



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



MEMBER FOCUSED

Today and Always





We'd like to thank our primary sponsor

Merck & Co., Inc.

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

2020 COMMUNITY EVENTS

2020 presented numerous challenges for individuals, businesses, and organizations. Our major fundraising and community service efforts, including the golf outing and Cow Plop, were curtailed due to COVID-19, but we rallied together to continue supporting charitable efforts throughout 2020.

Supporting Frontline Workers and Small Business

Seeing a need to support small businesses and frontline workers who work tirelessly to keep us safe, we provided local hospital staff and police, fire, and emergency departments lunch from local restaurants or eateries. It was a win-win! Frontline staff enjoyed a much-needed meal, and local establishments received some financial support.

Donated \$2,500 to Sebastian Riding Associates & The Shepherd's Shelf

Due to the cancellation of larger annual fundraisers that support these charities, MSDFCU donated \$2,500 to Sebastian Riding Associates and \$2,500 to 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 local food pantry.

Raised \$7,125 for Homeless

It was a difficult decision to cancel what would have been our 22nd Annual Charity Golf Outing, a popular event that raises over \$10,000 for Bridge of Hope BuxMont. This Lansdale-based

charity works to break the cycle of homelessness. Recognizing that a need was still present, the Credit Union solicited the golf players and vendors for donations. A total of \$7,125 was presented to Bridge of Hope BuxMont as a result of player, vendor, and MSDFCU donations.

Collected Money and Supplies for the Montgomery County SPCA

For the 22nd 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 pet toys were generously donated by our members. 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 the most-requested items to the highlighted charity. The initiative kicked off in 2013 and has benefitted local charities in 2020. Employees supported these local charities by providing food to local food shelters, school supplies and clothing for children, military aid, and funds for the local fire department.

Blood Drive

In 2020, we held our fourth American Red Cross Blood Drive for employees, members, and our community. We exceeded 2019's total by 53 percent, collecting 29 lifesaving pints of blood.

CHAIRMAN'S REPORT

No one could have predicted the year that was about to unfold. A pandemic took center stage across the globe, as assorted other themes painted the picture of 2020 in the United States. By March, we entered global lockdowns. We became familiar with terms like essential business, social distancing, flattening the curve and Zoom. We experienced shortages of face masks, chlorine wipes and of all things, toilet paper. Numerous businesses, small and large, were hit hard. The stock market retreated, and unemployment skyrocketed. 2020 was described as a "unique year," an "unprecedented year" or simply "the year from Hell." In any case, 2020 is a year that will be remembered and reflected upon for generations.

Merck Sharp & Dohme Federal Credit Union (CU), designated as an essential business, operated throughout the pandemic. Our 70-year celebration was canceled, and the new branch opening in Quakertown was delayed until October. While the CU ended 2020 financially strong, most metrics were adversely impacted with the exception of Savings. Net Assets set a year-end record of \$760 million. The CU was fortunate to have a veteran staff with David Whitehead at the helm, leading us through this turmoil. Our top priority was staff and member safety along with a focus on member needs. The Board realized working during this time created anxiety for many staff members. Please accept our sincere thanks for the dedication and commitment to the CU and our members and for a job well done.

While we are not yet out of the woods, the outlook is increasingly optimistic. Operation Warp Speed contributed to the development of two vaccines that the

FDA granted Emergency Use Authorization in December 2020. Vaccine distribution is well underway. Stocks are rebounding to new highs, and expectations are that lower unemployment will follow, albeit at a slower pace. The CU will institutionalize some of the operational practices utilized during this pandemic. The Board recently announced the appointment of Dana DeFilippis as CEO, replacing the retiring David Whitehead. Dana is excited and well prepared to lead us forward.

The CU has great volunteers, too. Nancy James is leaving the Board after 32 years. I have had the privilege to work closely with Nancy and can attest to her dedication and commitment to the CU and her role as Board Secretary. We wish Nancy all the best.

The Board and Management team appreciate the confidence and trust you place in your CU. We will continue to create strategies that move our CU forward and focus on members' needs as we strive to live our vision: Where your financial dreams come true. I am privileged to work with such a talented staff and group of volunteers this year.



