

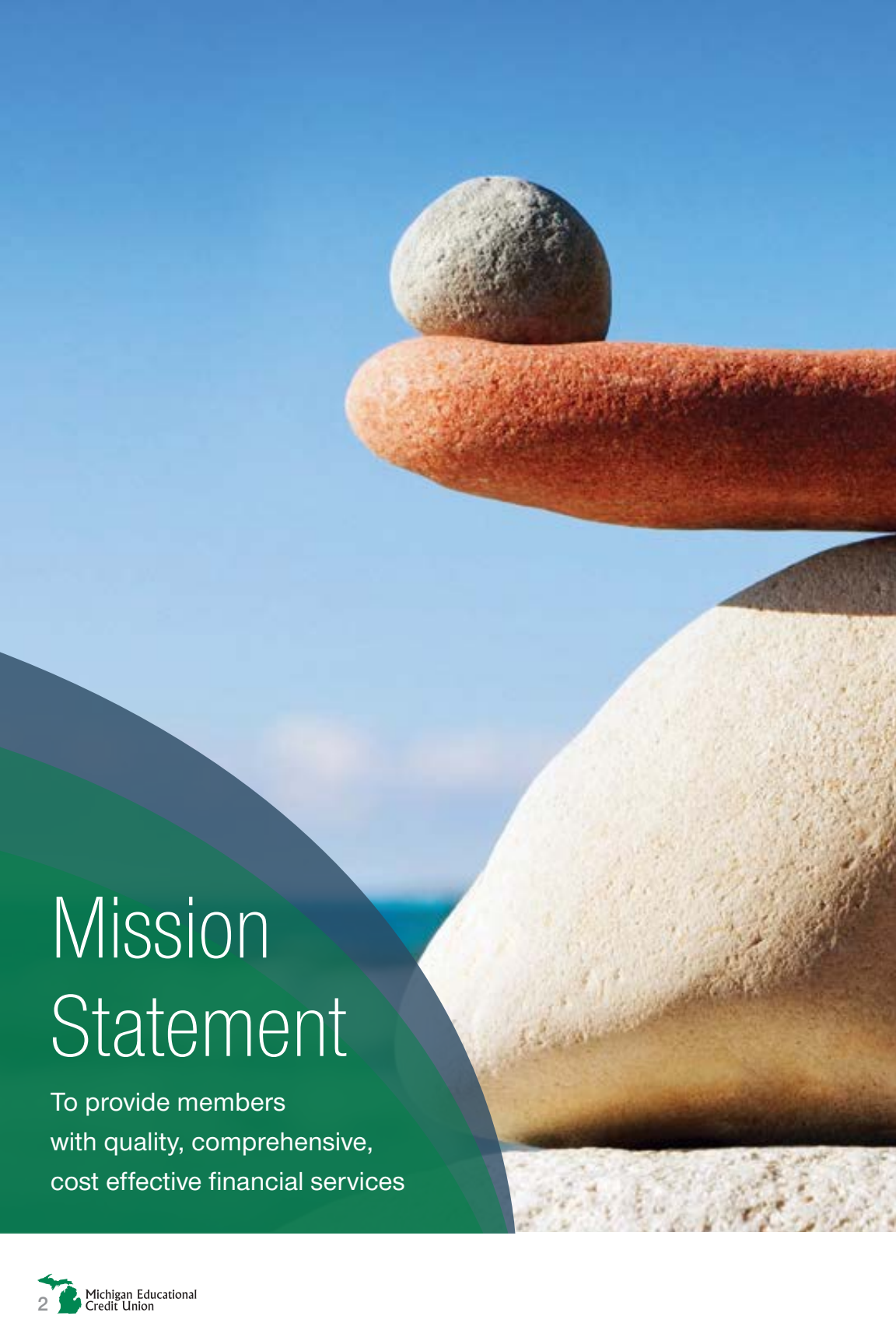


IN SUPPORT OF YOU



Michigan Educational
Credit Union

2019 ANNUAL REPORT



Mission Statement

To provide members with quality, comprehensive, cost effective financial services



