

ANNUAL REPORT

2022



335 West Butler Avenue, Chalfont, PA 18914
(215) 996-3700 | www.msdfcu.org



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2022 COMMUNITY EVENTS



22nd Annual Cow Plop

Donated \$9,500 to Sebastian Riding Associates and the Shepherd's Shelf

MSDFCU held its 22nd Annual Cow Plop to benefit Sebastian Riding Associates and the Shepherd's Shelf. Sebastian Riding Associates offers equine-assisted therapy programs for children and adults living with various disabilities. The Shepherd's Shelf is a food pantry. With this donation, the Credit Union's 22-year total contributions to the community from the Cow Plop are over \$395,000.



Golf Outing

Raised \$11,000 for the Homeless

MSDFCU held its 24th Annual Charity Golf Open at the Mainland Golf Course. The event raised \$11,000 for Bridge of Hope BuxMont, a Lansdale-based charity working to break the cycle of homelessness. With this donation, the Credit Union's 24-year total contributions to charities from the Golf Open are now over \$240,000.



Collected Money and Supplies for the Montgomery County SPCA

For the 24th year in a row, we collected donations for the Montgomery County SPCA. Money jars located in branches were filled, and blankets, sheets, towels, pet food, and toys were generously donated by our members. Since 1999, we have been committed to helping our animal friends.



Employee Community Involvement

Each month, a different charity is featured, and staff members are asked to donate the most often requested items to the highlighted charity. The initiative kicked off in 2013 and benefitted local charities in 2022. Employees supported these local charities by providing food to local food shelters, school supplies, clothing for children, military aid, and funds for the local police and cancer fundraisers.



Blood Drive

In 2022, we held two American Red Cross® Blood Drives for employees, members, and our community. We collected 64 pints of blood to provide lifesaving care to help patients survive surgeries, cancer treatments, chronic illness, and traumatic injuries.



Shop With a Cop

MSDFCU was proud to support this national program pairing police officers with children in the Quakertown School District, focusing on elementary school students to afford them a better Christmas. The program allows children to view police officers in a different atmosphere to promote positive relationships. The children are faced with life challenges such as a parent losing a job, homelessness, military deployment, economic shortcomings, and other hardships.



Adopt-A-Highway

Twelve employees took to the roadway and filled 30 trash bags along a stretch of local highway spanning two miles of a busy section of County Line Road from Route 202 to Route 309. During these weekend events, employees volunteered, some multiple times, to participate in the clean-up sessions. This is the 11th year MSDFCU has committed to the Adopt-A-Highway program.



Philabundance

MSDFCU, working together with over a dozen credit unions and Pennsylvania state legislators, launched a food drive in the summer that resulted in over 3,000 pounds of canned goods and non-perishable food being donated to Philabundance to help replenish diminishing supplies in local pantries. In addition, several of the credit unions made monetary donations totaling over \$26,000 to be used to combat food insecurity in the five-county Philadelphia region.



Diversity, Equity, Inclusion, Belonging

MSDFCU created six employee Mosaic Teams in 2022 to assist with helping our communities foster Diversity, Equity, Inclusion, and Belonging. The Mosaic Teams planned, scheduled, and coordinated six community events and participated in PairUp's First Annual Unity Walk.

CHAIRMAN'S REPORT

As the pandemic eased, the world was challenged with new issues. On February 22, 2022, Russia launched an undeclared war against neighboring Ukraine. This action was met with condemnation and severe sanctions, and many countries including the U.S. provided financial support and military weaponry to Ukraine. Supply chain issues and shortages of integrated circuits continued, while inflation and cyber-attacks saw significant increases. Then, just when many were contemplating investments in cryptocurrency, FTX collapsed, and significant amounts of clients' funds went missing.

In the U.S., major stock indices experienced significant drops while rampant inflation, the largest increase in 40 years, resulted in an all-out assault by the Federal Reserve (FED). The FED raised interest rates 7 times for a total increase of 4.25%, pushing borrowing costs to the highest levels since 2007. The unemployment rate dropped to 3.5%, as the number of workers employed finally surpassed pre-pandemic levels. Job openings remain high, almost twice the number of unemployment roles.