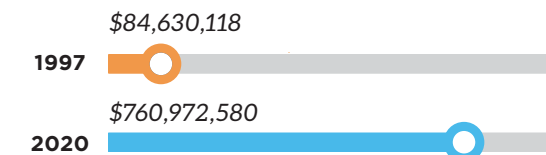
THOMAS EISENBERGER
CHAIRMAN

THANK YOU, DAVID WHITEHEAD

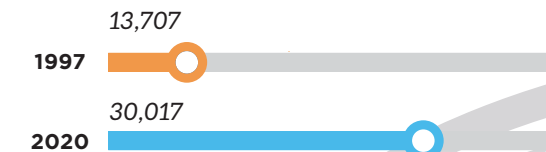
In 2020, David Whitehead announced his retirement after 24 years as CEO of MSDFCU. Dave leaves behind a long list of member service and convenience enhancements. Under Dave's leadership, MSDFCU increased our branch network from two to seven branches, introduced credit and debit cards and added electronic services such as Online and Mobile Banking. MSDFCU assets grew from \$84 million to over \$760 million, and the credit union remained a strong financial institution. A final testimony to his member-first legacy is year-after-year high member satisfaction scores.

On behalf of the Board, volunteers and staff, we thank you for your leadership, dedication and integrity as well as numerous achievements. We wish Dave a wonderful retirement as he pursues his dreams and hobbies of fly fishing, traveling and spending time with his family and grandchildren. We are confident Dave will find the same success and happiness in retirement that he experienced during his tenure at MSDFCU.

ASSET GROWTH



MEMBERSHIP



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
VICE CHAIRMAN



ROBERT MUZSLAY
(A,N)



KEVIN STAUFFER
TREASURER (A)



NANCY JAMES
SECRETARY



PETER ALBERTI



DONALD BAINES
(N)



STACIE GRIM
(A,N)



TIMOTHY RATKE

EXECUTIVE COMMITTEE



THOMAS EISENBERGER
CHAIRMAN



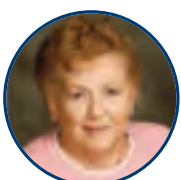
JOHN FRAZZETTE
VICE CHAIRMAN



ROBERT MUZSLAY



KEVIN STAUFFER
TREASURER



NANCY JAMES
SECRETARY

Director Emeriti

John Becker
Andy Pinckney
Rev. Dr. Marjorie
Duncan Reed

Bonnie Folgia
Velma Hendricks
Joseph Robinson
Carter LeBrocq
Jeff James

Standing Committees

A: Asset/Liability Management
N: Nominating

TREASURER'S REPORT

As Treasurer of the Merck Sharp & Dohme Federal Credit Union (MSDFCU), I am pleased to report 2020 was another successful year. In the face of a global pandemic and economic crisis, the Credit Union maintained superior financial products and services to our members while achieving continued financial growth. The Credit Union's strength is a testament to the loyalty and support that you, our members, have consistently shown throughout the years.

MSDFCU experienced tremendous growth in 2020, with Total Assets reaching \$762.0 million, a 22% increase over 2019. Total Deposits increased 24% from the previous year, ending at \$688.9 million. These increases were primarily due to an influx of deposits from stimulus funds and higher-than-usual member savings attributable to unpredictable economic conditions. Total Loans reached \$353.0 million during the year, up 5.49% from 2019, thanks to first mortgages and unsecured loans driven by historically low interest rates.

Credit unions build capital through earnings. In 2020, Net Income totaling \$2.6 million was added to members' equity, also known as Net Worth. These earnings, as measured through Return on Assets, were a respectable 0.37%. Loans power a credit union's earnings, and although our portfolio grew dramatically with the large increase in deposits, tight economic conditions this past year made it challenging to invest the additional cash into higher yield opportunities. The funds are earning interest but at a lower rate than other investments.

Net worth is one of the primary indicators of a credit union's financial strength. With a ratio of 8.50%, 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 an added protection to the possibility of any unforeseen losses and lays the foundation for new and enhanced services and future growth.

Because of our strong capital position, we were able to expand our network of branches by successfully opening in Quakertown. Overall, the Credit Union added 174 new accounts, 158 new Select Employee Groups (SEG), with overall membership exceeding 30,000 for the first time.

