

THE ONTARIO EDUCATIONAL CREDIT UNION



2019 Annual Report



empowering
people

Who we are

OHecu is a member-owned not-for-profit financial cooperative. Since our members are the only shareholders, they get to enjoy the benefits of our superior financial products and convenience services. We provide similar services to that of banks but differ from other financial institutions because we operate as a separate entity solely for the benefit of our member-owners.

Our essential purpose is to promote thrift and provide economical credit for responsible use. Our Board of Directors is made up of unpaid volunteers elected from and by our membership.

As a full-service financial institution, our goal is to recognize and understand the unique needs of individual members and to fulfill those needs through a variety of products and services. We are committed to assisting and educating our members in establishing and enhancing their financial well-being.

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 ever-changing world with all member deposits insured by American Share Insurance up to \$250,000 per account.

Our Mission

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



T
H
E
O
H
I
O
L
E
C
O
M
M
U
N
I
T
Y
C
R
E
D
I
T
U
N
I
O
N

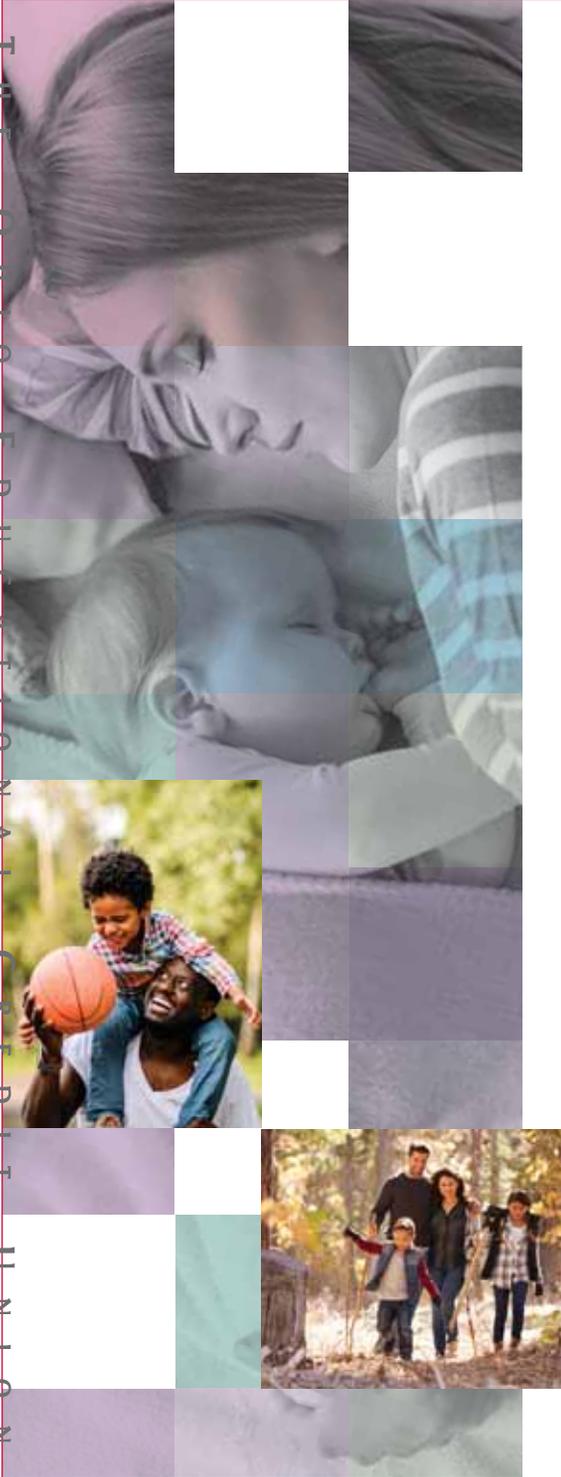
Whom we serve

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 health care 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 for a while