While Assets retreated to \$792 million, Merck Sharp & Dohme Federal Credit Union (CU) remained strong. Under the leadership of our CEO, Dana DeFilippis, the CU had a great year as organic lending hit record highs, membership surpassed 31,000, and Net Worth continued to grow. New marketing capabilities that identify Key Life Indicators allow the CU to inform members of products and services that more closely align with their needs. The CU continued to support the community through employee team projects

and assorted donations. The CU was recognized externally, receiving multiple awards from major Credit Union Associations.

So far, 2023 is just more of the same. The FED is projecting additional rate increases to address inflation, and Russia continues its unprovoked military initiative against Ukraine. Credit card debt continues to grow, already hitting all-time highs. While all these things are putting pressure on family finances, remember that we offer great rates on all types of loans, including credit card balance transfers, competitive savings rates, and many other much-needed services. In April, the CU has planned a Digital Banking upgrade. Enhancements include a clean, modern look to online and mobile banking, a new personal financial management tool, and the latest security features, to name a few.

The Board and Management team will build on our strong financial position and continue to look forward, ensuring we are positioned appropriately to provide the innovative products of tomorrow while focusing on our mission - "Empowering our members to achieve financial success." I am proud to work with such a talented and dedicated staff and group of volunteers.



Thomas

THOMAS EISENBERGER
CHAIRMAN

BOARD OF DIRECTORS



Thomas Eisenberger
CHAIRMAN



John Frazzette
VICE CHAIRMAN (A)



Kevin Stauffer
TREASURER (A)



Stacie Grim
SECRETARY



Peter Alberti
(N)



Donald Baines



Ruth Fields



Bert Finkenbeiner
(N)



Timothy Ratke
(A)

EXECUTIVE COMMITTEE



Thomas Eisenberger
CHAIRMAN



John Frazzette
VICE CHAIRMAN (A)



Kevin Stauffer
TREASURER (A)



Stacie Grim
SECRETARY

Director Emeriti

John Becker
Bonnie Folgia

Velma Hendricks
Jeff James

Nancy James
Carter LeBrocq

Robert Muzslay
Andy Pinckney

Rev. Dr. Marjorie Duncan Reed
Joseph Robinson

Standing Committees

A: Asset/Liability Management
N: Nominating

PAST CHAIRMEN OF THE BOARD

1950-1970

Raymond O. Hoffman

1970-1973

William E. Gadd

1973-1976

John D. Stevens

1976-1979

Joseph G. Robinson

1979-1982

Kenneth L. Brehm, Sr.

1982-1985

W. Andrew McPherson

1985-1986

Peter Nebenfuhr

1986-1989

Thomas D. O'Connor

1989-1992

W. Andrew McPherson

1992-1993

John D. Stevens

1993-1994

W. Andrew McPherson

1994-1995

John D. Stevens

1995-1996

Carter LeBrocq

1996-2001

Bonnie Folgia

2001-2004

Rev. Dr. Marjorie Duncan Reed

2004-2012

W. Andrew McPherson

2012-2019

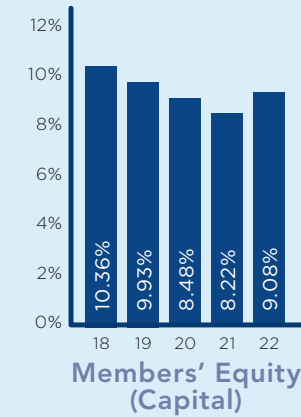
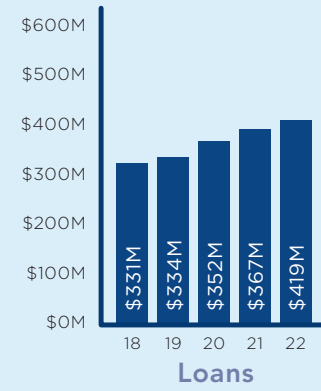
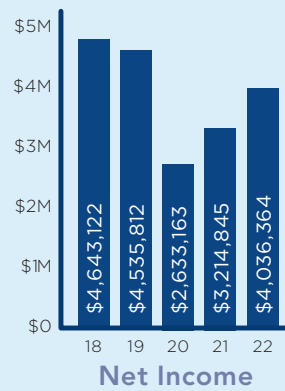
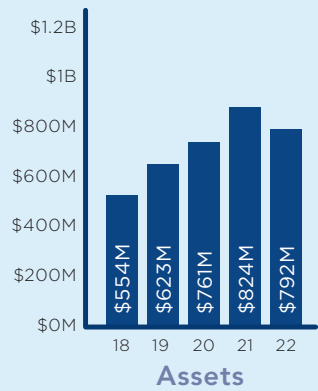
Jeffrey James

