the same products, services and conveniences you'd 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 members with with the financial security, flexibility and convenience necessary in today's busy and changing world with all member deposits insured by American Share Insurance up to \$250,000 per account.



# Our Story

OHecu serves 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, daycare 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.



Originally incorporated in May 1933 as The Cleveland Teachers Credit Union, OHecu has 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. However, changes to our charter allowed us to offer membership to a wider range of diverse groups.

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.



## Deposits

- Select Checking
- Signature Checking
- Student Checking
- Individual Retirement Accounts (IRA)
- Term Certificates
- Regular Share Savings
- Money Market Accounts
- Holiday Savings
- Vacation Savings
- Summer Reserve Pay

## Loans

- Auto Loans
- Motorcycle Loans
- Boat & RV Loans
- Home Equity Lines of Credit
- Credit Cards
- First Mortgage Loans
- Mortgage Refinancing
- Personal Loans

## Services

- Member Service Center
- Online Banking
- Mobile Banking
- Bill Pay
- Large Network of Surcharge-Free ATMs
- Shared Branching
- Budgeting Tools
- Mobile Wallet
- TONI The Touch-Tone Teller
- ID Theft Monitoring & Resolution Service
- Insurance Products



# President's Report

Our Credit Union is in its 91<sup>st</sup> year of providing value-based services to its membership. The Credit Union has a rich history based on the Credit Union's philosophy of "people helping people." This philosophy is very apparent in the makeup of the board and committees, which are composed of unpaid volunteers elected from the membership. Your Board of Directors is committed to meeting the needs of our membership today and positioning the Credit Union for the future.

We're financially strong and outline specifics regarding the continued financial performance of the Credit Union in the report of the Treasurer and Chief Executive Officer.

Our Credit Union continues to grow and expand services to meet the needs of its diverse membership. We take pride in the exceptional value the Credit Union provides. The use of technology to enhance convenience for the membership is continuous. Mobile banking services through the OHecu app allow you to access your Credit Union relationship wherever and whenever is convenient for you. New tools will be introduced in 2024 to further enhance the convenience available to the membership with this technology.

Many of the projects we are working on today are tied to OHecu's credit card and debit card services.

Loan services have been a staple at OHecu for 91 years. Today, 73% of all member deposits are utilized by other members in the form of loans. While vehicle loans are immensely popular with the membership, we have seen an increased interest from the membership in the Fixed Rate Home Equity Loan. The rapid increase in market rates over the prior two years along with the increased cost of new housing, we have seen renewed interest from the membership in the Credit Union's Fixed Rate Home Equity Loan. This portfolio has seen steady growth through 2023. This is another example of how your Credit Union provided a specific product to meet our membership's changing financial needs.

We are committed to continuing to provide personal service and 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 for your Credit Union.

Respectfully submitted,

**Tony H. Smith, Sr.**  
President - Board of Directors

# CEO & Treasurer Report

**The Ohio Educational Credit Union (OHecu)** had strong financial performance during 2023 while continuing to serve its membership through the delivery of quality financial products. The increase in market interest rates helped improve interest margins resulting in strong growth for loan and investment income. The result was a year with net income of \$969,702.

The loan portfolio continues to perform well with 99.3% of outstanding loan balances receiving regular scheduled payments. During January 2023 the Credit Union adopted ASU No. 2016-13 “Measurement of Credit Losses on Financial Instruments” (CECL), resulting in a significant change in the methodology for estimating the allowance for credit losses. With the adoption of this new methodology the Credit Union recorded an increase in the allowance for credit losses of \$207,040 and a corresponding decrease to retained earnings. The allowance for credit losses increased from \$746,851 on December 31, 2022, to \$1,036,814 on December 31, 2023.

Total assets decreased from \$155.2 million to \$147.7 million. This change closely matches the change in member deposits, which decreased as member spending activity remained strong in 2023.

Deposits decreased by \$8 million. Fifty-five percent (55%) of member deposits are contained Regular Shares and Club accounts, followed by 26% in Share Draft accounts, 9% Share Certificates, 9% Money Markets and 1% in Individual Retirement accounts.

Member deposits that are not immediately used to fund loan demand are prudently invested in a well-diversified investment portfolio. The portfolio represents 29% of total assets and consists of interest-bearing deposits with insured financial institutions (24%), securities available for sale (26%), securities held to maturity (45%) and capital participation certificates (5%).

Members’ equity increased by a net \$693,832 during 2023. This change in equity was a combination of an increase of \$969,702 from operations, a decrease of \$68,830 from the change in market value of available for sale investments and a decrease of \$207,040 from the one-time entry for the adoption of CECL.