It's hard to believe it's been nearly 87 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 forward-thinking team that provides for the quality services our members enjoy. We continue to 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 & Leases
- Boat & Recreational Vehicle Loans
- First Mortgage Loans
 - FHA Loans
 - VA Loans
 - USDA Rural Housing Loans
- Home Equity Lines of Credit
- Consolidated Student Loans
- Credit Cards
- Personal Loans
 - Line-of-Credit
 - Term Loans

Convenience services

- Mobile & Text Banking
- Internet Home Banking at www.ohecu.com
- Member Service Center
- 24/7 Loan Service Center
- ATM Cards & Debit Cards—Alliance One, Money Pass, Credit Union 24CUHERE and Credit Union 24CUHERE Select ATM networks with over 14,000 non-surcharge ATMs
- “Toni” The Touch-Tone Teller
- Credit Union Service Centers® Shared Branching
- Direct Deposits
- Remote Deposit
- Identity Theft Monitoring and Resolution Service
- Auto Loans & Leases Available at Select Dealerships

Added services

- Insurance Products
- Student Education Assistance Programs
- Notary Services
- Domestic and International Wire Transfers



Report of the President

We're in a strong financial position and continue to deliver exceptional value to our membership. The report of the Treasurer and Chief Executive Officer provides specifics on our continued financial performance.

Meeting the financial service needs of our membership continues to be our focus. We offer many lending products at competitive rates and terms. In 2019 we introduced a Fixed Rate Home Equity Line-of-Credit that enables a member to have the comfort of a fixed rate while allowing for loan advances during the original three years of the loan term. We continue to offer a traditional Variable Rate Home Equity Line-of-Credit for those who need more flexibility in loan advance terms. Car, truck, motorcycle, boat, and recreational vehicle lending continues to be in demand from our membership, including financing for late model year vehicles.

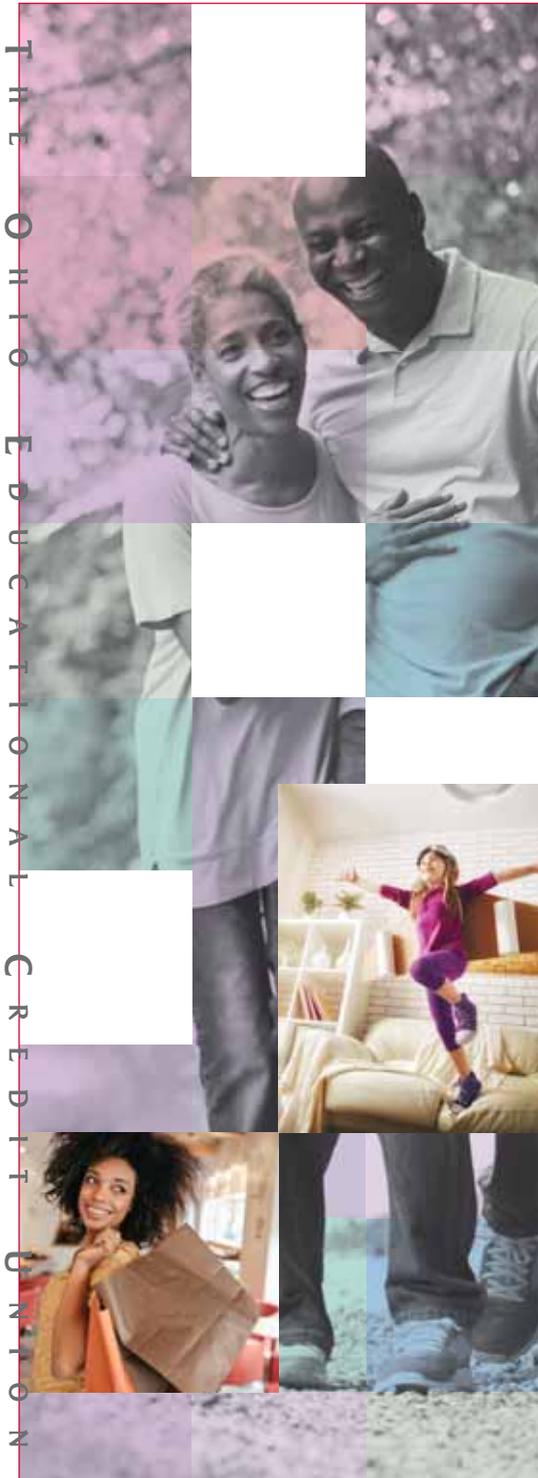
Electronic services continue to evolve rapidly, and we continue to partner with service providers that enable our members to take advantage of these conveniences. We've recently added an online chat capability through our Online Banking channel.