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Board of Directors



Robert Sandercock
*President and
Chief Executive Officer*



Alonzo Glaze
Chairperson



Steve Rodriguez
Vice Chairperson



William Wooster
Treasurer



Robin Long
Secretary



Amy McQuiston
Director



Michelle F. Randall
Director



Gregory J. Baracy
Director



Scott Szukaitis
Director



Deborah Elliston
Director



78th Annual Meeting



**Michigan Educational
Credit Union**

**Wednesday, April 22
7:00 p.m. Business Meeting**

VIRTUAL MEETING ONLY

For the latest information and instructions on how to attend this virtual meeting, go to www.michedcu.org or follow us on Facebook, Twitter and Instagram.

We appreciate your understanding as we take these precautionary measures to keep both you and our staff healthy and safe.

Report from the Chairperson of the Board

For more than 75 years, Michigan Educational Credit Union has supported its members by providing affordable financial products and services. As time has progressed, our support and commitment has extended into the school districts and, more recently through our expanded membership charter, into the communities that we serve.

Last year, we were proud to support our schools through a wide variety of sponsorships and donations. For decades, we've provided financial support to local school districts through their foundations, including Plymouth's Educational Excellence Foundation, the LPS Education Foundation and the Royal Oak Schools Foundation. In 2019, we were honored to be the presenting sponsor of the NEF Parent Camp, a workshop that empowers parents with the knowledge and tools to support children of all ages.

As the primary sponsor of 105.1 The Bounce's "inaugural" Teachers' School Supply Drive, we provided assistance by collecting and distributing essential school supplies to 100 teachers across Metro Detroit. For the second year in a row, we helped sponsor WHMI 93.5 FM's "Making the Grade" program to recognize outstanding teachers in the Livingston County area.

In 2019, we expanded our role in the community by participating in more local events than ever before. The MECU tent made the rounds last year, including our first appearance at the Woodward Dream Cruise Family Fun Zone. We attended a variety of events at the Detroit Zoo, the Good Morning USA Parade and Pumpkin Palooza in downtown Plymouth, the Northville Heritage Festival, the Jackson Road Cruise in Ann Arbor, the Livonia Spree and more.

For years, Michigan Educational Credit Union has earned accolades as a *Best of Bauer* 5-Star Superior-rated financial institution and one of the Top 200 Healthiest Credit Unions in America according to DepositAccounts.com. First of all, we're honored by this national recognition. Secondly, we're equally proud of the positive impact we've made in our local communities. Most importantly, we're dedicated to serving the financial needs of our members.



Alonzo Glaze

Alonzo Glaze, Board Chairperson

Report from the President & CEO

I'm excited to report that 2019 was another busy and successful year for Michigan Educational Credit Union. We worked hard to complete many key projects that will help advance our business strategy for the future.

Although not apparent from the outside, there were many changes taking place within the walls of MECU last year. In order to keep up with new trends in technology and to better serve our membership, we restructured some of our departments and made significant building upgrades to our Plymouth Main Office. In fact, it was due to our growing staff and internal restructuring that we had to move this year's Annual Meeting over to Schoolcraft College for the first time since we relocated our Main Office to Plymouth.

As for new product offerings, we were pleased to roll out a Visa® Signature Rewards Card, giving members the opportunity to earn points or cash back on their everyday purchases. We also introduced Debit Card instant issue – a convenient option for new members as well as anyone who needs a replacement card due to fraud or other loss. Our indirect lending program at local car dealerships remained popular and helped boost our auto loan portfolio. With recent improvements to the bill payment process for these new “indirect” members, we hope that they will be encouraged to discover the many benefits of MECU membership besides our exceptional auto loan rates.

