



MERCK SHARP & DOHME
FEDERAL CREDIT UNION

ANNUAL REPORT

2023



Dream Bigger With Better Banking

2023 COMMUNITY EVENTS



Golf Outing

MSDFCU held its 24th Annual Charity Golf Open at the Mainland Golf Course. The event raised \$12,000 for Bridge of Hope BuxMont, a Souderton-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 \$250,000.



Collected Money and Supplies for the Bucks County SPCA

For the 25th year in a row, we collected donations for the local SPCA. Money jars located in branches were filled, and blankets, sheets, towels, pet food, and pet 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 benefited local charities in 2023. Employees supported these local charities by donating food, school supplies, clothing for children, aid to military charities, funds for the local police, and cancer fundraisers.



Blood Drive

In 2023, we held two American Red Cross Blood Drives for employees, members, and our community. We collected 40 pints of blood to provide lifesaving care to help patients survive surgeries, cancer treatments, chronic illnesses, 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

MSDFCU employees cleaned a stretch of local highway spanning two miles of a busy section of County Line Road between Route 202 and Route 309. During these weekend events, employees volunteered, some multiple times, to participate in the clean-up sessions. This is the 12th year MSDFCU has committed to the Adopt-A-Highway program.



Philabundance

Working together with over a dozen credit unions and Pennsylvania state legislators, MSDFCU launched a food drive in the summer that resulted in thousands of 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 used to combat food insecurity in the five-county Philadelphia region.



Diversity, Equity, Inclusion, Belonging

MSDFCU's Mosaic Employee teams in 2023 continued to assist with helping our communities foster Diversity, Equity, Inclusion and Belonging. The Mosaic Teams planned, scheduled, and coordinated six events in 2023. The teams look forward to 2024 with events planned to help underserved communities.



CHAIR'S REPORT

Globally, tensions intensify as Hamas terrorists initiate a surprise attack on Israeli civilians. Israel retaliates, indicating that the only way to ensure their safety is to eliminate Hamas. This conflict was on top of the continued Russian-Ukrainian war. Tensions rise, and related demonstrations surface across the globe. In the United States, funding for Israel and Ukraine is stalled in Congress as debate intensifies around the situation at the southern border. Illegal crossings have risen since 2021 and hit an all-time high in 2023. Cities are struggling to find the resources to support unrestrained growth.

Last March, shockwaves hit U.S. banking as three banks failed, followed by First Republic Bank, the second largest failure in U.S. history. Merck Sharp & Dohme Federal Credit Union (MSDFCU) remains financially sound through robust internal risk controls, evidenced by a net worth ratio exceeding NCUA requirements.

Major U.S. stock indices rebounded with record highs, as inflation, while double the 2% Federal Reserve (Fed) target, is down significantly. However, people continue to struggle as prices remain high due to the continued impact of inflation over the last three years. The Fed continued raising interest rates but at a slower pace. The December 2023 unemployment rate was 3.7%, up 0.2% from December 2022.

The Credit Union's assets increased slightly to \$795 million, while membership surpassed 32,000. During April, MSDFCU seamlessly implemented our new Digital Channel, which allows new members to join and enroll through their mobile devices and have the same experience as online members. MSDFCU began

institutionalizing innovation into the organization's culture, completed a website redesign, and was recognized with an award for Best Annual Report. MSDFCU remains active in the community through direct donations and employee initiatives.

Looking to 2024, the Fed has signaled three rate reductions, creating optimism and contributing directly to high stock prices. Regulators are scrambling to develop controls for the use of artificial intelligence (AI), which is skyrocketing. Expect volatility leading up to the November presidential election, as polling is close. In addition to member and business member growth, MSDFCU will focus on enhancing the digital experience, recognizing that digitization is transforming society into a "mobile-first" population. On the community front, MSDFCU will look for ways to expand our services to the financially underserved.

Supporting a strategy of providing tomorrow's innovative products and services is only possible by maintaining our strong financial position, which is a key priority. As Board Chair, I am delighted to be part of the talented team, including Management and volunteers, looking to the future while focusing on our mission: "Empowering our members to achieve financial success."