Looking towards 2021, we are optimistic. With the virus trajectory trending down and improved vaccination distribution, we hope the economy will continue its recovery at a faster pace. All of us on the Board of Directors, Supervisory Committee, Management Team and the entire staff appreciate the trust you place in MSDFCU.

We look forward to exceeding your expectations in our service and products in 2021 and beyond.



KEVIN STAUFFER
TREASURER

FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2020, UNAUDITED

BALANCE SHEET	2020	2019
ASSETS		
Loans	\$352,972,580	\$334,597,897
Allowance for Loan Losses	(825,673)	(805,673)
Net Loans	352,146,907	333,792,224
Cash and Cash Equivalents	96,036,259	100,891,248
Deposits in Other Financial Institutions	5,000,000	-
Investments	274,735,131	157,266,463
Furniture & Fixtures	7,918,463	7,672,350
Other Assets	26,135,820	24,243,206
TOTAL ASSETS	\$761,972,580	\$623,865,491
LIABILITIES AND EQUITY		
Shares	\$195,414,909	\$151,398,712
IRA Shares	10,039,505	9,304,943
Share Certificates	154,491,183	134,121,039
Money Markets	193,409,289	164,703,545
Share Drafts	135,507,928	97,714,729
Borrowings	-	-
Accounts Payable	4,154,936	3,596,362
Regular Reserves	3,825,775	3,825,775
Undivided Earnings	65,129,055	59,200,386
TOTAL LIABILITIES & EQUITY	\$761,972,580	\$623,865,491

STATEMENT OF INCOME	2020	2019
INTEREST INCOME		
Income from Loans	\$14,147,707	\$14,030,246
Investment Income	3,370,866	5,457,313
TOTAL	\$17,518,573	\$19,487,559
INTEREST EXPENSE		
Net Interest Income	\$13,185,523	\$15,349,821
PROVISION FOR LOAN LOSSES		
Net Interest Income After Provision for Loan Losses	\$12,601,166	\$14,758,617
NON-INTEREST INCOME		
Service Charges and Fees	\$1,212,739	\$1,331,292
Other Non-Interest Income	\$4,147,501	\$3,692,428
Net Gain on Sale of Loans	\$802,653	\$162,640
Total Non-Interest Income	\$6,162,893	\$5,186,360
NON-INTEREST EXPENSE		
Employee Compensation and Benefits	\$8,061,401	\$7,582,335
Office Occupancy and Operations	3,292,201	2,943,438
Other Operating Expenses	4,777,294	4,883,392
Total Non-Interest Expense	\$16,130,896	\$15,409,165
Net Income	\$2,633,163	\$4,535,812

CEO'S REPORT

We entered 2020 with great expectations. It was our 70th year of serving our members, and we were coming off a financially successful 2019. Despite the pandemic in 2020, our assets grew from \$137 million to a record high of \$760 million, and our net income was \$2.6 million. The pandemic required a change in our mindset, as we sought to protect our staff and members and still provide the financial tools to make lives better. It was an extremely challenging year. I am pleased to say we remained open and available to you throughout the year. We altered the way we served you by closing lobbies and only doing in-person transactions via the drive-through. I thank you for your understanding and cooperation.

While the pandemic affected us, it also had an adverse effect on our community and the charitable organizations within it. Due to safety concerns and social distancing, we did not hold our Charity Golf Outing and Annual Cow Plop. But through the generosity of our staff and vendors, we were still able to make generous contributions to The Bridge of Hope BuxMont, Shepherd's Self and Sebastian Riding Associates. I am looking forward to 2021 and reestablishing these charitable events and making larger contributions to the charities in our communities.

What separates MSDFCU from other financial Institutions is our great staff that goes beyond expectations to serve you. They truly faced the challenge, put their lives on the line and developed new and innovative ways to serve you.

I am retiring April 2, 2021, and I want to thank you, our members, our staff, the Board of Directors and the Supervisory Committee for the endless support over the past 24 years. I could not have done my job without you.