Respectfully submitted,

**Jerome R. Valco**  
Chief Executive Officer

**Mario Danese**  
Treasurer



# 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.



Net outstanding loan balances decreased during 2023 from \$109.4 million to \$97.9 million. New loan advances placed in the portfolio during the year were \$35.5 million. The Credit Union has been successful in managing a strong vehicle lending program. The portfolio contains 66% in new and used vehicle loans. The Credit Union is maintaining an adequate mix of fixed and variable rate real estate loans with 10% in closed-end mortgages, and 14% in home equity lines-of-credit. The remaining portion of the portfolio is 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. The allowance for credit losses was increased by \$290,000 during the year with approximately \$207,000 of that increase related to the adoption of CECL. 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 - Credit Committee

# Independent Auditor's Report

## To the Board of Directors and Audit Committee

We have audited the financial statements of The Ohio Educational Credit Union, which comprise the statements of financial condition as of December 31, 2023 and 2022, and the related statements of earnings, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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

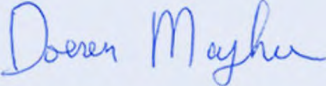
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

 **DoerenMayhew**

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

We have audited the financial statements of The Ohio Educational Credit Union, which comprise the statements of financial condition as of December 31, 2023 and 2022, and the related statements of earnings, comprehensive income (loss), members' equity and cash flows for the years then ended, and the related notes to the financial statements. 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, 2023 and 2022, 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**  
**February 25, 2024**



## Statements of Financial Condition

December 31, 2023 and 2022

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Cash and due from financial institutions	\$ 780,952	\$ 565,519
Federal funds sold	8,922,026	3,361,588
Total cash and cash equivalents	9,702,978	3,927,107
Interest bearing deposits	1,250,000	-
Investment securities (note 2)		
Available-for-sale debt	10,949,214	12,780,477
Held-to-maturity debt	19,217,339	19,936,966
Loans to members, net of allowance for credit losses of \$1,036,814 and \$746,851, respectively (note 3)	97,892,225	109,428,022
Accrued interest receivable	392,700	387,175
Property and equipment (note 4)	693,893	827,308
Right-of-use assets, operating leases (note 7)	2,423,602	2,781,022
Share insurance deposit	1,864,200	1,855,402
Capital share deposits	2,232,960	2,232,960
Other assets	1,037,789	1,006,489
Total assets	<u>\$ 147,656,900</u>	<u>\$ 155,162,928</u>
<b>Liabilities and Members' Equity</b>		
<b>Liabilities</b>		
Members' shares and savings accounts (note 6)	\$ 135,398,269	\$ 143,400,003
Lease liabilities, operating leases (note 7)	2,423,602	2,781,022
Accounts payable and other accrued liabilities	1,145,938	986,644
Total liabilities	138,967,809	147,167,669
Commitments and contingent liabilities (note 10)		
Members' equity - substantially restricted (note 8)		
Appropriated statutory	4,295,821	4,208,616
Undivided earnings	6,556,950	5,881,493
Accumulated other comprehensive loss	(2,163,680)	(2,094,850)
Total members' equity	<u>8,689,091</u>	<u>7,995,259</u>
Total liabilities and members' equity	<u>\$ 147,656,900</u>	<u>\$ 155,162,928</u>

## Statements of Operations

December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
Interest income		
Loans receivable	\$ 4,937,154	\$ 4,104,372
Investments		
Federal funds sold	346,911	121,399
Non-negotiable certificates of deposit	10,427	3,770
Investment securities	682,903	500,625
Total investment interest income	<u>1,040,241</u>	<u>625,794</u>
Total interest income	5,977,395	4,730,166
Interest expense		
Interest and dividends on members' shares and savings accounts	<u>309,851</u>	<u>94,834</u>
Net interest income	5,667,544	4,635,332
Provision for (recapture of) credit losses	<u>141,085</u>	<u>(58,738)</u>
Net interest income after provision for (recapture of) credit losses	5,526,459	4,694,070
Non-interest income		
Fees and charges (note 13)	2,306,726	2,497,329
Non-interest expenses		
Compensation and benefits	2,920,947	2,713,354
Office operations	764,312	827,180
Data and product services	2,412,597	2,307,769
Occupancy	622,919	593,116
Member education and promotion	49,882	46,593
Professional fees	85,553	91,914
Other	7,273	26,362
Total non-interest expenses	<u>6,863,483</u>	<u>6,606,288</u>
Net income	<u>\$ 969,702</u>	<u>\$ 585,111</u>



## Statements of Members' Equity

December 31, 2023 and 2022

	Appropriated Statutory	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Members' equity - January 1, 2022	\$ 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	4,208,616	5,881,493	(2,094,850)	7,995,259
Cumulative change in accounting principle (note 1)	-	(207,040)	-	(207,040)
Members' equity - January 1, 2023 (as adjusted for change in accounting principle)	4,208,616	5,674,453	(2,094,850)	7,788,219
Transfer	87,205	(87,205)	-	-
Comprehensive income (loss)				
Net income	-	969,702	-	969,702
Other comprehensive loss	-	-	(68,830)	(68,830)
Comprehensive income (loss)	-	969,702	(68,830)	900,872
Members' equity - December 31, 2023	\$ 4,295,821	\$ 6,556,950	\$ (2,163,680)	\$ 8,689,091

