

2021

ANNUAL REPORT



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



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2021 COMMUNITY EVENTS

2021 saw a return of some of our most popular community events. Our major fundraising and community service efforts, including the **Golf Outing** and **Cow Plop**, once again took place as we continued to support a variety of causes.



22nd Annual Cow Plop

Raised \$12,200 for 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 \$385,000.



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 2021. Employees supported these local charities by providing food to local food shelters, school supplies, clothing for children, military aid, funds for the local police and cancer fundraisers.



Lansdale Day

KidCare ID Program

During the annual Lansdale Day community event, we provide over 100 children an updated ID, including their photos. As a draw to get the children and parents to stop into the booth, each child can enter a drawing for a gift card valued at \$100. We divide the children into three age groups and randomly select one child to win from each category.



Philabundance

MSDFCU, working together with multiple credit unions and Pennsylvania state legislators, launched a food drive in the summer that resulted in 7,380 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 \$7,300 to be used to combat food insecurity in the five-county Philadelphia region.



Blood Drive

In 2021, we held our fourth American Red Cross Blood Drive for employees, members and our community. We collected 25 lifesaving pints of blood, which resulted in 75 potential lives saved.



POW-MIA Quakertown

POW-MIA Chair of Honor

On Monday, June 14, 2021, we held a ceremony to install and display the POW-MIA Chair of Honor at our Quakertown branch. The display remained for six months. The Chair honors the service of over 82,000 servicemen and women who have remained unaccounted for since WWII.



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 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 11th year MSDFCU has committed to the Adopt-A-Highway program.



Golf Outing

Raised \$12,000 for the Homeless

MSDFCU and NBCF held their 23rd Annual Charity Golf Open at the Mainland Golf Course. The event raised \$12,000 for Bridge of Hope BuxMont, a Lansdale-based charity working to break the cycle of homelessness. With this donation, the Credit Union's 23-year total contributions to charities from the Golf Open are now over \$228,000.



Collected Money and Supplies for the Montgomery County SPCA

For the 23rd 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 committed to helping our animal friends.



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

Throughout 2021, many issues impacted our country and way of life. The pandemic continued, and new variants pushed infection rates and hospitalizations upward. Vaccinations seemingly topped out, while discord continued over governmental mandates on vaccinations and the use of masks. Early in the year, protesters asserting voter fraud attempted to block the certification of election results. In major cities across the country, crime rose at alarming rates, especially homicides. And as all of this was happening, three billionaires staged a private space race.

On the labor front, help-wanted signs are plastered everywhere. My favorite of which reads, "Now Hiring. Isn't Everybody?" While the unemployment rate dropped to 3.9% by year end, payrolls are still 3.6 million workers below their pre-pandemic level. Job vacancies hovered at record levels of 11 million, while inflation hit a 40-year high, rising to 7%. Supply chain issues drove shortages and contributed to rising prices. The stock markets seemingly looked past these issues as major indices recorded double-digit growth for 2021.

Merck Sharp & Dohme Federal Credit Union (CU) continued to grow in 2021. Under the leadership of our new CEO, Dana DeFilippis, our CU remained strong. Assets reached \$825 million, a new year-end record reflecting strong member growth and increased savings. Dana took the helm in March as our former CEO, David Whitehead, retired. The seamless transition reflected well on Dana, a seasoned veteran of the CU. Her focus is implementing technology to provide easy, convenient access to financial services to fulfill the growing expectations of our members. Dana is engaging the staff in key initiatives while maintaining the focus on superior personal service for our members.

In reaction to soaring consumer prices in 2021, the Federal Reserve has hinted 2022 could include three to four rate increases, possibly as early as March. Their goal is to curb inflation without ending the economic recovery. As crypto currencies gain popularity and acceptance, the Federal Reserve has indicated they will examine the positives and negatives of a central bank digital currency in the U.S. Many feel the crypto movement represents a potential game changer to banking.

A 40-year veteran of the CU, Robert Muzslay announced his intention to retire from the Board in March. Bob initially served as Manager for the CU in the 70s and 80s, then rejoined as a Board member in 1995. He is a dedicated volunteer who always puts members first. We wish Bob the best!

The Board and Management team will continue to build on our strong financial position ensuring the resources necessary to provide innovative products while focusing on our mission - "Empowering our members to achieve financial success." It's my privilege to work with such an accomplished staff and group of volunteers.



