2023

MERCK EMPLOYEES FEDERAL CREDIT UNION

Your Prescription to Financial Health.

Annual Report

MERCK EMPLOYEES FEDERAL CREDIT UNION

2023 Annual Report

2023: A Year of Member Investment, New Offerings, and Staying the Course



This past year reinforced how quickly things can change in financial markets and why the best preparation for uncertain times is an ongoing commitment to safety and soundness.

The Federal Reserve's battle with inflation continued. The elevated interest rate environment put pressure on financial institutions around the country. 2023 saw the second largest ever bank failure in our nation's history in SVB Bank out of California. It was a stark reminder that sentiment can change quickly and there's no substitute for being prepared for a rainy day.

The nation's credit union system was created during the Great Depression when people of modest means were unable to get access to loans and our country's economy was on shaky ground. Credit unions played a crucial role in getting the country through those challenging times, and that credit union tradition continues today.

Your credit union was once again a safe haven in 2023, but we did much more than just stay the course. We built our capital position up to nearly 13% to ensure we remain as rock solid financially as we have been throughout our 88-year history.

To meet new demand, we launched the credit union's first-ever certificate of deposit program to provide a differently structured savings product. This was a well-received offering, attracting more than $125 million from our valued membership.

But 2023 will be remembered by all of us at the credit union for much more than sound financial performance and meeting member needs with new offerings. It was a year of investment in our future, and that means an investment in you, our valued members.

The credit union used 2023 as the time to prepare and plan for a complete core banking system upgrade. The credit union invested in this project because having a modern core banking system is critical to providing a safe and effective member experience. Not only did we make this investment in our internal back-office system, but also in our member facing systems of online and mobile banking.

Your credit union is passionate about protecting our members from fraud, hackers, and all the challenges today's AI-driven world brings. One way to do that is with modern systems that offer the safety and security features needed to best protect our members. We are confident that the system investments we made in 2023 will serve our membership well for many years to come.

Finally, we urge our members to be cautious with their personal and financial data. Today's fraudsters are using a variety of techniques to attempt to defraud consumers and the best defense is to not provide any personal or financial information to any company or individual that you are not familiar with. There is never a reason to rush to provide information to any party. Fraudsters rely on confusion and speed to obtain information. Your credit union is always available to assist you if you are concerned about potential fraud attempts on your account.

Thank you for your membership and we look forward to a bright future together.

Respectfully,

Patrick Ruane
Chairman

Paul Gentile
President/CEO

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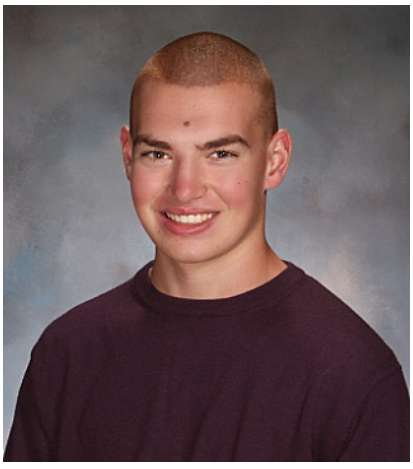
2024 Scholarship Recipients



Akshay Krishnan
Lansdale, PA
North Penn High School
College Plans: Penn State Schreyer Honors College
Major: Chemical Engineering
"Ultimately, my choice of major in Chemical Engineering is not just about academic pursuit; it symbolizes a pathway to connect humanity with science, with the overarching goal of improving patients' lives and making a positive impact on society."



Joshua Kwasnik
Metuchen, NJ
Union Catholic Regional High School
College Plans: Miami University, Xavior University, Seton Hall University or Rutgers University
Major: Biology and Chemistry
"My main goal is to help others and give back as much as I can. I want to research and create new things that can benefit the world."



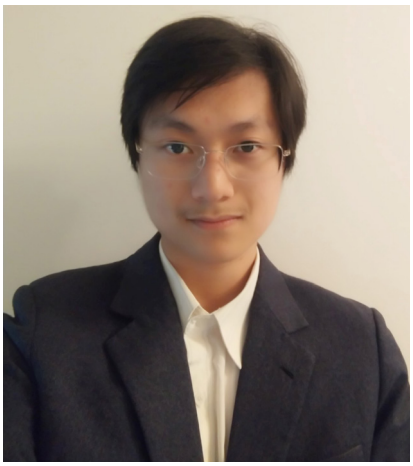
Henry Szumigala
Somerville, NJ
Somerville High School
College Plans: US Air Force Academy
"Honing and developing my piloting skills while also learning about flight and airpower as a student will greatly prepare me to become a pilot in the United States Air Force, fulfilling my dream to find a job in the skies."



Hayley Thompson
Deptford, NJ
Gloucester County Institute of Technology
College Plans: Rutgers University - New Brunswick
Major: Nursing
"My ideal future career is to become a labor and delivery nurse or a nurse midwife. A college education will allow me to pursue this career pathway by gaining valuable knowledge and experience in the medical field."



Ellyn Wong
Nazareth, PA
Nazareth Area High School
College Plans: Undecided
Major: Materials Science & Engineering
"In the future, I would like to do research on polymer recycling, biopolymers inspired by nature, or even material life cycle assessments to bring us a step closer to a circular economy (where manufacturing outputs become inputs elsewhere)."



