



# BANKING YOUR WAY

2019 • ANNUAL REPORT



335 West Butler Avenue, Chalfont, PA 18914  
(215) 996-3700 | [www.msdfcu.org](http://www.msdfcu.org)



## 2019 COMMUNITY EVENTS

### **Raised \$16,500 for Sebastian Riding Associates & The Shepherd's Shelf**

MSDFCU held its 20th 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 20-year total contribution to the community from the Cow Plop is over \$360,000.

### **Raised \$10,000 for Homeless**

MSDFCU held its 21st Annual Charity Golf Open at the Mainland Golf Course. The event raised \$10,500 for Bridge of Hope Buxmont, a charity working to break the cycle of homelessness. With this donation, the Credit Union's 20-year total contribution to charities from the Golf Open is now over \$210,000.

### **Adopt-A-Highway**

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

### **KidCare ID Program**

During the annual Lansdale Day community event, we provided over 100 children with an updated photo ID. Each child visiting our booth could enter a drawing for a gift card valued at \$100. We divided the children into three age groups and randomly selected one child to win from each category.

### **Shredding Days**

To help members prevent identity theft, MSDFCU held three shredding days this past year at different branches. 2019 was a record year for shredding days, with collected materials weighing in at close to eight tons. All events were well attended, and members thanked the staff for hosting this valuable service. All shredded material was sent off to be recycled.

### **Collected Money and Supplies for Montgomery County SPCA**

For the 21st year in a row, we collected money in jars for the Montgomery County SPCA, along with blankets, sheets, towels, pet food, pet toys, and whatever else members donated. In total, 22 bags of towels and blankets and over 100 items including, food and toys, were donated. Since 1999, we have raised over \$40,000 for the SPCA.

### **Employee Community Involvement**

Each month, a different charity is featured, and staff members are asked to donate what is needed by the charity. The initiative kicked off in 2013 and benefitted several local charities in 2019. Employees supported these local charities by donating everything from food and school supplies, to providing military aid and raising funds for the local fire department.

### **Jeans Day – North Penn School District**

Jeans Day is where everyone is encouraged to wear jeans to work for a \$5 donation. This year, the proceeds went to the North Penn School District lunch program. The \$185 raised was matched by MSDFCU. The school used the money to make sure that no child goes without a lunch.

### **Blood Drive**

In 2019, we held our third American Red Cross Blood Drive for employees, members, and our local community. We met our goal of participation with a collection of 19 units of blood.

### **POW/MIA Chair of Honor**

We were proud to display the POW/MIA Chair of Honor throughout 2019 at our Harleysville and Chalfont branches. The display remained at each branch for six months. The chair honors the service of over 82,000 servicemen and women who remain unaccounted for since World War II.

We'd like to thank our primary sponsor

**Merck & Co., Inc.**

for their continued support of Merck Sharp & Dohme Federal Credit Union.

# CHAIRMAN'S REPORT

In December 2018, early predictions for the 2019 economy were a bit pessimistic, especially given the stock market retreat at the end of the year. But assumptions quickly changed, as the Federal Reserve shifted from two to three projected rate increases to implementing three rate decreases during 2019. Strong job and wage growth continued, while unemployment remained at all-time lows. Trade deals with U.S. allies moved forward, and after some tough talk and “tariff wars” of the sort, a tentative agreement was reached with China for the first phase of a comprehensive trade deal. Overall, 2019 performance was quite good.

Merck Sharp & Dohme Federal Credit Union (MSDFCU) had a solid year too. The Credit Union ended the year with Total Assets of \$624 million, an increase of almost 13% representing a new year-end record. Net Income for the year was \$4.5 million, essentially flat from 2018, which, as you may recall, was up 82% from 2017. Our Net Worth to Asset Ratio remained strong and continued to hover around the 10% range. These results are quite an accomplishment given the Federal Reserve’s about-face on interest rates. But success at MSDFCU goes well beyond strong financials.

Our focus is providing members outstanding service and delivering a convenient, engaging member experience, regardless of whether you’re using our apps, online services, or visiting a branch. To advance these objectives, the Credit Union added four new electronic services: Digital Wallet, Zelle®, Bill Matrix, and ClickSWITCH. To enhance the member in-branch experience, MSDFCU transformed the Colleagueville

Branch to the new Universal Banking Model, replacing teller lines with pods serviced by Member Service Representatives. Our new branch in Quakertown, targeted to open in April 2020, will be similarly equipped. This shift to an open and more relaxed environment will be incorporated at existing branches in the near future.

