



CELEBRATING 80 YEARS

# Serving the Community for Generations



2016 Annual Report

## Chairman's and President's Report



Herman Williams Jr.  
*Chairman of the Board*



John M. Hamilton  
*President & CEO*

**M**ECU proudly celebrated its 80th year as Baltimore's Credit Union in 2016. From our humble beginnings at City Hall, we have grown to over 114,000 members and approximately \$1.2 billion in assets. A lot has changed through the years, but our founding principles still ring true to this day. We remain dedicated to providing broad access to high quality financial services at competitive rates and terms.

Our 80th year marked another exceptional year for the credit union. Based on our strong financial performance, MECU was able to reward our members with cash bonuses totaling \$2.5 million. This marks the 36th consecutive year that MECU's Board of Directors has voted to return a portion of profits to its members. Over the past 15 years, total member payouts have now surpassed \$80 million.

In addition to giving back to our members, we have always had a strong commitment to giving back to the communities that we serve. As part of our culture of caring, MECU offers paid volunteer time to encourage our employees to participate in community service projects. Once again, our employees rose to the challenge, generously volunteering 4,400 hours at local nonprofits in 2016.

MECU also continued to provide affordable loans across all product lines. Outstanding loan balances were \$766 million at year end, an increase of 17% compared to the previous year. With our low-rate auto loans, first-time homebuyer program, credit cards, holiday loans, and other value-added products, we continue to be there for our members when they need us the most.

Other 2016 highlights to support future growth, enhance member convenience and invest in community development include:

- >> The move of our headquarters to One South Street with a new state-of-the-art branch to accommodate future growth and better serve our members' needs.
- >> An upgraded Mobile App to provide enhanced convenience and banking on the go.
- >> \$2 million federal grant award to develop additional products and services to support Baltimore's underserved communities.

As we look ahead, we remain fully dedicated to our legacy of providing exceptional service, money-saving financial services, and unmatched convenience. It's a great privilege to serve generations of Baltimore families and help make a positive difference in their lives. When it comes to Baltimore and your financial success, we are all in. Thank you for your membership and we wish you a successful year.

Herman Williams Jr.  
*Chairman of the Board*

John M. Hamilton  
*President & CEO*

1936

*MECU opens for business  
in City Hall with  
15 members and  
\$150 in assets*

1950

*Assets reach  
\$1 million*

1955

*MECU starts offering  
auto loans*

# Statements of Financial Condition

As of December 31, 2016 and 2015

ASSETS	2016	2015
Cash and cash equivalents	\$ 32,696,918	\$ 49,835,677
Certificates of deposits in other financial institutions	5,447,000	5,447,000
Investments:		
Available-for-sale	284,221,826	383,872,246
Held-to-maturity	—	25,981,675
Loans to members, net	753,337,078	642,918,793
Loans available-for-sale	792,958	603,601
Accrued interest receivable	2,817,246	2,916,950
Property and equipment, net	10,998,564	5,463,522
National Credit Union Share Insurance Fund deposit	9,771,492	9,850,306
Cash surrender value of life insurance	39,663,160	38,638,137
Other assets	25,405,234	16,846,077
<b>TOTAL ASSETS</b>	<b>\$1,165,151,476</b>	<b>\$1,182,373,984</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Liabilities</b>		
Members' share and deposit accounts	\$1,000,920,798	\$1,018,761,948
Borrowings	15,172,771	24,793,200
Capital lease obligation	1,793,855	—
Accrued expenses and other liabilities	16,801,290	12,575,405
<b>Total liabilities</b>	<b>1,034,688,714</b>	<b>1,056,130,553</b>
<b>Commitments and Contingent Liabilities</b>		
<b>Members' Equity</b>		
Regular reserve	33,962,275	33,962,275
Undivided earnings	99,278,451	94,706,896
Accumulated other comprehensive loss	(2,777,964)	(2,425,740)
<b>Total members' equity</b>	<b>130,462,762</b>	<b>126,243,431</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$1,165,151,476</b>	<b>\$1,182,373,984</b>

# Statements of Income

Years Ended December 31, 2016 and 2015

	2016
<b>INTEREST INCOME</b>	
Loans to members	\$38,848,427
Investments securities	6,372,615
<b>Total interest income</b>	<b>45,221,042</b>
<b>INTEREST EXPENSES</b>	
Members' shares and deposit accounts	5,184,529
Bonus dividends and loan interest rebates	1,142,889
Borrowings	283,093
<b>Total interest expense</b>	<b>6,610,511</b>
<b>Net interest income</b>	<b>38,610,531</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>6,914,023</b>
<b>Net interest income after provision for loan losses</b>	<b>31,696,508</b>
<b>NON-INTEREST INCOME</b>	
Service charges and other fees	10,475,705
Interchange income	4,432,948
Other non-interest income	3,927,976
Net gain on sale of available-for-sale investments	441,534
<b>Total non-interest income</b>	<b>19,278,163</b>
<b>NON-INTEREST EXPENSES</b>	
Compensation and benefits	23,415,249
Office operations	11,132,674
Office occupancy	3,466,130
Marketing and business development	1,332,570
Loan servicing	2,641,150
Other	4,415,343
<b>Total non-interest expenses</b>	<b>46,403,116</b>
<b>NET INCOME</b>	<b>\$ 4,571,555</b>