To top it all off, our financial performance was remarkable. Our assets grew by an impressive 6%, up to approximately \$876 million by year-end. At the same time, we enjoyed a healthy year in lending, maintaining a steady \$544 million in 2019.

Over the last year, Michigan Educational Credit Union was able to provide superior financial products to our members while achieving continuous financial growth. The strength of the Credit Union is a testament to the loyalty and support that you, our members, have consistently shown throughout the years. With the hard work of our staff and the support of our dedicated volunteers, we look forward to continued growth and success in 2020.



Robert Sandercock

Robert Sandercock, President & Chief Executive Officer

Audit Committee Report

The primary responsibility of the Audit Committee is to ensure that the Credit Union is being managed soundly and that members' assets are being adequately safeguarded. The Audit Committee makes sure the Board of Directors and Credit Union management meet required financial reporting objectives and establish sufficient policies, practices and procedures to protect members' assets.

The committee engaged the Certified Public Accounting firm of Plante & Moran, PLLC, to audit the Credit Union's financial statements for the year ended December 31, 2019. Plante Moran completed their 2019 audit of the Credit Union's financial statements and issued an unmodified opinion on January 29, 2020. The condensed financial information appearing in this report has been derived from those audited financial statements.

Based upon the annual financial statement audit, other regulatory and compliance audits, as well as our regular monitoring processes, the committee believes your Credit Union continues to be run in a safe and sound manner.

Steve Rodriguez, Audit Committee Chairperson



Steve Rodriguez

Balance Sheet

Michigan Educational Credit Union and Subsidiary
Consolidated Statements of Financial Condition
Years Ended December 31, 2018 and 2019

	December 2018	December 2019
ASSETS		
Cash and Cash Equivalents	\$ 32,199,314	\$ 111,632,409
Investment Securities - Available-for-Sale	220,349,637	189,982,036
Other Investments	963,450	912,600
Loans - Net of Allowance For Loan Losses	542,621,202	543,506,929
Premises and Equipment - Net	9,819,664	9,829,360
Accrued Interest Receivable	2,378,108	2,139,070
FHLB Stock	1,611,800	1,611,800
Corporate Capital	600,000	600,000
NCUSIF Deposit	6,896,147	6,890,567
Other Assets	8,302,254	8,829,966
TOTAL ASSETS	\$ 825,741,576	\$ 875,934,737
LIABILITIES & EQUITY		
Members' Shares and Savings Accounts	\$ 719,466,889	\$ 759,053,946
Accrued and Other Liabilities	5,082,681	5,854,897
Regular Reserve	11,078,405	11,078,405
Other Reserve	83,431,739	88,092,517
Undivided Earnings	8,526,165	9,219,779
Accumulated Other Comprehensive Income (Loss)	(1,844,303)	2,635,193
TOTAL LIABILITIES & MEMBERS' EQUITY	\$ 825,741,576	\$ 875,934,737

Income Statement

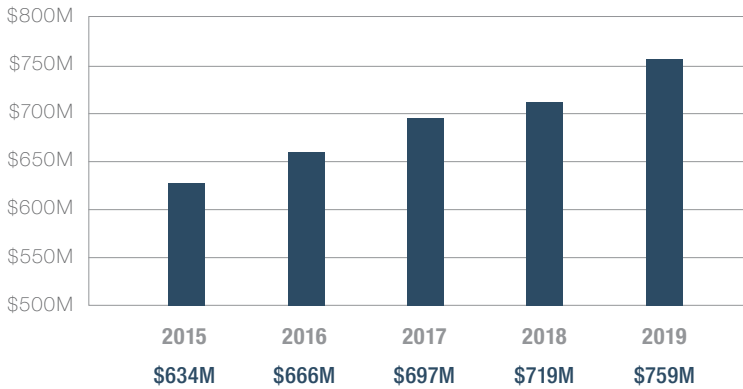
Michigan Educational Credit Union and Subsidiary
Consolidated Statements of Operations
Years Ended December 31, 2018 and 2019