As I’m sure you realize, accomplishments like these don’t just happen. They are only achieved through hard work by a dedicated staff and management team. These results didn’t go unnoticed, as MSDFCU has been recognized by numerous awards from our peers in the Pennsylvania Credit Union Association along with many local awards based on feedback from you, our members, to local media organizations. The Board and Management team will continue to create strategies ensuring the proper growth necessary to support the strong financial position needed to enable the Credit Union to provide the new innovative products and services you need and deserve. We appreciate the confidence and trust you place in MSDFCU. It’s been my distinct privilege to serve as your chairman this year.



**THOMAS EISENBERGER**  
CHAIRMAN

# EXECUTIVE COMMITTEE AND PAST CHAIRMEN

## EXECUTIVE COMMITTEE



**THOMAS EISENBERGER**  
CHAIRMAN



**JOHN FRAZZETTE**  
1ST VICE CHAIRMAN



**ROBERT MUZSLAY**  
2ND VICE CHAIRMAN



**MICHELINE MARSHALL**  
TREASURER



**NANCY JAMES**  
SECRETARY

## 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

# BOARD OF DIRECTORS



**THOMAS EISENBERGER**  
CHAIRMAN



**JOHN FRAZZETTE**  
1ST VICE CHAIRMAN



**ROBERT MUZSLAY**  
2ND VICE  
CHAIRMAN (A,N)



**MICHELINE MARSHALL**  
TREASURER (A)



**NANCY JAMES**  
SECRETARY



**PETER ALBERTI**  
(N)



**DONALD BAINES**



**JEFFREY JAMES**



**KEVIN STAUFFER**  
(N)

## Director Emeriti

John Becker  
Andy Pinckney  
Rev. Dr. Marjorie Duncan Reed  
Bonnie Folgia  
Velma Hendricks  
Joseph Robinson  
Carter LeBrocq

## Standing Committees

A: Asset/Liability Management  
N: Nominating

# TREASURER'S REPORT

## Health of the Economy:

The Gross Domestic Product (GDP) measures the value of economic activity within a country; it is the sum of the market values, or prices, of all final goods and services produced in an economy during a period of time. As such, the GDP is the best indicator of economic growth. If the economy is healthy, then GDP growth will be between 2% - 3%. For the third quarter of 2019, GDP growth was 2.1%. Recessions are associated with negative GDPs.

The Federal Reserve's three interest rate cuts in 2019 have benefited the housing market. In general, for each 1% reduction in rates, the cost of homeownership is lowered by 10%. This is not only good for customers, but it is also great for the Credit Union since we process more mortgage loans and associated increases in loans in related businesses such as builders, contractors, and home design centers. This becomes a source of income for our Credit Union, which benefits our members through lower rates. The U.S. central banking system has kept rates steady, and signaled borrowing costs could remain unchanged at least through 2020.

It was a good year for investors around the world, as international and emerging markets strengthened. Bonds (9%), gold (18%) and oil (27%) all rebounded from declines in 2018. Currently, the coronavirus has impacted the global market, but this should be viewed as a temporary setback.

## Low Unemployment Rate and Its Impact on Inflation

The U.S. unemployment rate was 3.5% for 2019. That is the lowest it has been in the past decade. Basic economics teaches us that when unemployment rates are low, wage growth increases due to a reduced supply of qualified workers. Wage growth increases companies' costs, which in turn often gets passed on to customers by raising product prices. When the price of products goes up,

inflation, the measurement behind the increase in the cost of goods, goes up. However, this pattern has not occurred, and the inflation rate for 2019 was a low 2.3%.

So, what changed? Amazon® Marketplace! Amazon now accounts for 43 cents of every dollar spent online in the U.S. and continues to cut overhead costs, passing the savings onto the customers. This is forcing all other retailers to decrease their profit margins to stay in business. It's not all bad for the competition; lower prices aligned with Amazon prices allow customers to buy more products/services, which increase sales, profits, and the economy.

## Merck Sharp & Dohme Federal Credit Union (MSDFCU) Financials:

Total Assets increased to \$624 million from \$554 million in 2018. This represents an increase of 12.6% from 2018. The Net Worth-to-Asset Ratio, the primary measure of a credit union's financial strength, was 9.95%. A rate of 7% or higher indicates a "well-capitalized" credit union, according to the National Credit Union Administration (NCUA).

All of us on the Board of Directors, Supervisory Committee, the Management Team, as well as the entire staff appreciate the trust you place in MSDFCU. We look forward to exceeding your expectations in our products and our service in 2020 and beyond.