Jerome Zhang
Edison, NJ
John P Stevens High School
College Plans: Undecided
Major: Computer Science/Engineering
"A college education will help me obtain a holistic understanding of the implications of joining together the fields of AI and medicine in a way that will be both financially feasible and ethically favorable for society as a whole."

MERCK EMPLOYEES
FEDERAL CREDIT UNION

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MERCK EMPLOYEES FEDERAL CREDIT UNION

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Treasurer's Report

Merck Employees Federal Credit continued its record of strong financial health in 2023. Providing members with a safe and sound institution is always one of our top priorities. At year-end 2023 the credit union's Net Worth was 12.93%. As a federally-chartered and federally-insured credit union through the National Credit Union Administration, the credit union is required to maintain 7% capital to be considered "well-capitalized." At over 12% we are well above the requirement, demonstrating the credit union's financial strength. We continue to maintain a lower expense ratio compared to our peer credit union group. In 2023 operating expenses, net of interest expense due to borrowing, were $7,835,679 representing just 20.53% of total income. The credit union also has one of the lowest member fee structures of any credit union in the country.

The credit union paid out $22,280,107.82 in member dividends, representing approximately 58% of total income. Total deposits ended 2023 at 1,425,405,249 and the average share balance at year end was $57,270.45. Loans granted to members were $21,005,552. Total loans outstanding ended 2023 at $213,619,934.

Respectfully Submitted,
Linda George, Treasurer

Supervisory Committee Report

The Supervisory Committee is an autonomous committee appointed by the Credit Union's Board of Directors and is responsible for the financial audit. The Supervisory Committee met periodically throughout 2023 to monitor office operations and perform random account verifications. To assist the Credit Union, the Supervisory Committee engaged the Certified Public Accounting Firm, The Curchin Group, to conduct the annual audits as of December 31, 2023.

Your Supervisory Committee is pleased to report that the Credit Union is in sound financial condition and the records are in good order. A copy of the annual audit will be available at the Credit Union office in Rahway, New Jersey after its final presentation and approval by the Supervisory Committee.

Respectfully Submitted
Cynthia Francisco, Chair
Bruce Levin
Lorraine McLeod

MERCK EMPLOYEES FEDERAL CREDIT UNION

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Board of Directors



Patrick Ruane
Chair



Andrea Krysienski
Vice Chair



Linda George
Treasurer



Raffalle Karby
Secretary



Douglas Christie



Ronald Coleman



Jeffrey Hack



Charles Orgelfinger



Bernard Wisniewski

MERCK EMPLOYEES FEDERAL CREDIT UNION

2023 Annual Report

Supervisory Committee



Cynthia Francisco



Bruce Levin



Lorraine McLeod

SLOW DOWN | STOP | Escalate

The credit union continuously educates members to prevent them from falling victim to fraud.

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MERCK EMPLOYEES FEDERAL CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
(IN THOUSANDS)
DECEMBER 31,

ASSETS	2023	2022
Cash and cash equivalents	$ 12,966	$ 32,757
Interest-bearing time deposits	43,066	45,319
Available-for-sale debt securities, at fair value (includes amortized cost of $690,875 and $822,500 respectively)	645,041	754,632
Held-to-maturity debt securities	1,029,949	1,191,289
Equity securities	2,055	1,782
Loans receivable, net of allowance for credit losses of $320 and $302, respectively	213,186	218,659
Accrued interest receivable	7,652	9,487
Furniture, equipment and improvements, at cost, less accumulated depreciation	1,462	1,583
Other investments	22,526	6,909
Other assets	1,755	1,315
Deposit in the National Credit Union Share Insurance Fund	13,116	16,931
	$ 1,992,774	$ 2,280,663
LIABILITIES AND MEMBERS' EQUITY		
Members' share and savings accounts	1,425,405	$ 1,911,068
Borrowings under agreement to repurchase	346,000	-
Notes payable	-	167,000
Dividends payable	5,438	7,349
Accrued interest on notes payable	2,012	940
Accrued expenses and other liabilities	1,999	1,416
	1,780,854	2,087,773
COMMITMENTS AND CONTINGENCIES		
MEMBERS' EQUITY:		
Undivided earnings	187,476	190,480
Other undivided earnings	70,278	70,278
Accumulated other comprehensive income (loss)	(45,834)	(67,868)
	211,920	192,890
	$ 1,992,774	$ 2,280,663

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STATEMENTS OF INCOME
(IN THOUSANDS)
YEARS ENDED DECEMBER 31,

	2023	2022
INTEREST INCOME:		
Loans receivable	$ 8,646	$ 6,582
Securities and other deposits	29,144	32,644
	37,790	39,226
INTEREST EXPENSE -		
Members' share and savings accounts	22,280	25,479
Borrowed funds	12,859	1,258
	35,139	26,737
NET INTEREST INCOME	2,651	12,489
PROVISION FOR LOAN LOSSES	218	180
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,433	12,309
NON-INTEREST INCOME:		
Net gain (loss) on investments	170	(381)
Gain on disposal of fixed assets	23	-
Other income	-	29
Fees and charges	1,519	820
NCUSIF refund	-	297
	1,712	765
NON-INTEREST EXPENSES:		
Salaries and employee benefits	3,192	3,122
Office operations	2,076	1,957
Professional and outside services	582	540
Other	1,299	1,673
	7,149	7,292
NET INCOME	$ (3,004)	$ 5,782