Our membership represents many diverse professions as well as an active student base working to build their lives. The chart on page 8 breaks down our membership by various groups.

The continued support of our membership has enabled us to meet their expanding financial service needs. We are committed to continue providing personal service and high-quality financial products that deliver exceptional value to our membership. On behalf of the Board of Directors, we thank you for the support you provide us.

Respectfully submitted,

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



Report of the Treasurer and Chief Executive Officer

It was another successful year for us in 2019 with members' equity remaining strong at 7.8%. This classifies us as "well capitalized" by the regulatory agencies that oversee our financial performance. Members' equity increased \$307,704 during 2019, with \$131,518 coming from operations and \$176,186 from change in market value of available for sale investments.

Our loan portfolio remains well-diversified and well-positioned to manage interest rate risk. Approximately 88% of our loan portfolio is collateralized loans. Earning assets represent 96% of all assets at year-end 2019.

In 2019 our net loan losses decreased by 39% and our net provision for loan loss expense was \$88,854 lower than 2018 at \$451,147. We continue to maintain adequate reserves to cover potential losses.

Member deposits represented \$112.9 million at year-end 2019, which is comparable to last year. Those deposits not immediately used to fund loan demand are prudently invested in a well-diversified investment portfolio representing 14.5% of total assets. This is recorded at market value monthly and is showing an investment valuation allowance of \$24,997.

The charts on page 8 breakdown the loan, deposit and investment portfolios.

Non-interest income represents 40% of all revenue and is primarily generated through transaction services fees. These make available the many convenience services that our membership continues to enjoy. Beyond just savings and loan products, these include Member Service Center support, mobile and text banking, 14,000 non-surcharge ATMs, 5,100 shared branches, debit cards, remote deposit and much more.

Respectfully submitted,

Mario Danese, *Treasurer*

Jerome R. Valco, *Chief Executive Officer*



Credit Committee Report

The Credit Committee meets monthly and reviews credit applications outside our normal guidelines, evaluates loan portfolio performance and monitors lending practices to help ensure compliance with our policies and with lending regulations. Shared with us on a weekly basis are loan applications that have been denied. We also review special lending products and make appropriate recommendations to the Board of Directors.

Outstanding loan balances decreased during 2019 as loan repayments exceeded loan demand, however \$34.7 million in new loans were added to our portfolio during the year. Vehicle lending was slow during the early part of 2019, which led to an overall reduction of this portfolio. Home Equity loans increased slightly but we continue to maintain an adequate mix of fixed and variable rate real estate loans. Approximately 88% of our loan portfolio is in collateralized loans. Page 8 has a breakdown of the loan portfolio.

Our loan portfolio continues to perform well with 99.7% of loan balances receiving regularly scheduled payments. Loan write-offs, net of recoveries during 2019 improved by \$154,000 from 2018. Required funding to the loan loss reserve was \$88,854 lower in 2019 than in 2018 due to less loan delinquency. Our loan loss reserves are maintained at a sufficient level to meet any losses associated with non-performing loans. We're continuing our aggressive posture of dealing with long-term delinquencies and removing these obligations from our portfolio.