THOMAS EISENBERGER
CHAIRMAN

BOARD OF DIRECTORS



Thomas Eisenberger
CHAIRMAN



John Frazzette
VICE CHAIRMAN



Kevin Stauffer
TREASURER (A)



Stacie Grim
SECRETARY (A)



Peter Alberti



Donald Baines
(N)



Ruth Fields
(N)



Robert Muzslay
(A)



Timothy Ratke
(N)



Bert Finkenbeiner
BOARD ADVISOR

EXECUTIVE COMMITTEE



Thomas Eisenberger
CHAIRMAN



John Frazzette
VICE CHAIRMAN



Kevin Stauffer
TREASURER (A)



Stacie Grim
SECRETARY (A)

Director Emeriti

John Becker
Bonnie Folgia
Velma Hendricks
Jeff James
Nancy James

Carter LeBrocq
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

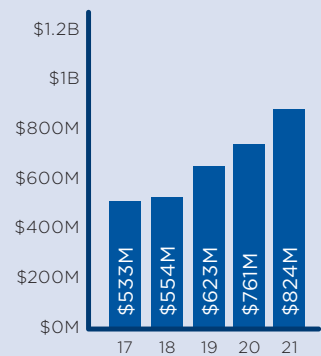
Jeffrey James

213,670

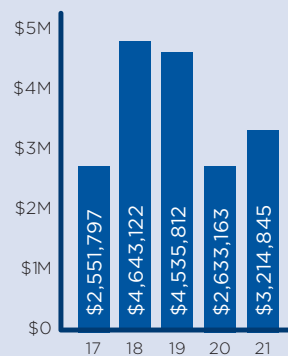
MOBILE TRANSACTIONS
INCLUDING MOBILE DEPOSITS

2,047

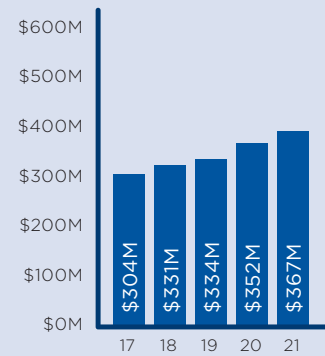
NEW ACCOUNTS
OPENED IN 2021



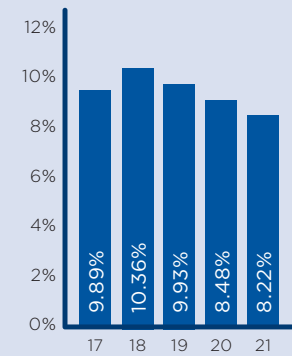
Assets



Net Income



Loans



Members' Equity (Capital)

ASSET GROWTH OVER 25 YEARS



MEMBERSHIP GROWTH OVER 25 YEARS



8%

INCREASE OF TOTAL ASSETS
OVER 2020

9%

INCREASE OF TOTAL DEPOSITS
OVER 2020

TREASURER'S REPORT

As Treasurer of the Merck Sharp & Dohme Federal Credit Union (MSDFCU), I am pleased to report 2021 was another successful year. In the face of a second year of the global pandemic and economic crisis, the Credit Union maintained superior financial products and services for 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 steady growth in 2021 with Total Assets reaching \$824.6 million, an 8% increase over 2020. Total Deposits increased 9% from the previous year, ending at \$752.2 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 \$367.9 million during the year, up 4% from 2020, thanks to first mortgages, home equity and unsecured loans driven by continued historically low interest rates.

Credit unions build capital through earnings. In 2021, Net Income totaling \$3.2 million was added to members' equity, also known as Net Worth. As measured through Return on Assets, these earnings were a respectable 0.41%. Loans power a credit union's earnings, and although our portfolio grew dramatically with the large increase in deposits, tight economic conditions again this past year made it challenging to invest the additional cash into higher-yield opportunities. These funds are still 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 8.22%, 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.

With the successful opening of our new Quakertown branch in 2020, we have expanded our network to include five branches, two satellite locations and a state-of-the-art 24-hour call center. Overall, the Credit Union netted 798 new accounts, including adding Organon as a Select Employee Group (SEG), with overall membership at 30,873 members.