*Micheline Marshall*

**MICHELINE MARSHALL**  
TREASURER

# FINANCIAL STATEMENTS

Year Ending December 31, 2019, Unaudited

BALANCE SHEET	2019	2018
<b>ASSETS</b>		
Loans	\$334,597,897	\$331,898,458
Allowance for Loan Losses	(805,673)	(805,673)
Net Loans	333,792,224	331,092,785
Cash and Cash Equivalents	100,891,248	52,663,595
Deposits in Other Financial Institutions	-	2,000,000
Investments	157,266,463	140,295,974
Furniture and Fixtures	7,672,350	7,409,229
Other Assets	24,243,206	20,602,719
<b>Total Assets</b>	<b>\$623,865,491</b>	<b>\$554,064,302</b>
<b>LIABILITIES AND EQUITY</b>		
Shares	\$151,398,712	\$145,379,205
IRA Shares	9,304,943	11,975,737
Share Certificates	134,121,039	81,994,218
Money Markets	164,703,545	163,589,382
Share Drafts	97,714,729	92,175,986
Borrowings	-	-
Accounts Payable	3,596,362	3,749,783
Regular Reserves	3,825,775	3,825,775
Undivided Earnings	59,200,386	51,374,216
<b>Total Liabilities and Equity</b>	<b>\$623,865,491</b>	<b>\$554,064,302</b>

STATEMENT OF INCOME	2019	2018
<b>INTEREST INCOME</b>		
Income from Loans	\$14,030,246	\$12,870,000
Investment Income	5,457,313	4,309,222
<b>Total Interest Income</b>	<b>\$19,487,559</b>	<b>\$17,179,222</b>
<b>INTEREST EXPENSE</b>		
Net Interest Income	\$15,349,821	\$15,130,674
<b>PROVISION FOR LOAN LOSSES</b>		
Net Interest Income After Provision for Loan Losses	\$14,758,617	\$14,667,380
<b>NON-INTEREST INCOME</b>		
Service Charges and Fees	\$1,331,292	\$1,308,239
Other Non-Interest Income	\$3,692,428	\$3,322,954
Net Gain on Sale of Loans	\$162,640	\$49,741
Total Non-Interest Income	\$5,186,360	\$4,680,934
<b>NON-INTEREST EXPENSE</b>		
Employee Compensation and Benefits	\$7,582,335	\$7,278,893
Office Occupancy and Operations	2,943,438	2,786,729
Other Operating Expenses	4,883,392	4,639,567
Total Non-Interest Expense	\$15,409,165	\$14,705,189
<b>Net Income</b>	<b>\$4,535,812</b>	<b>\$4,643,122</b>

# CEO'S REPORT

As we celebrate our 70th year in 2020, your Credit Union was very successful financially, and new services were added in 2019. This is part of our pledge to provide you a highly valued member experience and sound financial institution. We want to be your financial partner for life, one memorable experience at a time.

This past year, we focused on solutions to help you meet your financial goals and make your financial life easier to navigate. Your Credit Union was excited to add these service offerings:

**Zelle®** – A person-to-person money transfer service.

**Digital Wallet** – You can use your smart device, including smartphones and smartwatches, to purchase items.

**ClickSWITCH** – A program that allows you to switch your direct deposit and recurring payments from another financial institution to your account with us. It will even close out the other financial institution's account.

**Bill Matrix** – Allows members to pay their MSDFCU loans from another financial institution.

Financially, we ended the year with \$623,865,491 in assets, \$334,597,897 in loans, \$4,535,812 in net income, and a strong capital ratio of 9.95%. These financials place your Credit Union in the top tier of financial institutions in the region.

Our financial strength enabled us to make your banking more convenient at home or work through additional

electronic services and branches. I am pleased to announce we will be opening our seventh branch in Quakertown in April 2020.

In 2019, we converted our Collegeville Branch to the Universal Banking Model. We eliminated the teller line and installed pods. This makes the branch more open and relaxing. Instead of tellers, we have Member Service Representatives who will help navigate your transaction from start to finish. Our Quakertown Branch will be open under this model, and we will be converting our other branches in the future.

Again in 2019, your Credit Union won numerous awards. Our peers at the Pennsylvania Credit Union Association recognized our community and member service efforts with state awards. Locally, members voted MSDFCU Best Credit Union in two media surveys: Bucks and Montgomery Counties.

We are grateful for the confidence and trust you have placed in us to serve you and your family. Your support of our financial cooperative allows Merck Sharp & Dohme Federal Credit Union to make a difference in the financial lives of those we serve.