	December 2018	December 2019
INTEREST INCOME		
Loans	\$ 19,855,930	\$ 21,887,661
Investment Securities	5,604,448	5,728,828
TOTAL INTEREST INCOME	\$ 25,460,378	\$ 27,616,489
INTEREST EXPENSE		
Members' Shares and Deposits	\$ 2,851,761	\$ 3,802,327
TOTAL INTEREST EXPENSE	2,851,761	3,802,327
NET INTEREST INCOME	22,608,617	23,814,162
Provisions for Loan Losses	1,050,394	785,999
Net Interest Income After Provision for Loan Losses	\$ 21,558,223	\$ 23,028,163
NON-INTEREST INCOME		
Interchange Fees and Service Charges	\$ 2,959,062	\$ 3,011,304
Other	1,816,559	1,308,290
TOTAL NON-INTEREST INCOME	\$ 4,775,621	\$ 4,319,594
NON-INTEREST EXPENSE		
Salaries and Employee Benefits	\$ 9,751,825	\$ 10,428,637
Occupancy and Equipment	2,247,976	2,452,021
Operations	5,199,224	5,186,051
Loan Servicing	2,116,834	2,693,569
Professional Services	262,262	253,988
Other	1,144,503	979,099
TOTAL NON-INTEREST EXPENSE	20,722,624	21,993,365
NET INCOME	\$ 5,611,220	\$ 5,354,392

Historical Growth of Shares & Reserves

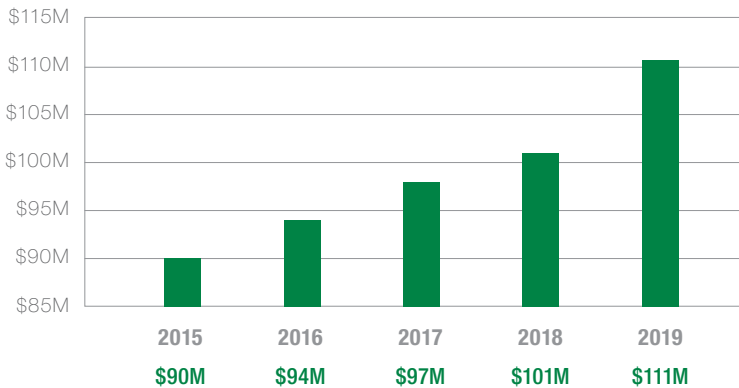
Total Members' Shares and Deposits

M=Million



Total Reserves and Undivided Earnings

M=Million



Report from the Treasurer

Michigan Educational Credit Union maintained a healthy financial position in 2019, with impressive growth in assets and a steady performance in lending.

Climbing to nearly \$876 million in assets by year-end, this 6% growth marked the greatest annual increase Michigan Educational Credit Union has experienced in this category since 2009. As for total members' shares and deposits, we jumped up by nearly \$40 million to \$759 million in 2019. That's a 5% increase over 2018. We truly appreciate the trust that our members show in this institution by putting their savings in MECU.

Although our loan growth slowed down a bit in 2019, we still enjoyed a slight increase in total loans overall, ending the year with approximately \$544 million on the books. Thanks to a favorable rate environment, the housing market remained strong last year. As a result, our mortgages and home equity loans were in high demand and helped boost our loan portfolio.

While many experts predict a slowdown for the U.S. economy in the coming year, Michigan Educational Credit Union has maintained a strong financial position through difficult times before. We are prepared to meet our members' needs in 2020 and for many years to come.