246,983

MOBILE TRANSACTIONS
INCLUDING MOBILE DEPOSITS

434,909

ONLINE BANKING TRANSACTIONS



ASSET GROWTH OVER 25 YEARS



MEMBERSHIP GROWTH OVER 25 YEARS



1,898

NEW ACCOUNTS
OPENED IN 2022

4.1M

CREDIT & DEBIT CARD TRANSACTIONS

TREASURER'S REPORT

As Treasurer of the Merck Sharp & Dohme Federal Credit Union (MSDFCU), I am pleased to report 2022 was another successful year. In the face of the third year of the global pandemic and soaring inflation, the Credit Union maintained superior financial products and services for our members while achieving continued financial stability. The Credit Union's strength is a testament to the loyalty and support you, our members, have consistently shown throughout the years.

With a rapidly growing economy and low unemployment, businesses may struggle to find enough workers, leading to higher wages and prices for goods and services. The increased demand has led to inflation. Rising interest rates, which increase the cost of borrowing and slow down economic growth, can also make investments in bonds and other fixed-income securities more attractive to investors.

MSDFCU's growth shrank slightly in 2022, with Total Assets of \$792 million, a 4% decrease from 2021. Total Deposits decreased 2% from the previous year, ending at \$733.9 million. Last year saw an outflow of deposits, as members sought investments in high-rate money market accounts and long-term certificates of deposit.

Credit unions build capital through earnings. In 2022, Net Income totaling \$4 million was added to members' equity, also known as Net Worth, a 26% increase over last year. As measured through Return on Assets, these earnings were a respectable 0.50%. Loans power these earnings, and a rise in interest rates and record loan growth contributed to the increase in earnings. Total Loans reached \$420.5 million during the year, up 14% from 2021, thanks to organic and participation loans.

Net Worth is one of the primary indicators of a credit union's financial strength. With a ratio of 9.08%, an increase from 8.24% last year, the MSDFCU's Net Worth-to-Assets is considered "well capitalized" by the National Credit Union Administration (NCUA). This high level of safety and stability offers added protection to the possibility of any unforeseen losses and lays the foundation for new and enhanced services and future growth.

Members are served by our network of five branches, two satellite locations and a state-of-the-art, 24-hour call center. Overall, credit union membership grew 2%, netting 582 new accounts, totaling 31,562 members. Management continues to grow our relationship with Organon as a key select employee group (SEG). SEGs make up 18% of our total membership.

Looking towards 2023, we anticipate additional Federal Reserve rate hikes slowing the economy and gravitating inflation back to pre-pandemic levels. The market is looking towards interest rates beginning to lower in the next 12-24 months.

All of us on the Board of Directors, Supervisory Committee, Management Team, and entire staff appreciate the trust you place in the MSDFCU. We look forward to exceeding your expectations in our service and products in 2023 and beyond.



KEVIN STAUFFER
TREASURER

FINANCIAL STATEMENTS

Year Ending December 31, 2022, Unaudited

BALANCE SHEET

2022

2021

ASSETS

Loans	\$420,506,885	\$367,891,844
Allowance for Loan Losses	(1,000,673)	(825,673)
Net Loans	\$419,506,212	\$367,066,171
Cash and Cash Equivalents	\$53,332,137	\$131,325,687
Deposits in Other Financial Institutions	-	-
Investments	\$276,863,745	\$293,577,291
Furniture and Fixtures	\$7,329,705	\$7,613,080
Other Assets	\$34,504,696	\$25,034,068

TOTAL ASSETS

\$791,536,495 **\$824,616,297**

LIABILITIES AND EQUITY

Shares	\$232,725,035	\$232,793,370
IRA Shares	\$10,632,057	\$10,420,907
Share Certificates	\$118,571,137	\$130,730,864
Money Markets	\$220,659,994	\$226,192,011
Share Drafts	\$151,267,820	\$152,063,504
Borrowings	-	-
Accounts Payable	\$11,016,548	\$4,544,022
Regular Reserves	-	\$3,825,775
Undivided Earnings	\$46,663,904	\$64,045,844