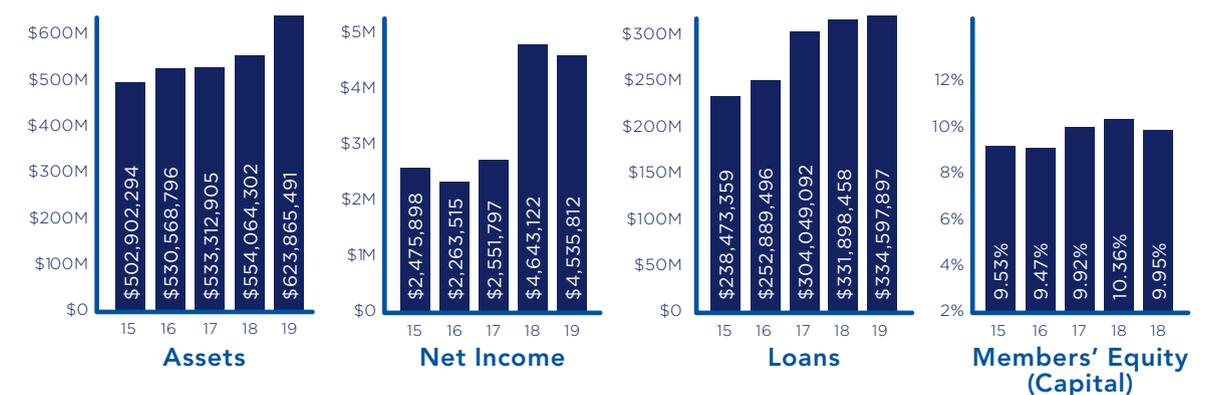
DAVID B. WHITEHEAD  
CEO

# ANALYSIS OF LOANS GRANTED

Year Ending December 31, 2019

PURPOSE OF LOAN	NUMBER	TOTAL AMOUNT (IN THOUSANDS)
New Automobiles	283	\$9,003
Used Automobiles	881	18,879
Home Equity Lines	123	9,941
Second Mortgages (Fixed)	224	14,491
Personal Loans	502	6,814
Other Secured	10	113
Overdraft Lines	28	142
First Mortgages	76	19,516
Student Loans	19	897
Business Loans	34	4,680
Credit Cards	359	2,371
<b>Total</b>	<b>2,539</b>	<b>\$86,847</b>

# FINANCIAL TRENDS



## SUPERVISORY COMMITTEE'S REPORT

Merck Sharp & Dohme Federal Credit Union (MSDFCU) continued to provide value for our members and stakeholders throughout 2019. Audits were conducted on schedule by the National Credit Union Administration (NCUA), Accume Partners, and CliftonLarsonAllen LLP and found MSDFCU to be a financially sound entity providing significant value to the members and stakeholders.

CliftonLarsonAllen LLP completed the year-end audit of the Credit Union's financial statements, and Accume Partners assessed the internal processes and systems throughout the year. The NCUA also conducted a routine examination of the Credit Union to ensure the institution was operating within the regulations and charter of Federal Credit Unions. The results of these audits showed no major issues or concerns in the way MSDFCU is being managed and operated. MSDFCU continues to meet financial, operational, compliance, and federal rules and regulations.

The Supervisory Committee continues its role as an independent, objective body ensuring the Credit Union meets its financial reporting objectives and has processes and procedures in place to safeguard member assets. We remain confident 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 Credit Union members, and addresses these with the board of directors and management team when appropriate to continue to meet the needs of our members.

Our members remain our most valuable stakeholders. Your suggestions for improvements or concerns regarding the operations of your Credit Union are always welcomed by the Supervisory Committee and will receive our prompt and confidential response. These can be submitted via the MSDFCU website, or by sending an email directly to the secure e-mail address [supervisorycommittee@msdfcu.org](mailto:supervisorycommittee@msdfcu.org). You may also directly contact any member of the Supervisory Committee.

The committee thanks the Credit Union staff, management team, and the board of directors for their consistent high-quality work and excellent cooperation, collaboration, and leadership throughout 2019. We also thank the membership for their confidence in and continued support of MSDFCU. The Supervisory Committee will continue to be a strong advocate for the members and the Credit Union in 2020.