William Wooster, Treasurer

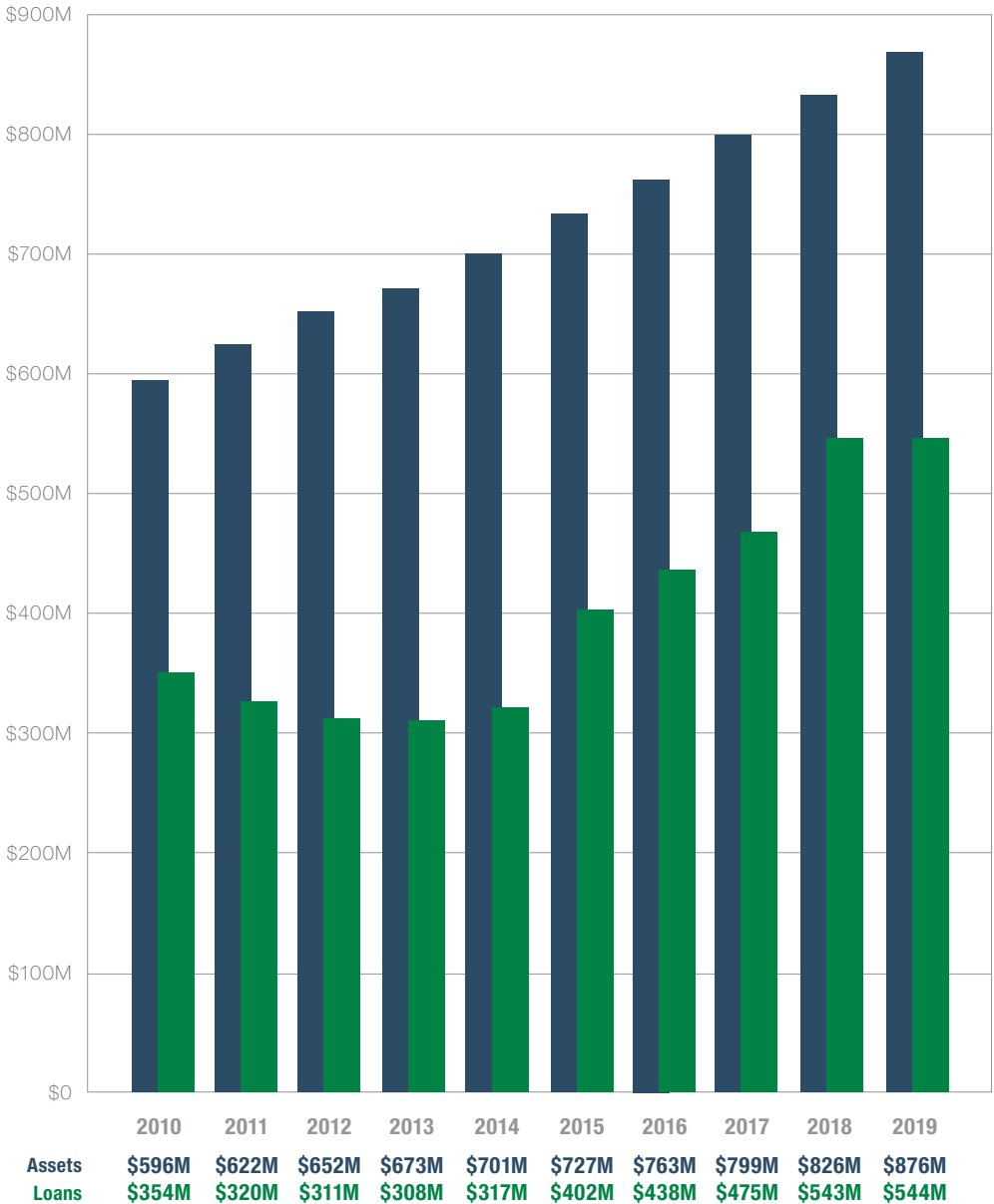


William Wooster

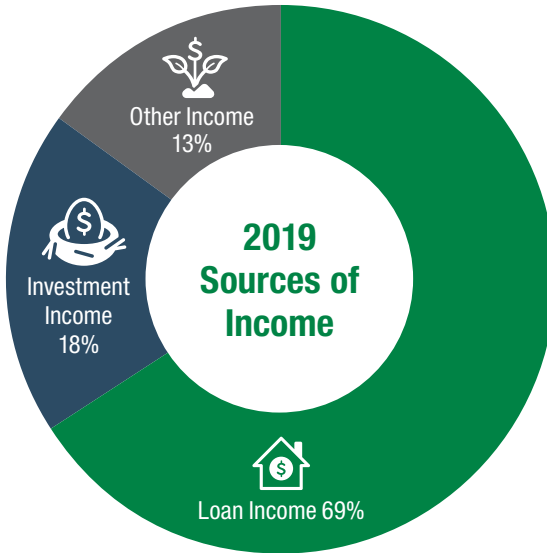
A 10-Year History

Assets and Loans

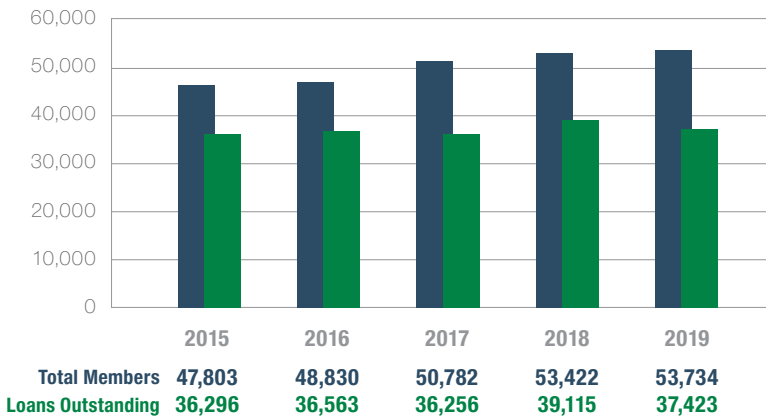
M=Million



Financial Highlights



Number of Members and Loans Outstanding



Credit Committee Report

In 2019, 39,540 loan transactions were completed at Michigan Educational Credit Union, for a total of \$157,449,862.

MECU members can easily apply for the loan they need at any time and on any device with the convenience of our online loan application. In 2019, we received a record 1,675 online applications for a total of \$26,056,165 in loans. That's more than a 21% increase in online loan applications compared to 2018.

Overall, we enjoyed a strong year in lending, due to the patronage of our loyal members as well as many new members discovering the value of a MECU loan