A handwritten signature in blue ink that reads "Tome".

THOMAS EISENBERGER
CHAIR

BOARD OF DIRECTORS



Thomas Eisenberger
CHAIR



John Frazzette
VICE CHAIR (N)



Kevin Stauffer
TREASURER (A)



Stacie Grim
SECRETARY (A)



Dalfoni Banerjee
(N)



Donald Baines
(N)



Ruth Fields



Bert Finkenbeiner
(N)



Timothy Ratke
(A)

EXECUTIVE COMMITTEE



Thomas Eisenberger
CHAIR



John Frazzette
VICE CHAIR (N)



Kevin Stauffer
TREASURER (A)



Stacie Grim
SECRETARY (A)

VOLUNTEER ADVISOR



Riad El-Dada

Director Emeriti

John Becker
Bonnie Folgia
Velma Hendricks
Jeff James
Nancy James

Carter LeBrocq
Robert Muzslay
Rev. Dr. Marjorie Duncan Reed
Joseph Robinson

Standing Committees

A: Asset/Liability Management
N: Nominating

PAST CHAIRS 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

55,690



MOBILE DEPOSITS

455,604



ONLINE BANKING
TRANSACTIONS

1,971

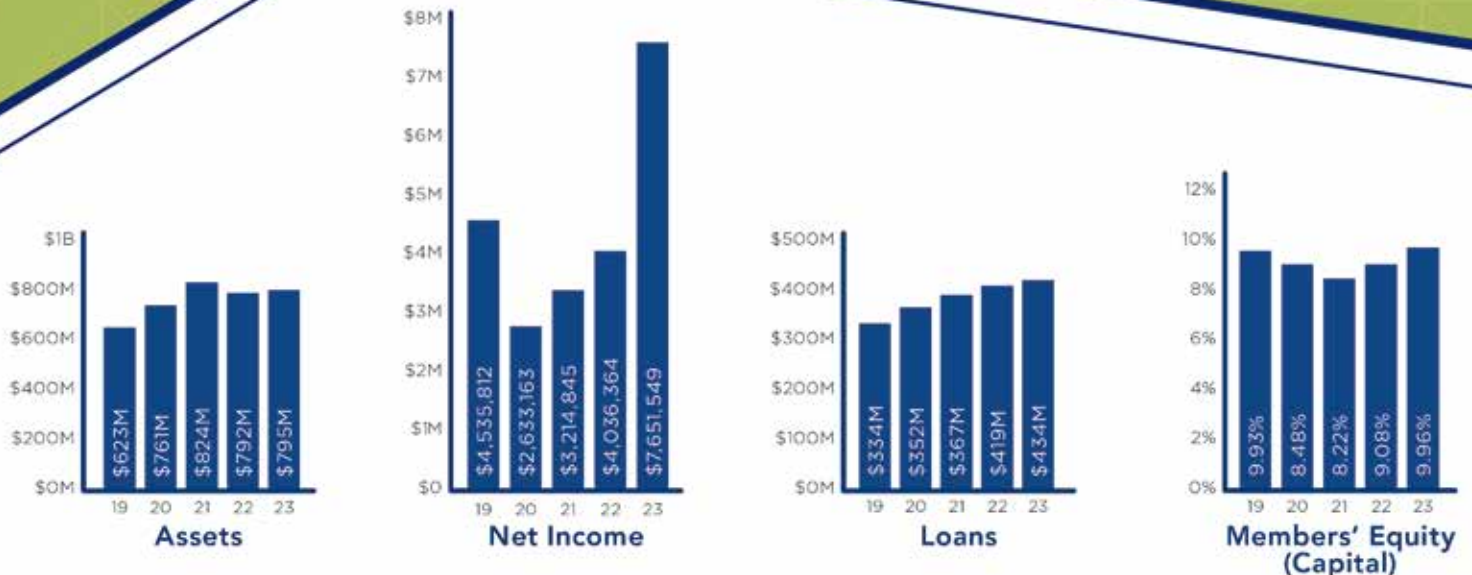


NEW ACCOUNTS
OPENED IN 2023

4.3M



CREDIT & DEBIT CARD
TRANSACTIONS



TREASURER'S REPORT

As Treasurer of the Merck Sharp & Dohme Federal Credit Union (MSDFCU), I am pleased to report 2023 was another successful year. Despite high interest rates and 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.