TOTAL LIABILITIES & EQUITY

\$791,536,495 **\$824,616,297**

STATEMENT OF INCOME

2022

2021

INTEREST INCOME

Income from Loans	\$14,520,553	\$13,462,092
Investment Income	\$6,366,913	\$3,356,176

TOTAL

\$20,887,466 **\$16,818,268**

INTEREST EXPENSE

Net Interest Income	\$18,152,438	\$14,013,713
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PROVISION FOR LOAN LOSSES

Net Interest Income After Provision for Loan Losses	\$16,193,188	\$13,606,422
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NON-INTEREST INCOME

Service Charges and Fees	\$1,374,773	\$1,287,999
Other Non-Interest Income	\$3,466,117	\$4,683,988
Net Gain on Sale of Loans	\$100,718	\$597,492

NON-INTEREST EXPENSE

Employee Compensation and Benefits	\$7,992,482	\$8,004,108
Office Occupancy and Operations	\$3,276,684	\$3,378,344
Other Operating Expenses	\$5,829,266	\$5,578,604
Total Non-Interest Expense	\$17,098,432	\$16,961,056

NET INCOME

\$4,036,345 **\$3,214,845**

CEO'S REPORT

In this rapidly changing world, your Credit Union strives to deliver beneficial and convenient financial solutions through superior service. Without the dedication and ongoing support of our staff, Board, and Supervisory Committee, this would not be possible. It is important I begin my report by thanking each of them for their extraordinary dedication and ongoing support of our members.

Our mission is empowering you, our member, to achieve financial success by continuing our focus on enhancing products and services that simplify your finances. In 2022, we launched the following products and services to meet our members' needs:

- More Student Loan Product Choices
- 100% Home Together Mortgage Program

In 2023, we are excited for the launch of these upcoming enhancements:

- A new Digital Banking Portal that gives you more control of your finances
- New Member Service tools, expanding our ability to service you in new ways, including a Chat feature
- New, easy-to-read statements
- Contactless Debit and Credit Cards - a faster, more secure way to pay
- An updated website
- And Mortgage Lending throughout the United States

As the Federal Reserve continues to raise rates, your Credit Union maintains very competitive deposit and loan rates. We continue to achieve financial strength and stability. We ended the year with a strong capital ratio of 9.08% and an over 2% net increase in membership.

Support of local charities remained a mainstay of the Credit Union in 2022. Through our charitable Foundation and Credit Union programs, we donated over \$50,000 to support homeless single mothers, coats for kids, children's financial literacy, and local charitable causes.

We appreciate our members' confidence and trust as we continue to serve you and your family. We welcome your feedback and encourage you to complete our surveys so that we can help you achieve financial success. If you have a friend or family member who wants to experience the credit union difference, now's a great time to introduce them to MSDFCU.