for the first time. We will continue to provide the competitive rates, convenient access and friendly service that our members expect and deserve.

We would like to thank our members, staff, management and the Board of Directors for their support and cooperation over the past year.

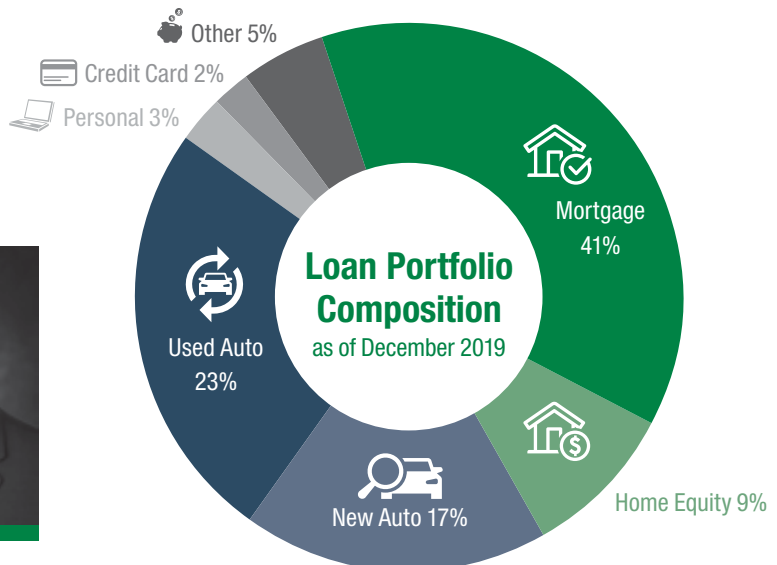
Henry Willson, Credit Committee Chairperson

Carol Banyai

Rick Norris



Henry Willson





Stability Through the Years

Ever since Michigan Educational Credit Union was founded in 1942, many things have changed, but our core values have not. We remain committed to serving the financial needs of more than 53,000 members who live, work or worship in Wayne, Washtenaw, Oakland, Macomb, Livingston and Jackson counties and their families. And, our policy of "once a member, always a member" means we will continue to serve you even if you change jobs or move away.