Looking towards 2022, we are optimistic with the virus trajectory trending down. With the continued expansion of the economy, anticipated Federal Reserve rate hikes will gravitate inflation back to pre-pandemic levels. Most American consumers still have money to spend as supply and labor shortages return to normal, allowing prices to fall.

All of us on the Board of Directors, Supervisory Committee, Management team and the entire staff appreciate the trust you place in the MSDFCU. We look forward to exceeding your expectations in our service and products in 2022 and beyond.



KEVIN STAUFFER
TREASURER

FINANCIAL STATEMENTS

Year Ending December 31, 2021, Unaudited

Total Amount in Thousands

BALANCE SHEET

	2021	2020
ASSETS		
Loans	\$367,893	\$352,972
Allowance for Loan Losses	(825)	(825)
Net Loans	367,068	352,147
Cash and Cash Equivalents	131,325	96,036
Deposits in Other Financial Institutions	-	5,000
Investments	293,577	274,735
Furniture and Fixtures	7,613	7,918
Other Assets	25,034	26,136
TOTAL ASSETS	\$824,617	\$761,972

LIABILITIES AND EQUITY

Shares	\$232,793	\$195,415
IRA Shares	10,421	10,039
Share Certificates	130,731	154,491
Money Markets	226,192	193,409
Share Drafts	152,064	135,508
Borrowings	-	-
Accounts Payable	4,545	4,155
Regular Reserves	3,825	3,826
Undivided Earnings	64,046	65,129

TOTAL LIABILITIES & EQUITY

\$824,617 **\$761,972**

STATEMENT OF INCOME

	2021	2020
INTEREST INCOME		
Income from Loans	\$13,462	\$14,147
Investment Income	3,356	3,371
TOTAL	\$16,818	\$17,518

INTEREST EXPENSE

Net Interest Income	\$14,014	\$13,185
PROVISION FOR LOAN LOSSES	\$407	\$584
Net Interest Income After Provision for Loan Losses	\$13,607	\$12,601

NON-INTEREST INCOME

Service Charges and Fees	\$1,288	\$1,213
Other Non-Interest Income	\$4,684	\$4,147
Net Gain on Sale of Loans	\$597	\$803

NON-INTEREST EXPENSE

Employee Compensation and Benefits	\$7,936	\$8,061
Office Occupancy and Operations	3,380	3,292
Other Operating Expenses	5,645	4,777
Total Non-Interest Expense	\$16,961	\$16,131

NET INCOME

\$3,215 **\$2,633**

CEO'S REPORT

2021 was another remarkable year for all of us. I would like to thank our staff for their extraordinary dedication and ongoing support of our members. I would also like to thank our Board and Supervisory Committee members for their level of commitment. Because of everyone's commitment to the Credit Union through these challenging times, we have continued to follow through on our mission of empowering our members to achieve financial success.

In 2021, we launched the following products and services to meet our members' needs:

- Recreational Vehicle Loans
- New Britain Mortgage offering mortgage loans in New Jersey
- Branch Appointment Scheduler - you can now schedule an appointment to visit any of our branches
- Contactless Debit and Credit Cards - a faster, more secure way to pay
- Digital Issuance of Debit and Credit Cards - through the MSD Card app, you can receive a digital issuance of your card while you wait for the card to arrive through the mail

Even with the challenges of 2021, we still managed to achieve record growth and continued financial strength and stability. We ended the year with \$825 million in assets, an 8% increase from 2020; \$3.2 million in Net Income, a 22% increase from 2020; a strong capital ratio of 8.22%; and nearly a 3% net increase in membership.

Equally important in 2021, we continued to support local charities. Through our charitable Foundation and Credit Union programs, we donated over \$40,000 to support homeless single mothers, coats for kids, children's financial literacy and local charitable causes.

In my first year as CEO, I am proud to be part of this Credit Union. We appreciate our members' continued patience, confidence and trust in us as we continue to serve you and your family. We welcome and listen to your feedback from our surveys to help us create the resource you deserve in achieving financial success. Looking forward to 2022, I am excited to continue our tradition of implementing improvements to increase the flexibility and convenience of our financial services to keep you banking your way.

On behalf of the MSDFCU team, I thank you for your business, support and, most of all, choosing MSDFCU as your trusted financial partner.