Dana DeFilippis

DANA DEFILIPPIS
CEO

ANALYSIS OF LOANS GRANTED

Year Ending December 31, 2022 • Total Amount in Thousands

577
New Automobile Loans
\$24,020 total

995
Used Automobile Loans
\$28,811 total

344
Home Equity Lines
\$45,299 total

324
Second Mortgage (Fixed)
\$30,608 total

563
Personal Loans
\$9,775 total

14
Other Secured
\$204 total

39
Overdraft Lines
\$476 total

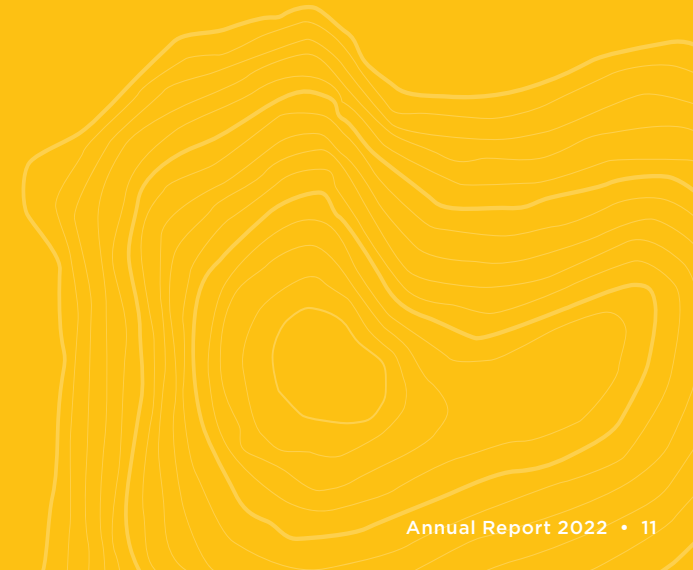
37
First Mortgages
\$11,982 total

23
Student Loans
\$260 total

33
Business Loans
\$5,693 total

425
Credit Cards
\$3,479 total

TOTAL: 3,351 LOANS
\$160,843,000



SUPERVISORY COMMITTEE'S REPORT

The Merck Sharp & Dohme Federal Credit Union (MSDFCU) continued to provide value for our members and stakeholders in 2022.

Accume Partners (recently acquired by Cherry Bekaert Advisory LLC) conducted multiple internal audits throughout the year to assess MSDFCU's internal processes and systems. CliftonLarsonAllen LLP completed the 2022 year-end audit of MSDFCU's financial statements. During the audits conducted by both Accume Partners and CliftonLarsonAllen LLP, no major issues or concerns were identified in how MSDFCU is being managed and operated, and both auditors found MSDFCU to be a financially sound entity that provides significant value to the members and stakeholders.

Notably, because the National Credit Union Administration's (NCUA's) last examination (in 2019) found MSDFCU to be in excellent condition both financially and operationally, NCUA did not conduct an audit of MSDFCU in 2022. MSDFCU's next NCUA examination is scheduled to occur in mid-2023.

The Supervisory Committee maintains its commitment to its role as an independent, objective body ensuring that the Credit Union meets its financial reporting objectives and has processes and procedures in place to safeguard member assets. We remain confident that MSDFCU is prepared to meet current and future regulatory requirements.

The Supervisory Committee is also charged with and continues to respond to issues, comments, and suggestions from MSDFCU members and addresses these with the Credit Union's Board of Directors and management team, as appropriate, to meet our members' needs.

MSDFCU members remain our most valuable stakeholders. Your suggestions for improvements or concerns regarding your Credit Union's services and operations are always welcomed by the Supervisory Committee, and we will provide prompt and confidential responses.

Both suggestions and concerns should be submitted via our **new Supervisory Committee Contact Form**, which can be found at the following web address: msdfcu.org/SupervisoryContact.

The former email address (supervisorycommittee@msdfcu.org) is *inactive*. The contact form noted above must be used to initiate written communication with the Supervisory Committee. Also, members are free to request to speak with a Supervisory Committee member by contacting an MSDFCU management team member.

The committee wishes to thank the MSDFCU staff, management team, and Board of Directors for their consistent, high-quality work and excellent cooperation, collaboration, and leadership throughout 2022. Further, we appreciate the membership's confidence in – and ongoing support of – MSDFCU. The Supervisory Committee is committed to steadfastly remaining a strong advocate for MSDFCU members in 2023 and beyond.

Sincerely,

Dalfoni Banerjee

Supervisory Committee Chairwoman



DALFONI BANERJEE
CHAIRWOMAN



WILLIAM COOK



ERICA LEWIS



GLENN MCPHERSON



ANTHONY WALLACE



We'd like to thank our primary sponsor,
Merck & Co., Inc.,
for their continued support of Merck
Sharp & Dohme Federal Credit Union.

RAYMOND O. HOFFMAN MEMORIAL AWARD RECIPIENTS



ISABELLA GAUMOND

Isabella is a senior at Central Bucks West High School, located in Doylestown, Pennsylvania. Isabella has a passion for helping people and furry friends in need. During her senior year, she took classes at the Bucks County Community College, where she was certified as a nursing assistant. Isabella decided to pursue nursing as her line of education and plans to continue this in college, because helping people is more than just a passion; it's what she feels she is meant to do. Isabella has volunteered to help others who need it. She serves her school community as the Girls' STEM (Science, Technology, Engineering, Math) club president. STEM is a club dedicated to engaging young women in the STEM field. Girls' STEM club visits the local elementary school and involves girls in experiments and activities that aim to encourage and empower young females. Additionally, Isabella is passionate about helping people and animals in need. For three years, Isabella and her family have been fostering dogs. Fostering animals saves lives and creates more space for the rescue and shelter system to take in more animals in need, and for Isabella, it is a gratifying experience. Fostering helps reduce the dogs' stress by being out of a shelter environment, learning to socialize, trusting again and finding love. Isabella believes anyone can do good in this world, and we are not limited to helping one cause. "She will make an excellent nurse, and I am confident that she will always work with the end goal of helping to make this world a better place," said Lori Bagnick, school counselor at Central Bucks West High School.