As a financial cooperative, we continuously strive to offer the best savings and loan rates possible with some of the latest technology available. We meet the high standards of the federal government to qualify for savings insurance up to \$250,000 per account, covered by the National Credit Union Share Insurance Fund. Methods and rates may change through the years, but our commitment to you, our members, is unwavering.

Products & Services

- | | |
|-----------------------------------|------------------------------------|
| Share Savings Accounts | Personal Loans |
| Draft/Checking Accounts | Direct Deposit & Payroll Deduction |
| Share Certificates | Automated Teller Machine Service |
| Individual Retirement Accounts | MECU ATM & Debit Cards |
| First Mortgages | Speedy Line Audio Teller |
| Home Equity Loans | Internet Home Banking |
| Home Improvement Loans | Online Bill Payment |
| Credit Cards | E-Statements |
| New & Used Auto Loans | Mobile Banking |
| Boat & Recreational Vehicle Loans | |

Investment Services



William Knudsen
Wealth Advisor



Kyle Hecht
Wealth Advisor

Michigan Educational Credit Union members have access to the financial planning and investment services available through our relationship with LPL Financial. MECU Financial's consultants, conveniently located right at your Credit Union, are a valuable source for guidance in your important financial decisions. These experienced and knowledgeable financial consultants can help you determine investment objectives, select appropriate services and products and make investment decisions. Individual appointments are available at no cost to you.

Call to set up your free, no obligation appointment today!

(734) 416-5025

How Can We Help You?

We offer assistance with:

Portfolio Analysis
Retirement Planning
Education Fund Planning
Financial Seminars
Insurance Services
Retirement Accounts – IRAs, TSAs, 403(b)

Equities
Annuities – Fixed & Variable
Mutual Funds
Life Insurance
Disability Insurance
Long-Term Care Insurance

Securities and advisory services offered through LPL Financial (LPL), a registered investment advisor and broker-dealer (member FINRA/SIPC). Insurance products are offered through LPL or its licensed affiliates. Michigan Educational Credit Union (MECU) and MECU Financial **are not** registered as a broker-dealer or investment advisor. Registered representatives of LPL offer products and services using MECU Financial, and may also be employees of MECU. These products and services are being offered through LPL or its affiliates, which are separate entities from, and not affiliates of, MECU or MECU Financial. Securities and insurance offered through LPL or its affiliates are:

Not Insured by NCUA or Any Other Government Agency | Not Credit Union Guaranteed | Not Credit Union Deposits or Obligations | May Lose Value



Branch Locations & Office Hours

Plymouth Main Office

9200 Haggerty Road, Plymouth, MI 48170
(734) 455-9200

Livonia Office

14921 Middlebelt Road, Livonia, MI 48154
(734) 261-1050

Ann Arbor Office

4141 Jackson Boulevard, Ann Arbor, MI 48103
(734) 761-7505

Brighton Office

123 Brighton Lake Road, Suite 102, Brighton, MI 48116
(810) 494-6000

Royal Oak Office

1903 Rochester Road, Royal Oak, MI 48073
(248) 399-7473

Macomb Office

47230 Hayes Road, Macomb, MI 48044
(586) 566-5599

9:30 a.m. to 5:30 p.m. Monday thru Friday
Toll-Free: (888) 261-3355
www.michedcu.org
general@michedcu.org



Michigan Educational
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www.michedcu.org