DANA DEFILIPPIS
CEO

ANALYSIS OF LOANS GRANTED

Year Ending December 31, 2021 • Total Amount in Thousands

355
New Automobile Loans
\$14,036 total

1,068
Used Automobile Loans
\$27,630 total

381
Home Equity Lines
\$49,466 total

219
Second Mortgage (fixed)
\$22,950 total

610
Personal Loans
\$10,888 total

7
Other Secured
\$81 total

28
Overdraft Lines
\$466 total

106
First Mortgages
\$26,377 total

39
Business Loans
\$6,710 total

461
Credit Cards
\$3,542 total

TOTAL: 3,278 LOANS
\$162,686,000

SUPERVISORY COMMITTEE'S REPORT

The Merck Sharp & Dohme Federal Credit Union (MSDFCU) continued to provide value for our members and stakeholders throughout 2021. Audits were conducted on schedule by Accume Partners, CliftonLarsonAllen LLP and the NCUA and found MSDFCU to be a financially sound entity providing significant value to the members and stakeholders.

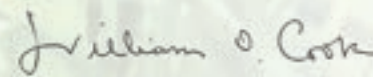
CliftonLarsonAllen LLP completed the year-end audit of the Credit Union's financial statements, and Accume Partners assessed the internal processes and systems throughout the year. The results of these audits showed no major issues or concerns in the way MSDFCU is being managed and operated. In addition, the NCUA conducted a routine examination of the Credit Union this year to ensure the institution was operating within the regulations and charter of Federal Credit Unions, and MSDFCU received their highest rating for financial condition and operation. In summary, 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.

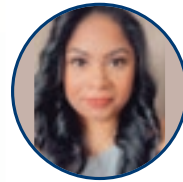
The committee thanks the Credit Union staff, Management team and the Board of Directors for their consistent, high-quality work and excellent cooperation, collaboration and leadership throughout 2021. We also thank the membership for their confidence in and continued support of MSDFCU. The Supervisory Committee will continue to be a strong advocate for the members and the Credit Union in 2022.




WILLIAM COOK
CHAIRMAN



DALFONI BANERJEE



ERICA LEWIS



GLENN MCPHERSON



ANTHONY WALLACE

A SPECIAL THANK YOU TO OUR EMPLOYEES

With 2021 being the whirlwind of a year that it was, we want to give an extra special thank you to our staff at Merck Sharp & Dohme Federal Credit Union, New Britain Abstract, New Britain Financial Advisors, and New Britain Mortgage.

We wouldn't be doing as well as we are without their hard work, and it doesn't go unnoticed.

Join us in saying thank you to:

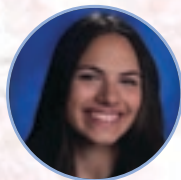
Alena	Dana	Heather	Kim O	Nancy	Silu
Alexander	David	Honi	Lauren	Owen	Stacey
Amita	Dell	Indira	Leanne	Padma	Stephanie
Angela	Devon	Jacque	Linda G	Patrice	Susan B
Ateyanna	Dhara	Jamie	Linda M	Peggy G	Susan C
Bea	Dharmisha	Janaki	Lori	Peggy P	Sydni
Beckie	Domenic	Jeanne P	Maddie	Rachel	Taylor
Bill	Elaine	Jeanne Z	Maria	Rilee	Theresa
Brett	Elizabeth	Jen	Marlin	Rob	Thomas
Bryan	Eric C	Jennifer	Maryanne	Ryan	Todd
Charmaine	Eric R	Judy	Melissa	Sara	Travis
Cheri	Erma	Kaitlyn	Mesfin	Scott	Tyler
Cheryl	Gina	Kenneth	Michael	Sharon	Vicki
Cindy	Glenn	Kim H	Missy	Sheri	Wendy

RAYMOND O. HOFFMAN MEMORIAL AWARD RECIPIENTS



NICHOLAS CARTER

Nicholas is a senior at Central Bucks High School East, located in Doylestown, Pennsylvania. Nicholas' mission is to give back to as many individuals in his community as possible. His charity work started when he decided to volunteer at Neshaminy Manor Nursing Home. Nicholas spent time with residents during game nights and other special events; however, this was interrupted during the pandemic, but that didn't stop Nicholas. He went on to make craft kits for residents to work on, making sure they felt cared for during a time when some could feel isolated. He is also involved with Project Linus, where he creates blankets in his spare time for the children in the hospital. A personal volunteer effort is the Walk to End Alzheimer's. Nicholas does what he can to help raise money for continuing research and family support. As said about Nicholas by Jane Schreiber, Director of Activities for Neshaminy Manor, "He is eager to help and easily bridges the generational gap with our seniors, developing and engaging rapport."