Respectfully submitted,

Credit Committee

Mark Bates, Chairperson

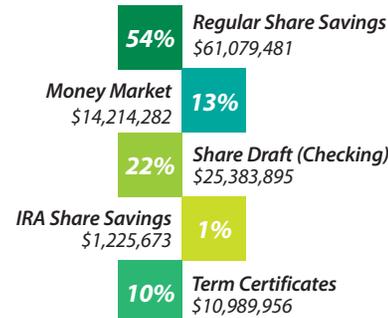
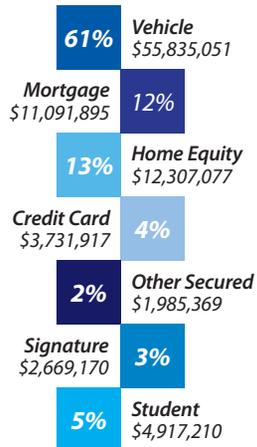
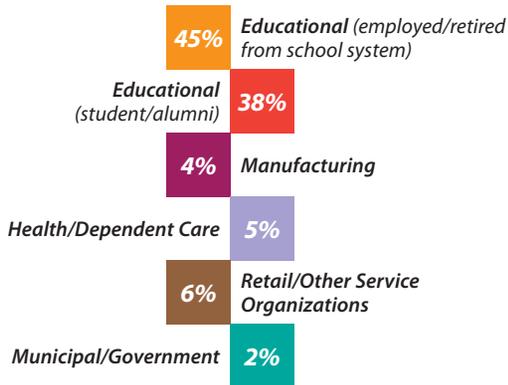


A brief overview

Our membership represents many diverse professions with education being the largest. We're proud of our strength and financial stability and that throughout our 87-year history we've been faithful to our fundamental principle of "People helping People."



THE OHIO EDUCATIONAL FINANCIAL UNION CREDIT UNION



All charts are unaudited.

Board of Directors

Mr. Tony H. Smith, Sr. — Board President

Former Vice President of Operations,
Ohio Aerospace Institute

Mr. Jackson M. Boyd — Board Vice President

Executive Director,
Eastern Ohio Education Association
Former mathematics/computer teacher
Zanesville City Schools

Mr. Mario Danese — Board Treasurer

Controller, Mader Machine Company

Ms. Mychael C. Henderson — Board Secretary

Director of Payroll,
Cleveland Metropolitan School District

Mr. Mark R. Bates

Chief Financial Officer,
Scott Enterprises

Ms. Carol A. Creel

Former Director of Special Projects,
Cleveland Metropolitan School District

Mr. Robert W. Dolan

Assistant Director Finance/Deputy Fiscal Officer,
Cuyahoga County Public Library

Mr. Richard M. Gore

Former Director of Distance Learning Services,
WVIZ
Former Director, Division of Career and Technical
Education, Cleveland Metropolitan School
District

Mrs. Melody C. Patterson

Payroll Specialist,
Cleveland Metropolitan School District

Mr. Patrick J. Polen

IT Manager,
Dexxon Digital Storage Inc.