The 2023 economy was characterized by robust growth driven by strong consumer spending, a revival in manufacturing investment and increased state and local government purchases. The labor market remained resilient, with the unemployment rate below 4%. Inflation decelerated throughout the year, and real wages began to grow as inflation fell from its 2022 peak. However, higher interest rates resulted in fewer people taking out loans. They drew down on savings accounts, leading to a liquidity crunch for many financial institutions and signs of strain on balance sheets as well as household budgets.

MSDFCU growth rose slightly in 2023, with Total Assets of \$795.4 million, a 0.5% increase from 2022. Total Deposits decreased 4% from the previous year, ending at \$705 million. Credit unions build capital through earnings. In 2023, Net Income totaled \$7.7 million and was added to members' equity, also known as Net Worth, a 90% increase over last year. As measured through Return on Assets, these earnings were an efficient 0.97% due to increased lending rates and record loan growth. Total Loans reached \$436.3 million during the year, up 4% from 2022, 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 9.96%, an increase

from 9.08% last year, 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 from 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 556 new accounts totaling a record 32,118 members. Management continues to expand our relationship with Organon as a key select employee group (SEG). SEGs make up 19% of our total membership.

Looking to 2024, the outlook for the United States economy is mixed. Forecasters expect modest growth, lower inflation, a slight unemployment increase and slower consumer spending. The market anticipates the Federal Reserve will begin cutting interest rates as early as May 2024.

We on the Board of Directors, Supervisory Committee, Management Team, and the entire staff appreciate your trust in MSDFCU. We look forward to exceeding your expectations in our service and products in 2024 and beyond.



A handwritten signature in black ink, appearing to read 'K. Stauffer'.

KEVIN STAUFFER
TREASURER

FINANCIAL STATEMENTS

Year Ending December 31, 2023, Unaudited

BALANCE SHEET

2023

2022

ASSETS

| | | |
|--|----------------------|----------------------|
| Loans | \$436,330,872 | \$420,506,885 |
| Allowance for Loan Losses | (1,967,407) | (1,000,673) |
| Net Loans | \$434,363,465 | \$419,506,212 |
| Cash and Cash Equivalents | \$50,036,419 | \$53,332,137 |
| Deposits in Other Financial Institutions | - | - |
| Investments | \$267,812,191 | \$276,863,745 |
| Furniture and Fixtures | \$7,890,330 | \$7,329,705 |
| Other Assets | \$35,277,127 | \$34,504,696 |
| TOTAL ASSETS | \$795,379,532 | \$791,536,495 |

LIABILITIES AND EQUITY

| | | |
|---------------------------------------|----------------------|----------------------|
| Shares | \$200,503,356 | \$232,725,035 |
| IRA Shares | \$9,810,825 | \$10,632,057 |
| Share Certificates | \$165,062,726 | \$118,571,137 |
| Money Markets | \$186,645,322 | \$220,659,994 |
| Share Drafts | \$143,015,089 | \$151,267,820 |
| Borrowings | \$20,000,000 | - |
| Accounts Payable | \$12,774,955 | \$11,016,548 |
| Regular Reserves | - | - |
| Undivided Earnings | \$57,567,259 | \$46,663,904 |
| TOTAL LIABILITIES & EQUITY | \$795,379,532 | \$791,536,495 |

STATEMENT OF INCOME

2023

2022

INTEREST INCOME

| | | |
|-------------------|--------------|--------------|
| Income from Loans | \$19,850,137 | \$14,520,553 |
| Investment Income | \$12,334,536 | \$6,366,913 |