WILLIAM COOK  
CHAIRMAN



TYRONE EDWARDS



JANET KEYSER



TIMOTHY RATKE



KEVIN STAUFFER

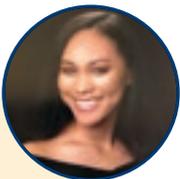


# RAYMOND O. HOFFMAN MEMORIAL AWARD RECIPIENTS



MEGAN CARTER

**Megan Carter** | Megan is a senior at Central Bucks High School East in Doylestown, Pennsylvania. The majority of her volunteer efforts encompass something Megan is passionate about – helping and connecting with others who have medical needs. Her participation includes fundraising to support medical research and services for patients. In doing so, she has volunteered with the following charities: Walk to End Alzheimer’s, Mini-Thon for Pediatric Cancer Research, and Comfort for Chemo. Her efforts go beyond your basic volunteering. She has supported Project Linus and Philly Phaces by making no-sew blankets, which then are distributed to seriously ill or traumatized children to provide comfort. Megan also takes the time to connect with the people she encounters. Jane Schreiber, Assistant Director of the Neshaminy Manor Nursing Home, says, “Megan has been incredibly helpful, caring, and positive with our seniors during activities.”



MICHAELINA  
CARTER

**Micaelina Carter** | Micaelina is a senior at Mount Saint Joseph Academy in Flourtown, Pennsylvania. Micaelina took it upon herself to spend her free time volunteering. She became an avid volunteer in her community through her friend, who invited Micaelina to one of her volunteer events. From that day forward, Micaelina immersed herself in helping multiple charities. Micaelina created a youth group at her local church, as well as volunteered with Saint Vincent De Paul Food Pantry and Operation Smile. Micaelina has a way of connecting with others. Her passion for dance has provided her the opportunity to dance with students from all over the world. Micaelina also became the co-founder of a book club in her school. She had come to see that many bookshelves were being removed from the school’s library. Upon learning this, she co-founded a book club to entice other students to read and connect with their peers. As said by Melissa Feilke, History department teacher, “One of the things I admire most about Micealina is her adventurous spirit and willingness to take risks.”



EMILY MYERS

**Emily Myers** | Emily is a senior at Upper Perkiomen High School in Pennsburg, Pennsylvania. Helping others and empowering her community is something that is second nature to her. She has a passion and drive to help others and to lead by example. To feed her passion, she has volunteered with a multitude of charities, including The Salvation Army, Highway and Stream Clean-Up, Open Link, Leo Club, Light in the Night, and many others. Throughout her hours spent dedicated to these numerous charities, she also adopted two major leadership roles beyond her official duties. For two years, she has served as a student liaison for Project Live, an organization dedicated to helping those in the community who are fighting addiction. The organization provides guidance and resources to affected families. Through example, Emily hopes to encourage others to come together and give back to the community. As stated by Danielle Hawthorne, English department teacher and Leo Club advisor, “Perhaps, most importantly, though, Emily thinks of others before herself.”



CASSANDRA  
RODRIQUE

**Cassandra Rodrique** | Cassandra is a senior at Souderton Area High School in Souderton, Pennsylvania. Cassandra has dedicated the last three years, and much of her volunteer efforts to a cause that she holds close and is passionate about bringing awareness to, especially in high schools. Cassandra volunteered her time with an organization called Peyton Heart Project. This special organization’s goals are to end suicide. In 2017, Cassandra became an ambassador with this organization, where she worked to crochet thousands of small hearts and attach them with uplifting messages and suicide prevention hotline numbers, which are then spread throughout the community. Cassandra worked to expand this project and founded the Peyton Heart Project Club at her school. This 80-member club is where individuals can openly discuss their emotions with their peers. The community has also recognized this club. The Harleysville Lions Club acknowledged this club’s efforts and donated the proceeds from their annual golf outing, totaling \$5,700.



COREY SHIPMAN

**Corey Shipman** | Corey Shipman is a senior at Pennridge High School in Perkasie, Pennsylvania. Corey is a dedicated Eagle Scout and spent much of his high school career immersed in service. Some of those community service projects included building pavilions, performing at nursing homes, digitizing cemetery records, and updating retirement communities. Corey also spearheaded multiple projects in the community, such as enhancing a women’s abuse shelter. Over two years, he drafted, organized, and helped raise funds for the construction of a three-mile walking trail around the shelter. Corey also tackled his Eagle project by working with the Ronald McDonald House of Philadelphia. Backed by his interest in pediatric medicine, he wanted to help children suffering from terminal illnesses in the community. He put together fundraising efforts and assembled countless fun and engaging personalized bags to be presented to those children in need. Mentioned by Corey’s Boy Scout mentor, Kenny Bauer, “An extremely high caliber person and leader, as Corey surely is.”