CHARLI JONES

Charli is a Senior at Cheltenham High School in Wyncote, Pennsylvania. Her mission is to positively influence others and personify the credit union's idea of "People Helping People." Charli has accomplished this mission by volunteering for the Broad Street Run where she cheers runners on, while backing the SEANStrong initiative, which provides funding for cancer research. Charli also volunteered for Cradles to Crayons, where she packed bookbags and care packages to provide children with appropriate clothing and supplies for school. Charli continued her volunteer efforts with First Tee, where she helped make golf more accessible for others, while teaching valuable life lessons through the game. Lastly, she dedicated her time volunteering for the Lupus Loop, an organization she is most passionate about, which benefits Lupus research and others affected by the condition. Rebecca Kelly, assistant executive director of First Tee, said, "Charli is an incredible young woman who is a constant role model for everyone around her."



MAKENNA WALKO

Makenna Walko is a senior at The Baldwin School, located in Bryn Mawr, Pennsylvania. Makenna has a passion for designing jewelry and making bracelets and necklaces. During the pandemic, she witnessed the toll COVID-19 took on families and decided to turn her hobby into a business, selling her jewelry to raise money for local charities. It started as an Instagram business and expanded into in-person craft shows. She then partnered with influencers and launched a website. The first organization she raised money for was the Bread and Roses Community Fund, and since then, she has donated almost \$10,000 to a variety of local charities. Makenna has aided Alex's Lemonade stand, the Philadelphia Center Against Sexual Violence and the Cancer Support Community of Greater Philadelphia in her late aunt's honor. Aside from her jewelry business, Makenna has volunteered as a DEI facilitator at her school and has run workshops on mental health for her local state representative, Melissa Shusterman. One of her school administrators, Director of Curriculum & Instructor Dr. Gretchen Boger said, "If anyone can develop the capacity for bridging the gaps that divide us, I believe Makenna can."



SAMUEL WANG

Samuel Wang is a senior at Germantown Academy, located in Fort Washington, Pennsylvania. Inspired by his grandparents to serve the community, Samuel has built and maintained a new website for the Upper Dublin Chinese Association over the past four years. During this time, he expanded the web functionality, organized significant communal events, learned to facilitate donations and even built an automatic online payment ticketing system. After watching the Upper Dublin Performance Center fill with people for the annual Lunar New Year gala, Sam realized the value of promoting cultural traditions. Samuel also spent time during COVID creating web pages with different learning resources and established a free tutoring program. To serve his school community, he designed many websites and programs to aid the school's attendance system and reduce students' time in the lunch lines by creating a pre-ordering website. Samuel worked with the school's cafeteria to expand menu options to be more inclusive of different diets. He also organized schoolwide trips to the Hope Lodge historic site impacted by Hurricane Ida, where he helped clean debris and replanted trees. Samuel is an Eagle Scout, spending time off-screen with the outdoors. "He will single-handedly raise the caliber of discussion while ratcheting up the energy level in each and every room he enters," said Karen Mason, director of college counseling at Germantown Academy.



JACOB YIN

Jacob Yin is a senior at North Penn High School, located in Lansdale, Pennsylvania. Jacob has volunteered with a variety of organizations: ADAPT SAT Peer Tutoring, CCHC Gardening, CHCC Tutoring, YMCA Chemistry Tutoring, Behind the Screens Lansdale Library Lego Robotics and Project Brotherly Love. What brought Jacob immense joy was tutoring and helping non-native, English-speaking students. Having the same cultural background as those students, Jacob has a combination of knowledge about language and culture that he used to help them adjust to being in the U.S. Jacob loved creating a community and providing support for the students. He also was a summer volunteer at the Philadelphia branch of the Chinese Christian Herald Crusade (CCHC). Jacob was a China Grace Church youth group member who came to clean up the overgrown garden surrounding the building. Jacob's talents and support go beyond a classroom setting and reach many cultures. "He has a calm focus and relaxed diligence that will be an asset wherever he goes," said Caleb T. Chow, Ph.D., English pastor at China Grace Christian Church.