TOTAL

\$32,184,673

\$20,887,466

INTEREST EXPENSE

| | | |
|---|--------------|--------------|
| | \$9,002,237 | \$2,735,047 |
| Net Interest Income | \$23,182,436 | \$18,152,419 |
| PROVISION FOR LOAN LOSSES | \$1,846,081 | \$1,959,250 |
| Net Interest Income After Provision for Loan Losses | \$21,336,355 | \$16,193,169 |

NON-INTEREST INCOME

| | | |
|---------------------------|-------------|-------------|
| Service Charges and Fees | \$1,684,787 | \$1,938,467 |
| Other Non-Interest Income | \$2,954,592 | \$2,902,423 |
| Net Gain on Sale of Loans | \$19,064 | \$100,718 |

NON-INTEREST EXPENSE

| | | |
|------------------------------------|--------------|--------------|
| Employee Compensation and Benefits | \$8,978,512 | \$7,992,482 |
| Office Occupancy and Operations | \$3,317,421 | \$3,276,684 |
| Other Operating Expenses | \$6,047,316 | \$5,829,266 |
| Total Non-Interest Expense | \$18,343,249 | \$17,098,432 |

NET INCOME

\$7,651,549

\$4,036,345

CEO'S REPORT

As we embrace change, we do so with a forward-looking vision, leveraging emerging technologies and trends to stay at the forefront of our industry. Through this vision, your Credit Union strives to deliver beneficial and convenient financial solutions through superior service. The commitment of our staff, Board, and Supervisory Committee to our vision allows us to maintain our position as your trusted financial partner. I express my sincere gratitude to each of them, whose dedication and support drive our success.

Our mission is to empower you, our members, to achieve financial success by continuing our focus on enhancing products and services that simplify your finances. In 2023, we launched the following products and services to meet our members' needs:

- 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 video and chat
- New, easy-to-read statements
- An updated website
- Mortgage lending throughout the United States

Looking ahead, we are dedicated to enhancing member experiences, embracing digital innovation, and adapting to the evolving landscape of the financial industry to serve your needs better. In 2024, we are excited for these upcoming improvements:

- Small Business Banking enhancements
- State-of-the-art branch renovations
- Continual enrichments to our Digital Channel

We are proud to say that we continue to achieve financial strength and stability in this volatile marketplace. We ended the year with a strong capital ratio of 9.96% and an over 2% increase in membership.

In the spirit of community, your Credit Union has actively engaged in community outreach in 2023. Through our charitable Foundation and Credit Union programs, we donated nearly \$50,000 to support homeless single mothers, coats for kids, children's financial literacy, and local charitable causes. We also provided scholarships totaling \$25,000 to five high school seniors who embody the charitable spirit of the Credit Union through their volunteer efforts during their four-year high school careers.

We extend our sincere appreciation to each member of our Credit Union family for your ongoing trust and support. Your feedback and input are invaluable as we work together to shape the future of our organization and empower you to achieve financial success.

Thank you for choosing us as your financial partner. We hope you will continue referring us to your family and friends. We are honored to serve you, and we look forward to continuing this journey together.



A handwritten signature in cursive script that reads "Dana DeFilippis". The signature is written in a dark ink on a light background.

DANA DEFILIPPIS
CEO

ANALYSIS OF LOANS GRANTED

Year Ending December 31, 2023

348

New Automobile Loans

\$13,542,000 total

912

Used Automobile Loans

\$26,112,000 total

180

Home Equity Lines

\$24,482,000 total

292

Second Mortgages (Fixed)

\$24,385,000 total

509

Personal Loans

\$8,253,000 total

8

Other Secured Loans

\$300,000 total

18

Overdraft Lines

\$136,000 total

35

First Mortgages

\$12,259,000 total

15

Student Loans

\$826,000 total

33

Business Loans

\$4,165,000 total

385

Credit Cards

\$3,363,000 total

TOTAL: 2,735 LOANS
\$117,823,000

SUPERVISORY COMMITTEE'S REPORT

The Merck Sharp & Dohme Federal Credit Union (MSDFCU) continued to provide value for our members and stakeholders in 2023.