1957

*MECU relocates its main office to Lexington Street*

1966

*Membership hits 23,000 members and \$17 million in assets*

1981

*MECU moves to East Fayette Street; pays first cash bonus dividends and loan interest rebates*

2001

*MECU expands its field of membership to anyone who lives, works, worships or attends school in Baltimore City*

*Celebrating 80 Years of Serving Baltimore*



## Credit Committee



**Seated:** Stephanie Lansey-Delgado; Marietta English  
**Standing:** Glenard S. Middleton, Chair; Harry Peaker;  
Richard M. Smith

Appointed by the Board of Directors, the Credit Committee is responsible for reviewing and recommending MECU loan programs, policies and policy revisions, approving lending authority for qualified staff members, reviewing expelled members' requests for reinstatement, moratorium requests, reviewing the denied loans report and approval of real estate appraisers.

As part of its duties, the Credit Committee will review member loan applications that do not meet standard underwriting guidelines, such as those for members with credit or debt ratio issues and loan-to-value exceptions. They also review loan requests from credit union officials, Board and Committee members.

The Credit Committee will keep the best interest of MECU and its members in mind.

Glenard S. Middleton Sr.  
Chairman

## Supervisory Committee



**Seated:** Jennell Rogers; Kara King-Bess, Vice Chair  
**Standing:** Keith Scroggins, Chair; Nicole Harrell;  
Andrew Frank

The Supervisory Committee is appointed by the Board of Directors. Its responsibilities include ensuring that the financial statements accurately and fairly present the financial condition of the credit union and that management practices and procedures safeguard members' assets.

The Committee approves the annual audit plan and provides an annual report to the Commissioner of Financial Regulation in accordance with the Maryland Credit Union Act.

The Committee meets periodically with the independent accountants, as well as management, to review accounting issues, regulatory issues, and internal control procedures. The Committee also assists members with their concerns.

The Supervisory Committee engaged Doeren Mayhew an independent public accounting firm as the credit union's external auditor. Doeren Mayhew audited MECU's financial statements in accordance with generally accepted auditing standards, and, in their opinion, the financial statements present fairly, in all material respects, the financial position of MECU as of December 31, 2016.

Keith Scroggins  
Chairman

2005

MECU moves its headquarters to Redwood Street

2012

MECU is the first local credit union to offer Free CashBack Checking

2016

MECU headquarters relocates to One South Street



## Board of Directors and Officers



**Seated left to right:** Lorretta Johnson, *American Federation of Teachers-AFL-CIO*; G. Louise Green, *Board Treasurer, Department of Finance*; Herman Williams Jr., *Board Chairman, Fire Department (Retired)*; Gary W. McLhinney, *Board Secretary, Police Department (Retired)*; Roman L. Clark Sr., *Board Vice Chairman, Fire Department*

**Standing left to right:** John M. Hamilton, *President and CEO*; Harry Deitchman, *Board Director, Emeritus*; Ernest J. Glinka, *Employees Retirement System (Retired)*; Benjamin I. Meli Jr., *former Department of Public Works*; Deborah Moore-Carter, *Labor Commissioner, Baltimore City*; Peggy A. Peacock, *Housing and Community Department*; Kaloipe Parthemos, *former Mayor's Office, Baltimore City*

## Leadership Team



**Seated left to right:** Adrian S. Johnson Sr., *Sr. Vice President and CFO*; Kathy Day Shelton, *Sr. Vice President and COO*; John M. Hamilton, *President and CEO*; Denise Jones-Frasier, *Chief of Staff*

**Standing left to right:** Richard M. Smith, *Vice President, Lending*; Michelle D. Williams, *Vice President, Human Resources*; Christopher R. Lumley, *Vice President, Information Services*; Natalie J. Woomer, *Vice President and Controller*; Thomas C. Poe Jr., *Vice President, Marketing*; Sheila R. Lawson, *Vice President, Business Services*

## IN MEMORIAM



### **JAMES R. BROWN III, ESQ., MECU COUNSEL**

Jim was known for his expertise in all facets of credit union law from consumer compliance, real estate lending and taxation to corporate governance. He was a true champion for the credit union movement and he will be missed by those of us at MECU and by the many other credit unions he served.



### **MECU of Baltimore**

One South Street

Baltimore, Maryland 21202



Federally Insured by NCUA

**If you would like a full copy of the financial statements for years 2016 and 2015, please send your request to:**  
Compliance Department, MECU of Baltimore, One South Street, Baltimore, MD 21202