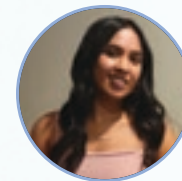
SARAH DRAKAS

Sarah is a senior at Boyertown Area Senior High, located in Boyertown, Pennsylvania. After attending a Future Leaders of America conference featuring the Leukemia Lymphoma Society, Christina knew this was an organization she felt compelled to aid. After educating herself on blood cancer research and patient experience, she created Boyertown's inaugural team. Through this campaign, Sarah learned how to secure sponsorships with business owners, assemble a team of over 20 volunteers and guide the community to share the Leukemia and Lymphoma Society's mission. Team Boyertown raised over \$19,000, and Sarah won the Mission Award, which celebrates the candidate that best exemplifies the Leukemia and Lymphoma Society's goals as a worldwide organization. Along with the local National Honor Society, Sarah organized multiple COVID-19 clinics to vaccinate the local community and was selected as the Boyertown Student Representative for the School Board. As said by Christina Gardner, Campaign Development Manager for the Leukemia & Lymphoma Society, "Sarah takes on all that she does with great enthusiasm and energy. Sarah is a fearless individual and wise beyond her years."



MORGAN FAZIO

Morgan is a senior at Green Level High School, located in Cary, North Carolina. Morgan created the initiative called Blessing Bags, which aims to help individuals who face homelessness. Morgan felt that donating or giving money to strangers could create an emotional conflict, so to combat that, she created Blessing Bags. These bags are filled with water bottles, gift cards for food and personal care items. Morgan has worked with the local hospital and donated pre-made bags to their busy emergency room to give Blessing Bags to patients being discharged who have limited resources. Morgan is president of her local YMCA Leaders Club; her goal is to host a service night where donations will be packaged and made into Blessing Bags for the community. "She is a very well-rounded individual who is driven to always do her best and help make the world around her a better place," said Robin Stanton, Green Level FCCLA Chapter Advisor.



ANUSHKA GATTU

Anushka is a senior at Central Bucks High School South, located in Warrington, Pennsylvania. Through Anushka's community service efforts, she joined a cause called Prajwala, where she raised \$3,000 in three years by volunteering at various events. The money she raised went towards young women who were victims of human and sexual trafficking and currently living in shelters for safety and comfort. The money she raised went to providing clothing and food for the girls. The happiness on their faces in the pictures they were able to send to Anushka was immeasurable. She also volunteered for the Leukemia & Lymphoma Society, where she gathered a team of 20 people and raised over \$40,000. The money went towards a research grant for scientists with promising research in curing blood cancers. In 2022, she continues to be involved with the campaign as a mentor to new candidates. She also volunteered with Doylestown Hospital, Abington Hospital, CB Cares and Xpress Pediatrics. As said by Christina Gardner, Campaign Development Manager for the Leukemia & Lymphoma Society, "She handled herself as a true professional in sponsorship and business support meetings. Anushka is undeniably a true leader and inspiration."



JASON WANG

Jason is a senior at Germantown Academy, located in Fort Washington, Pennsylvania. During the pandemic, Jason and a friend witnessed how COVID-19 impacted the school and how it took a toll on kids' interaction with learning. With that, Jason co-founded an online camp, "Camp Intellect," where he mentored and tutored students on school subjects. Their first year's session brought in 40 students. By the following year, the program expanded, and enrollment doubled. Camp Intellect's mission is to provide affordable education and support COVID-19 aid. Over the past two years, Camp Intellect has donated over \$10,000 to charity in addition to providing academic scholarships for students. In 2021, the focus shifted to education and underprivileged schools. Jason distributed educational supplies for both the Community Partnership School in Philadelphia and the ULEC in Newark. In his spare time, he also volunteers at Abington Memorial Hospital, where he visits the children's section to perform magic shows. "He is committed to making his community a better place with the sacrifice of his time and efforts. Put simply, he is just a person who cares," said Cynthia Song, Internal Medicine Associate at Abington Hospital.