After a national search, the Board hired our SVP, Dana DeFilippis as my successor. She has worked for MSDFCU for the past 21 years, and I am excited to see her promoted. Dana will continue our excellence in service by providing the latest in products and services so we may be your financial partner for life, one memorable experience at a time.



David B. Whitehead

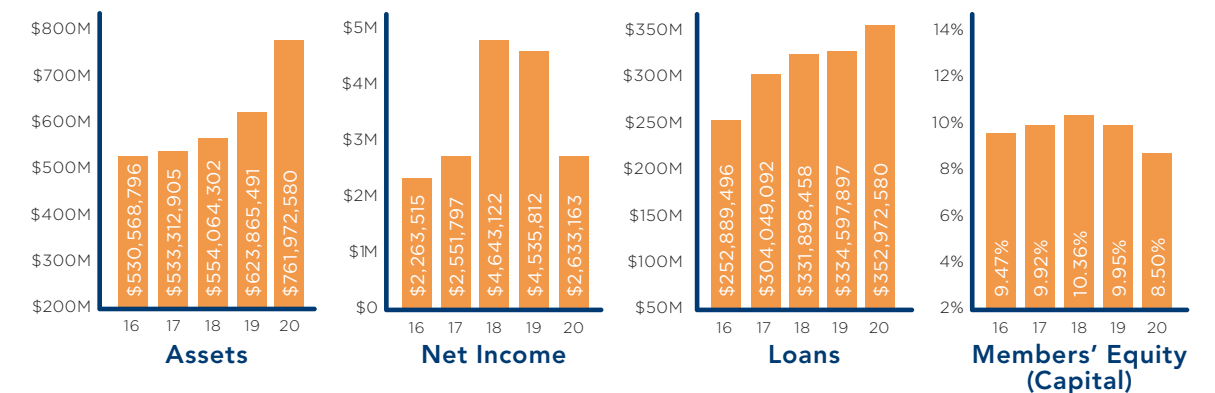
DAVID B. WHITEHEAD
CEO

ANALYSIS OF LOANS GRANTED

Year Ending December 31, 2020

PURPOSE OF LOAN	NUMBER	TOTAL AMOUNT (IN THOUSANDS)
New Automobiles	166	\$5,717
Used Automobiles	948	21,288
Home Equity Lines	388	40,102
Second Mortgage (fixed)	101	6,730
Personal Loans	531	9,266
Other Secured	6	95
Overdraft Lines	22	140
First Mortgages	148	38,794
Student Loans	19	725
Business Loans	32	4,095
Credit Cards	566	6,053
Total	2,927	\$133,005

FINANCIAL TRENDS



SUPERVISORY COMMITTEE'S REPORT

Merck Sharp & Dohme Federal Credit Union (MSDFCU) continued to provide value for our members and stakeholders throughout 2020. Audits were conducted on schedule by 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 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 our members' needs.

Our members remain our most valuable stakeholders. Your suggestions for improvements or concerns regarding your Credit Union's operations 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 email address 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 2020. 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 2021.



WILLIAM COOK
CHAIRMAN



RUTH FIELDS



JANET KEYSER



GLENN MCPHERSON



TIMOTHY RATKE



RAYMOND O. HOFFMAN MEMORIAL AWARD RECIPIENTS



YVONNE BURKE

Yvonne Burke | Yvonne is a senior at Central Bucks High School South in Warrington, Pennsylvania. For Yvonne, her volunteer efforts hit close to home. Through her brother, Yvonne got a glimpse inside the life of a child with disabilities. She witnessed the difficulty her brother went through making friends, and she decided to join Friends and Titans Connect in school. Yvonne also became a leader of Titans for Equity & Inclusion Club (TIE). Yvonne participated in A Night to Shine, a prom for those with disabilities. Outside of school, she advocates for those with special needs through the Special Olympics. She also spent time volunteering for BCOP, Jack & Jill of Bucks County, and the 4 U Drew Foundation. Since volunteering with established programs, Yvonne created The Kindness Project, which fosters inclusion in the local community. The Kindness Project serves to educate and transfer the knowledge that children like her brother want to be included. As stated by Kenneth Bui of the Central Bucks High School South English Department, “Yvonne makes me and countless others unbelievably proud. She truly represents what it means to serve others and acts as a genuine and exemplary agent for change.”