Credit Committee

Mr. Mark R. Bates — Chairperson

Chief Financial Officer,
Scott Enterprises

Mr. Jackson M. Boyd — Board Vice President

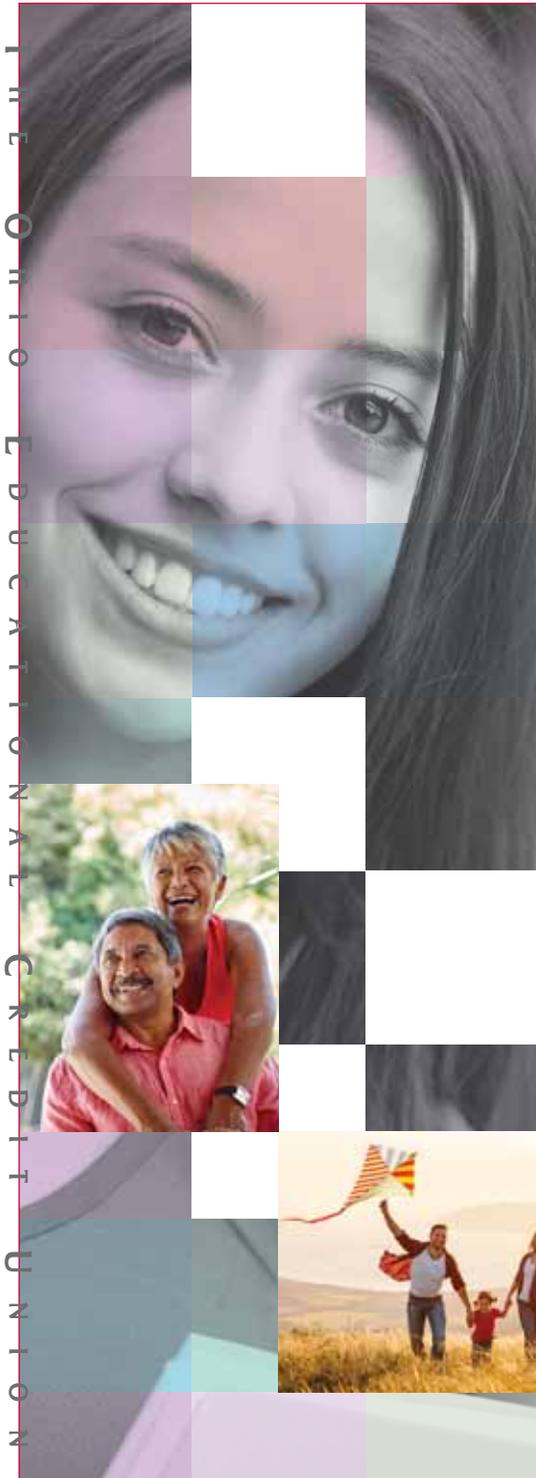
Executive Director,
Eastern Ohio Education Association
Former mathematics/computer teacher
Zanesville City Schools

Ms. Mychael C. Henderson — Board Secretary

Director of Payroll,
Cleveland Metropolitan School District

Mr. Patrick J. Polen

IT Manager,
Dexxon Digital Storage Inc.



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, 2019 and 2018, 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, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Doeren Mayhew

Troy, Michigan
February 7, 2020



Statements of Financial Condition — December 31, 2019 and 2018

ASSETS	2019	2018
Cash and due from financial institutions	\$ 1,128,262	\$ 1,817,040
Fed funds sold	5,570,847	4,420,836
Total cash and cash equivalents	6,699,109	6,237,876
Interest bearing deposits	4,473,738	1,986,014
Investment securities		
Available-for-sale debt	10,532,858	6,904,148
Held-to-maturity debt	2,894,868	2,737,888
Loans held-for-sale	708,194	—
Loans to members, net of allowance for loan losses	91,379,632	98,024,815
Accrued interest receivable	417,654	466,330
Property and equipment	1,098,069	1,129,002
Share insurance deposit	1,466,369	1,514,974
Capital share deposits	2,232,960	2,232,960
Other assets	1,322,542	1,644,172
Total assets	\$ 123,225,993	\$ 122,878,179
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares and savings accounts	\$ 112,893,287	\$ 112,797,585
Accounts payable and other accrued liabilities	676,664	732,256
Total liabilities	113,569,951	113,529,841
Commitments and contingent liabilities	—	—
Members' equity – substantially restricted	9,656,042	9,348,338
Total liabilities and members' equity	\$ 123,225,993	\$ 122,878,179

Statements of Operations — Years Ended December 31, 2019 and 2018

INTEREST INCOME	2019	2018
Loans receivable	\$ 4,079,768	\$ 3,734,440
Investments		
Federal funds sold	172,616	87,591
Non-negotiable certificates of deposit	90,064	57,054
Investment securities	301,573	278,211
Total investment interest income	564,253	422,856
Total interest income	4,644,021	4,157,296
Interest expense		
Interest and dividends on members' shares and savings accounts	168,525	104,672
Net interest income	4,475,496	4,052,624
Provision for loan losses	451,147	540,001
Net interest income after provision for loan losses	4,024,349	3,512,623
Non-interest income		
Fees and charges	2,271,583	2,321,937
Interchange fees	591,496	614,273
Other	169,054	204,506
Total non-interest income	3,032,133	3,140,716
Non-interest expenses		
Compensation and benefits	3,045,200	3,016,265
Office operations	914,614	1,016,459
Data and product services	2,173,195	2,195,072
Occupancy	504,764	554,666
Member education and promotion	142,499	177,581
Professional fees	109,408	82,719
Other	35,284	43,095
Total non-interest expenses	6,924,964	7,085,857
Net income (loss)	\$ 131,518	\$ (432,518)

