2024

MERCK EMPLOYEES FEDERAL CREDIT UNION

Your Prescription to Financial Health.

Annual Report

2024 Ushers in New Systems, Enhancements to Improve the Member Experience



Standing still isn't an option in today's financial services environment. Changes in technology, fraud tactics, payment systems and member behavior require that your credit union invest in systems, members and our overall future. That's what happened in a big way in 2024.

In April we converted to new core data processing and online banking systems. These were vital changes to stay compliant and be able to adopt to change. Members sometimes ask if things can just stay the same. That unfortunately isn't an option in today's environment. Our regulatory demands require us to be able to utilize technology to combat fraud, keep your data safe and provide a modern banking experience. This takes investment. Investment of time, money and staff resources.

The undertaking in 2024 was an incredible time commitment from everyone at the credit union and we are thankful and proud of all involved who helped make this happen. While we like to chart our own course and not compare our credit union to other financial institutions, our system conversions were much less impactful on members than many institutions that do similar projects. This was due to comprehensive planning and diligence to ensure member impact was minimal.

The credit union made smaller enhancements as well to our phone systems and online member service platforms. Doing business with a credit union is different than doing business with a large bank — and it should be. We provide more personal service and are anxious to field member phone calls and emails and respond in a timely manner. We may not have all the bells and whistles of the large conglomerate banks, but our personal member service is unmatched and modernizing our phone and member service channels will help ensure that continues.

Safety First

While we are in the banking business, we are first and foremost in the security business. Security of your accounts, your funds and your personal information. We understand our responsibility and every action we take at the credit union starts with the same approach — safety first. We do it financially, from a technology standpoint and with our operating procedures. It all starts with a strong financial footing. One of the best measurements of an institution's health and ability to deal with all economic conditions is the net worth ratio. Your credit union ended 2024 with 13.56% net worth, far exceeding the regulatory requirement of 7%. Our strong position ensures we can weather any economic environment. We saw some major economic ups and downs in 2024 and throughout we stayed strong.

Fraud Fight Continues

Any member reading our newsletters, getting our email blasts and talking to our team know that we are laser focused on stopping fraud. Why? We never want members to lose funds to fraudsters and the reason we are so passionate about this topic is the fraud attempts are increasing exponentially. This does not mnean all the fraud attempts are directed at your credit union accounts. They are really coming from all angles. Fraudsters use social engineering to try and get your personal data. They use emails and texts in hope you

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will fall for their fraud traps. Our message is the same. If you are unsure, stop and do not provide any of your personal data. No reputable organization is going to ask for your personal data via a text or email. We provide extensive training to everyone at the credit union on how to detect and prevent member fraud. A big part of this is training our staff to listen to members for clues of potential fraud before we execute transactions. We had some amazing success stories in 2024 in preventing fraud, but we know this battle will continue. We again urge members to limit using paper checks and work to have as little financial information being sent via mail, which has become an easy target for fraudsters. One of the best things any member can do to detect fraud is to set up account alerts where you can be alerted of transactions. The faster we are made aware of fraud, the better chance we can recover funds on your behalf.

This is a 2024 report, not 2025, but in 2024 we did our due diligence and internal work to launch a very exciting complimentary member benefit in 2025 to help members fight fraud throughout their financial life. The fraud fight will be ongoing, but rest assured we are here to help and are committed to winning the fight on fraud.

Thank you for your membership and the trust you place in the credit union. We believe the investments we made in 2024 will serve you and the credit union well for years to come and ensure we remain one of the safest places to bank, while delivering significant member value.

Patrick Ruane
Chairman

Paul Gentile
President/CEO













Treasurer's Report

Merck Employees Federal Credit Union continued its record of strong financial health in 2024. Providing members with a safe and sound institution is always one of our top priorities. In 2024 the credit union's Net Worth was 13.56%. As a federally insured credit union regulated by the National Credit Union Administration, the credit union is required to maintain 7% capital to be considered "well-capitalized." At over 13% 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 2024, operating expenses net of interest expense due to borrowing were $7,942,684 representing just 21.97% of total income. The credit union also maintains one of the lowest fee structures of any credit union in the country, which is in line with our commitment to returning member value.

The credit union paid out $21,357,057 in member dividends, representing approximately 59.07% of total income. Total deposits ended in 2024 at $1,292,445,146 and the average share balance at year end was $53,286. Loans granted to members were $21,934,360. Total loans outstanding ended 2024 at $211,140,124.

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 and other audit functions. The Supervisory Committee performs random account verifications and reviews a variety of quality control reports regarding the credit union's operations. The Supervisory Committee engaged the Certified Public Accounting Firm, MSPC Certified Public Accountants and Advisors to conduct the annual audit as of December 31, 2024.

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. Members should also be aware that in addition to the annual audit, your Credit Union receives an annual examination from the National Credit Union Administration as per regulation.

Respectfully Submitted
Cynthia Francisco, Chair
Bruce Levin
Lorraine McLeod

2025 Scholarship Recipients



Claire Kantor
West Orange, NJ
Barnstable Academy
College Plans: Muhlenberg College
Major: Environmental Policy or Sustainability Studies
"I am very concerned about the impacts of climate change and have goals to work towards climate change mitigation. I want to continue learning about how climate change is affecting the planet and meet like-minded people."



Christopher Kwiatkowski
Bridgewater, NJ
Immaculata High Schooll
College Plans: Lehigh University
Major: Mechanical Engineering
"Since I was a child I have been fascinated by how things work and hope to continue building my skills in math, physics, and engineering in college and beyond. When I graduate I want to design and improve mechanical systems that can help advance technology, transportation, and energy efficiency."