Cherry Bekaert Advisory LLC conducted multiple audits throughout the year to assess MSDFCU's internal processes and systems. CliftonLarsonAllen LLP completed the 2023 year-end audit of MSDFCU's financial statements. In addition, the National Credit Union Administration (NCUA) also performed a routine examination of the Credit Union to ensure the institution was operating within the regulations and charter of federal credit unions. During the audits, no major issues or concerns were identified in how MSDFCU is being managed and operated, and all audits found MSDFCU to be a financially sound entity that provides significant value to the members and stakeholders.

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 responding 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 **Supervisory Committee Contact Form**, which can be found at the following web address: msdfcu.org/about/about/supervisory-committee-contact-us.

Also, members should feel free to request to speak with a Supervisory Committee member by contacting a MSDFCU Management team member.

The Committee wishes to thank MSDFCU staff, the Management team and Board of Directors for their consistent, high-quality work and excellent cooperation, collaboration, and leadership throughout 2023. Further, we appreciate the membership's confidence in and ongoing support of MSDFCU, and the Supervisory Committee is committed to steadfastly remaining a strong advocate for MSDFCU members in 2024 – and beyond. The Committee would also like to thank Ms. Dalfoni Banerjee for her leadership as the Supervisory Committee Chair for the first 10 months of 2023.

Sincerely,



William Cook
Supervisory Committee Chair



WILLIAM COOK
CHAIR



CHIP EISSLER



RAFFAELE FUSCA



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



EMILY BIRMINGHAM

Emily Birmingham is a senior at Mount Saint Joseph Academy, located in Flourtown, Pennsylvania. Emily has a genuine passion for helping others and volunteers for multiple organizations in her area, including PA Rush Thunder through TOP Soccer, where she is a volunteer coach for children with disabilities. She also finds time to volunteer with the Garden of Health, a food pantry that provides fresh food and other items to people who are food insecure. And lastly, Emily stands as the Vice President for her school's National Honor Society (NHS). Emily had the opportunity to participate in the Romero Center's Urban Challenge, a weeklong service retreat in Camden, NJ. Each day, Emily and others served the people of Camden through soup kitchens, nursing homes, schools, and neighborhood centers, including the SSJ Neighborhood Center. This experience really left a lasting impact on Emily, which led her to see the untapped potential that her school's NHS had to offer to the local community. Emily worked to establish a connection with her school's NHS and the SSJ Neighborhood Center in Camden, NJ, where they now hold fundraisers and food drives and regularly send groups of students to Camden to directly help the Center. "Emily is a true scholar who gives to a community much more than she takes," said Paula Soley, Faculty, Science Department, Mount Saint Joseph Academy.



LAUREN DONAHUE

Lauren Donahue is a senior at Upper Perkiomen High School, located in Pennsburg, Pennsylvania. Lauren volunteers for a multitude of organizations within her school; she is captain of the Cross Country and Track Teams, a secretary of the National Honor Society, a member of Student Council, a secretary of Leos Club and secretary of Uptones/Women's Choir; and outside her school, Lauren is an assistant teacher with her dance troupe. Lauren's dedication to inclusion and equality is shown through her active participation in the school's Special Olympics program. As a member of Perk Pals, a club that facilitates increased opportunities for the students to engage in socialization and inclusion through various activities at Upper Perkiomen High School, Lauren had the desire to work to attain further inclusion. Lauren planned and organized Perk Pals' Fall Festival in 2022 and 2023. This schoolwide event brought various clubs, staff, and students together. Additionally, Lauren was one of four students to represent UPHS at the Special Olympics Youth Summit in both 2022 and 2023. Lauren has done so much to shine a light on accepting the differences amongst one another and welcoming others' disabilities, as well as bringing inspiration to other local schools. "Lauren has been one of the finest individuals that I have had the pleasure to teach and coach," said Clayton Mowrer, Mathematics Teacher, Track Head Coach, Upper Perkiomen High School.