Statements of Members' Equity — Years Ended December 31, 2019 and 2018

	Appropriated Statutory	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Members' equity – January 1, 2018	\$ 3,699,194	\$ 6,282,845	\$ (92,440)	\$ 9,889,599
Comprehensive loss				
Net loss	—	(432,518)	—	(432,518)
Other comprehensive loss	—	—	(108,743)	(108,743)
Comprehensive loss	—	(432,518)	(108,743)	(541,261)
Members' equity – December 31, 2018	\$ 3,699,194	\$ 5,850,327	\$ (201,183)	\$ 9,348,338
Comprehensive income				
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



OHecu ATM Locations

Cleveland Office

Walk-Up, Full-Service ATM

Drive-Up, Full-Service ATM

2921 Community College Avenue
Cleveland, OH 44115

OHecu Lakewood Office

Walk-Up, Full-Service ATM

17526 Madison Avenue
Lakewood, OH 44107

OHecu Oberlin Office

Walk-Up, Full-Service ATM

55 East College Street, Suite 2
Oberlin, OH 44074

OHecu Zanesville Office

Drive-Up, Full-Service ATM

905 Zane Street
Zanesville, OH 43701

OHecu Walk-Up ATM

Cash Dispensing ATM

Located in St. Vincent

Charity Medical Center

2351 East 22nd Street
Cleveland, OH 44115

OHecu Walk-Up ATM

Cash Dispensing ATM

*Located in Wilder Hall
at Oberlin College*

173 Lorain Street
Oberlin, OH 44074

OHecu Office Locations

Cleveland

2921 Community College Avenue
Cleveland, OH 44115
Phone: 216-357-5200

Office Hours:

Monday — Thursday: 8:30 AM – 4:30 PM
Friday: 8:30 AM – 6:00 PM
Saturday & Sunday: Closed

Lakewood

17526 Madison Avenue
Lakewood, Ohio 44107
Phone: 216-221-3800

Office Hours:

Tuesday — Thursday: 9:00 AM – 4:30 PM
Friday: 9:00 AM – 6:00 PM
Saturday: 9:00 AM – 1:00 PM
Sunday & Monday: Closed

Oberlin

55 East College Street, Suite 2
Oberlin, OH 44074
Phone: 440-775-0037

Office Hours:

Tuesday — Thursday: 8:30 AM – 4:30 PM
Friday: 8:30 AM – 6:00 PM
Saturday: 8:30 AM – 1:00 PM
Sunday & Monday: Closed

Zanesville

905 Zane Street
Zanesville, OH 43701
Phone: 740-453-1009 or 800-686-0664

Office Hours:

Monday — Thursday: 8:30 AM – 4:30 PM
Friday: 8:30 AM – 6:00 PM
Saturday & Sunday: Closed

Member Service Center

Phone: 877-322-6328

Hours:

Monday — Friday: 7:00 AM – 7:00 PM
Saturday: 9:00 AM – 1:00 PM
Sunday: Closed

24-Hour Loan Application Center

Phone: 800-552-6328

Student Choice Student Loans

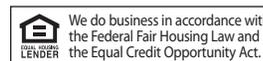
Phone: 877-289-1199

“Toni” The 24-Hour Touch-Tone Teller

Phone: 216-696-6600 or (800) 433-8664

Internet Home Banking

www.ohecu.com



Ohio Residents: The Ohio Laws against discrimination require that all creditors make credit equally available to all credit worthy customers, and that credit reporting agencies maintain separate credit histories on each individual upon request. The Ohio Civil Rights Commission administers compliance with this law.



THIS INSTITUTION IS NOT FEDERALLY INSURED.

MEMBERS' ACCOUNTS ARE NOT INSURED OR GUARANTEED BY ANY GOVERNMENT OR GOVERNMENT-SPONSORED AGENCY.