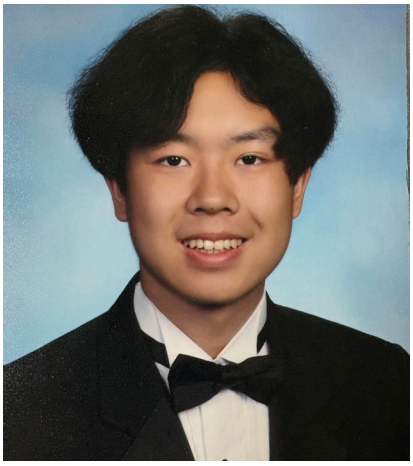
Matthew Sidun
South Plainfield, NJ
Union Catholic
College Plans: George Washington University
Major: International Relations
"After college, I would like to work for the US Department of State, and my ultimate objective is to become a Foreign Service Officer (FSO). I believe that earning a degree in International Relations would help me to understand the world on a regional and global scale."



Karl “KJ” Stockert
Cedar Knolls, NJ
Whippany Park High School
College Plans: Rutgers University - Newark
Major: Environmental Science
“I plan to attend Rutgers University-Newark, where I plan to enroll in the environmental science program. I also have applied to the honors college at Rutgers Newark. Lastly, I plan to enroll in the 4+1 plan at Rutgers, which would allow me to earn my master’s degree with only one extra year of schooling.”



Chloe Yu
Westfield, NJ
Academy for Allied Health Sciences
College Plans: Undecided
Major: Biological Engineering
“First, intellectually, I hope to have mastered the knowledge and skills in the area of biological engineering. I hope to have the curiosity to want to do more and be ready for lifelong learning. I will have taken advantage of unique classes offered and the vast amount of research and internship opportunities with distinguished professors to put my knowledge to use. By the time I graduate, my goal is to have a strong academic foundation and acute problem solving skills to address the world’s most pressing issues.”



Eric Zhu
East Brunswick, NJ
East Brunswick High School
College Plans: Cornell University
Major: Computer Science/Statistics
“By studying computer science and statistics, I hope to explore how AI solutions can be applied to various problems in the life sciences and its related fields like healthcare in order to directly improve people’s lives, as well as work in AI research to develop new approaches to AI that will mitigate its current shortcomings. In particular, I hope to make AI more transparent so that it can be easier to fix and learned from.”

Board of Directors



Patrick Ruane
Chair



Andrea Krysienski
Vice Chair



Linda George
Treasurer



Raffalle Karby
Secretary



Douglas Christie



Ronald Coleman

Board of Directors (continued)



Jeffrey Hack



Charles Orgelfinger



Bernard Wisniewski

Supervisory Committee



Cynthia Francisco



Bruce Levin



Lorraine McLeod

MERCK EMPLOYEES FEDERAL CREDIT UNION

Statements of Financial Condition
(In Thousands)

	December 31, 2024	December 31, 2023
Assets:		
Cash and Cash Equivalents	$ 46,933	$ 12,966
Interest-Bearing Time Deposits	41,551	43,066
Available-for-Sale Debt Securities, At Fair Value (Includes Amortized Cost of $585,612 and $690,875, Respectively)	557,621	645,041
Held-to-Maturity Debt Securities	950,400	1,029,949
Equity Securities	1,187	2,055
Other Investments	20,452	22,526
Loans Receivable - Net Allowance for Credit Losses of $318 and $320, Respectively	210,675	213,186
Accrued Interest Receivable	6,836	7,652
Property and Equipment - Net	2,054	1,462
Other Assets	752	1,755
Deposit in the National Credit Union Share Insurance Fund	9,612	13,116
Total Assets	$ 1,848,073	$ 1,992,774
Liabilities and Members' Equity:		
Liabilities:		
Members' Share and Savings Accounts	$ 1,292,445	$ 1,425,405
Borrowings Under Agreement to Repurchase	321,000	346,000
Dividends Payable	7,282	5,438
Accrued Interest	1,925	2,012
Accrued Expenses and Other Liabilities	2,754	1,999
Total Liabilities	1,625,406	1,780,854
Member's Equity:		
Undivided Earnings	180,380	187,476
Other Undivided Earnings	70,278	70,278
Accumulated Other Comprehensive Loss	(27,991)	(45,834)
Total Members' Equity	222,667	211,920
Total Liabilities and Members' Equity	$ 1,848,073	$ 1,992,774

See accompanying notes to the financial statements.

MERCK EMPLOYEES FEDERAL CREDIT UNION

Statements of Income
(In Thousands)

	Years ended December 31, 2024	2023
Interest Income:		
Loans	$ 8,960	$ 8,646
Investments and Cash Equivalents	24,933	29,927
	33,893	38,573
Interest Expense:		
Members' Share and Savings Accounts	21,357	22,280
Borrowed Funds	14,112	12,859
	35,469	35,139
Net Interest (Loss) Income	(1,576)	3,434
Provision for Credit Losses	77	218
Net (Loss) Interest Income After Provision for Credit Losses	(1,653)	3,216
Non-Interest Income (Loss):		
Fees and Charges Income	1,880	736
Net Gain on Investments	157	170
Gain on Disposal of Property and Equipment	--	23
	2,037	929
Non-Interest Expenses:		
Salaries and Employee Benefits	3,220	3,192
Office Operations	2,544	2,076
Professional and Outside Services	363	582
Other	1,353	1,299
	7,480	7,149
Net Loss	$ (7,096)	$ (3,004)

See accompanying notes to the financial statements.