ANJALI
KEJARIWAL

Anjali Kejariwal | Anjali is a senior at Spring-Ford High School in Royersford, Pennsylvania. Anjali strives to impact her community and has volunteered at many local organizations, such as Balvihar Youth Group, Pottstown Hospital, and the Daily Bread Food Pantry. She discovered her passion when she and her brother founded a certified 501(c)(3) nonprofit called Sweatshirts to Scrubs (S2S). Noticing the gap between youth and adequate science education, Anjali’s organization teaches elementary students about the medical field. Over four years, sessions at local libraries, summer science camps, and virtual sessions for children nationwide were held. This organization motivated Anjali to achieve more, all while staying true to her culture. By teaching children Bollywood dancing each week and founding Dancing Dreams, whose mission was to keep kids moving during quarantine through virtual boot camps, she continued volunteering locally. Anjali also raised money for charities and organizations in India.



AIDAN LOMBARDI

Aidan Lombardi | Aidan is a senior at Cardinal Newman High School in Santa Rosa, California. Through a tragic loss springs hope. Aidan’s passion lies in advocating for mental health, and he strives to be a voice for students who may be afraid to speak up and suffer in silence. Aidan sits on the student advisory board for a foundation started by his family called the Hilinski’s Hope Foundation (www.hilinskishope.org). Its mission is to educate, advocate, and eliminate the stigma associated with mental illness while funding programs and providing tools and resources that support student-athlete mental health and wellness. Through this foundation, Aidan has been able to travel across the country and host presentations. Each year, he participates with the AFSP in the Out of the Darkness walk and organizes a Hilinski’s Hope team with his family. In 2021, he will take part in a virtual screening and a Q&A panel for a documentary (Angst) by IndieFlix Productions that will be made available to over 1,000 students, parents, and faculty in high schools in Sonoma County. As stated by Derek DeBenedetti of Cardinal Newman High School, “Aidan’s commitment to sharing and living the Hilinski’s Hope message has made a very tangible impact on our community, myself included.”



CASEY YIN

Casey Yin | Casey is a senior at North Penn High School in Lansdale, Pennsylvania. Casey’s volunteering efforts include organizations like Project Brother Love, Flood Philly, Franklin Institute Camp, Taiwan Short Term Missions, and Abington Lansdale Hospital. Through all her volunteering efforts, Casey was reminded of the simple happiness someone can incite through relationships formed through volunteering. As a camp counselor every summer, teaching Biblical stories in church and nurturing campers’ scientific curiosity through hands-on experiments in The Franklin Institute, Casey decided to bring this experience abroad, teaching children in Taiwan the English language while building friendships, dancing, and playing games. Because COVID-19 prevented in-person camps from proceeding, her volunteer efforts transitioned online at Herald Crusade. There Casey tutored first-generation Asian American children in ESL. As stated by Tammy Shen, China Grace Christian Church Youth Director, “Her caring personality shone through, and her enthusiasm and energy never waned throughout the week, which made her a great role model for the other volunteers on the trip.”



PETER ZUCCA

Peter Zucca | Peter is a senior at Souderton Area High School in Souderton, Pennsylvania. Peter’s purpose is to make a difference in the lives of kids with cancer. As a two-time cancer survivor and amputee, Peter Zucca holds the spirit of resilience. The Peter Powerhouse Foundation has that same spirit, which Zucca created back in 2014. Through Peter’s Powerhouse Foundation, he donated \$92,000 to CHOP and \$75,000 to duPoint to purchase special MRI equipment that allows kids to watch a movie while getting a scan, instead of undergoing dangerous sedation. Peter continues to fulfill Christmas wish lists for patients annually in his local community and sends gas cards, grocery cards, and special treats to households of kids with cancer. In June 2015, Peter held his first blood drive with the American Red Cross; last year, Peter hosted 44 drives, collected 4000 units, and impacted 12,000 lives. Since then, Peter was invited to join the Red Cross as a Community Volunteer Leader. He joined the board for the Delaware Valley Chapter of the American Red Cross at 17 years of age. Peter’s service spans back more than the four years as a high school student – since his passion for helping others is not just a project, but a lifestyle.