AADYA GATTU

Aadya Gattu is a senior at Central Bucks High School South, located in Warrington, Pennsylvania. Aadya serves as Student Council President, organizing fundraisers for local charities, and as the captain of the Varsity Mock Trial Team she spearheaded an initiative to create local tournaments for other schools who cannot afford major tournaments. Aadya also is awaiting publication in a national journal for her writing. Beyond school, she continues to advocate for others through Youth4Unity, a student-led social justice organization where she directs 100 students in organizing protests, fundraisers, and initiatives. Aadya's passion for community service stems also from her Eagle Scout group, where she is a Senior Patrol Leader of the strongest all-female Scout troop in the region, who aims to embody the Scout oath and law through community service. Her commitment to community service was evident in the \$23,000 raised for the Leukemia and Lymphoma Society. The project she is most proud of is updating her school board's sexual health curriculum. Aadya partnered with A Woman's Place, and after she determinedly pursued it, she assisted in the re-development of a new curriculum. "I cannot say enough good words about Aadya. She is a scholar and a leader," said William Melvin, English Teacher, Central Bucks High School South.



SIENA KO

Siena Ko is a senior at Conestoga High School, located in Berwyn, Pennsylvania. Siena's dedication to community service stems from her belief in giving back to create a safe and nurturing environment for all, which led her to become heavily involved in her school's Key Club. She earned the title of club president, accumulating over 200 volunteer hours and leading a board of 20 members. Siena also headed the activities committee for the school's Mini Thon campaign, which planned an entire evening and raised thousands of dollars to aid the Four Diamonds organization. Siena's volunteer work extends beyond Key Club; she has spent summers volunteering at the Wayne Art Center, where she helps teach and manage children aged 2-10. Moved by reports of wildfires in California and mass coral bleaching in Australia, she recognized the need for proactive measures. Taking initiative, Siena organized a tree-planting event in collaboration with Tree-Plenish, a nonprofit organization dedicated to community tree-planting initiatives. Her passion for making a positive impact does not stop at community service, as she is also the co-director and co-founder of a YouTube channel called "It's Siena." Using her platform for positive influence, Siena has embarked on a mini-movie series that raises awareness around mental and physical health conditions. "I find Siena to be an exceptional individual who embodies the qualities of a leader, a compassionate community servant, and a creative entrepreneur," said Melissa McMenamin, School Counselor, Conestoga High School.



ANIKA PARTHIBAN

Anika Parthiban is a senior at Thomas Edison EnergySmart Charter School, located in Somerset, New Jersey. Anika's drive and passion for her community is displayed through her dedication to numerous community organizations. Anika has been involved with countless populations of senior citizens. She currently leads a 501(c)(3) nonprofit called Music Shines Bright (MSB), which serves to improve the quality of life for senior citizens through music therapy performances. MSB is active not only within her home state but also in chapters across Philadelphia, Florida, Texas, California, and elsewhere, mobilizing 960+ student-musician volunteers who have performed 21K+ hours of music therapy performances to 11K+ senior citizens. To further expand MSB, Anika partnered with the New Jersey Walk to Fight Alzheimer's Planning Committee. As team captain of the "Regency Racers," she has raised \$255K in support for Alzheimer's awareness. Besides her community projects, Anika also founded her school's first speech and debate club. In her role as team founder and president, she shares her knowledge and experiences with a nearly 70-member team with a range of ages throughout her school. Additionally, under the National Honor Society, Anika spearheaded the creation of the school's first library, making it accessible for current students. "Anika Parthiban has my highest recommendation. Her ongoing commitment to the school and our local community is very impressive," said Gretchen Long, School Counselor, Thomas Edison EnergySmart Charter School.



MERCK SHARP & DOHME
FEDERAL CREDIT UNION

335 West Butler Avenue, Chalfont, PA 18914

(215) 996-3700 | www.msdfcu.org



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