



# 2019 Annual Report

## Merck Employees Federal Credit Union





## *Report of the Chairman & the President:*

### **2019 Saw Change, New Growth Areas and a Continued Commitment to Delivering Member Value**

Steady, consistent financial performance has been the hallmark of Merck Employees Federal Credit Union since its founding more than 80 years ago. 2019 was no different. Your credit union once again ranked near the top nationally in giving back to the membership through attractive interest rates and low fees. We dealt with an unpredictable interest rate market and a booming equity market to maintain a strong balance sheet that can weather any economic storm.

The financial strength continued in 2019, but the real story of your credit union was a year of change in member service. After many months of preparation, we launched a new Mobile Banking application and Online Banking system. Change can be hard, especially when members are so used to existing systems. We fielded thousands of member calls and emails about the new systems. We are very proud of how the credit union team handled the influx of member inquiries and we are pleased to note that the new system has been adopted by virtually every member and our online and mobile banking usage is up in all categories. We took in a record amount of member deposits through the Mobile Deposit channel and more members are using the online bill pay system to pay their bills. We are pleased that more members are waking up to the value and convenience of our new online systems.

We always encourage members to do business with the credit union remotely through our online systems to enjoy the convenience of banking with us anywhere at any time. However, members should be assured that we put a premium on “live” member service where you can talk directly to a credit union representative about your accounts. Many large financial institutions have gone the automated route for their customer service. While we want to offer our members automated service, we are very focused on “live” member

service. To that end, we launched a new VIP credit card hotline in 2019. Members can now call 24 hours a day 7 days a week about questions on their credit cards. Members can add travel alerts, check balances, and enjoy many more features on this new line. We also have a vibrant online inquiry system where online member inquiries are answered the next business day. In another effort to provide members with more live member service we expanded the hours at our

Rahway, Kenilworth and Elkton, Va. branches. We are also dedicating more resources to handle the large number of member calls we field daily. While our systems will continue to improve, rest assured our commitment to true “live” support of your accounts will not wane.

2019 was also a year of change on the lending front. The credit union launched one of the most competitive mortgage offerings in the industry with a 0.25% rate reduction on market mortgage rates and a \$250 credit toward the origination fee. Members certainly took note of this last year as mortgage volume was up more than 400% year over year. We also strengthened our commitment to Merck & Co. by joining Merck’s Relocation program as an option for new Merck employees to utilize the credit union for their mortgage needs as they relocate to work at Merck. We are pleased to see many new employees take advantage of

our mortgage program for their relocation needs.

Finally, we once again want to thank our core sponsor, Merck & Co., for their continued support of the credit union. The management team of the credit union moved forward on a number of new structural initiatives in 2019 where the organizational support of Merck was critical for success. The credit union remains committed to serving Merck and like Merck we will continue our values-based approach to doing business where we put our core values and always doing the right thing for the member above all else.

Thank you for your continued support of your credit union.

**Respectfully submitted,**  
**Bernie Wisniewski, Chairman**  
**Paul Gentile, President**



*MEFCU CEO Paul Gentile and Chairman Bernie Wisniewski*



## Photos from the 2019 Merck Employees FCU Annual Meeting



MEFCU CEO Paul Gentile (left) and MEFCU Board Member Doug Christie (right) congratulate MEFCU Member Bill Sidun as the grand prize winner of the annual vacation prize.



Merck & Co. SVP of Finance Caroline Litchfield provided attendees an excellent update on Merck's latest initiatives.

### 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 2019 to monitor office operations and perform random account verifications. To assist the Credit Union, the Supervisory Committee engaged the Certified Public Accounting Firm of the Curchin Group to conduct the annual audits as of December 31, 2019.

Your Supervisory Committee is pleased to report that the Credit Union is in sound financial condition and the records are in good order. This is based on the results of the Curchin Group's audit and their opinion of the financial statements as well as operating results. A copy of the Certified Audit is available for inspection at the Credit Union office in Rahway, New Jersey.

Respectfully Submitted,  
Andrea Krysienski, *Chair*  
Ronald Coleman  
Linda George  
Lorraine McLeod  
Linda Tuma

### Treasurer's Report

Merck Employees Federal Credit Union posted solid financials for 2019. These strong results allowed the credit union to continue its tradition of returning value to members through some of the highest payout ratios of any financial institution. The credit union paid out \$30,485,526.56 in member dividends, representing approximately 73% of total income. The average share balance at year end was \$66,398.78. Loans granted to members were \$29,779,615, up from \$15,708,808. Total loans outstanding ended 2019 at \$151,416,622, up from \$149,909,216 in 2018.

Providing members with a safe and sound institution is always one of our top priorities and one of the best ways to do so is to increase our reserve position. In 2019 the credit union increased its Net Worth to 12.56%. With the support of Merck, our corporate sponsor, we continue to keep expenses low. 2019 operating expenses were \$5,699,817.43, representing just 13.71% of total income. A low operating expense ratio allows us to return more to members in the form of better rates and to continue our tradition of low fees.

Respectfully Submitted,  
Lisa Auerbach, *Treasurer*



## Board of Directors



**Bernard Wisniewski**  
*Chair*



**Jeffrey Hack**  
*Vice Chair*



**Lisa Auerbach**  
*Treasurer*



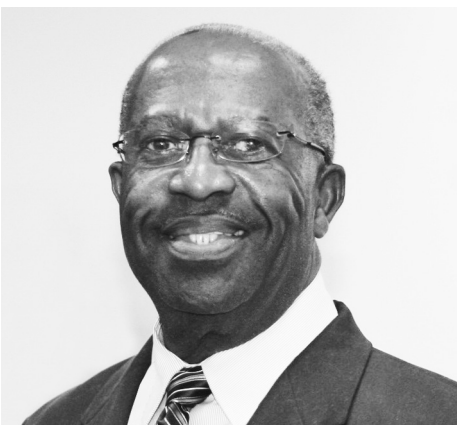
**Raffalle Karby**  
*Secretary*



**Douglas Christie**



**James Czarnatowicz**



**Herman Johnson**



**Patrick Ruane**



**Charles Orgelfinger**



## Supervisory Committee



Andrea Krysienski  
*Chair*



Ronald Coleman



Linda George



Lorraine McLeod



Linda Tuma

# Financial Highlights of Last Year

## Consolidated Balance Sheet

December 31, 2019 and 2018

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Cash..... \$	3,725,691 \$	2,962,921
Investments*.....	1,729,174,961	1,723,119,167
Accrued Interest on Investments.....	8,281,480	7,697,882
Member Loans Less Allowance for Loan Losses.....	151,139,292	149,909,217
Furniture and Equipment Less Depreciation.....	1,516,799	1,589,526
Share Insurance Fund.....	13,287,542	13,736,983
Other Assets.....	981,011	1,100,099
<b>TOTAL ASSETS.....</b>	<b>\$ 1,908,106,776</b>	<b>\$ 1,900,115,795</b>
<b>LIABILITIES &amp; EQUITY</b>		
Accounts Payable & Accrued Interest..... \$	2,961,894 \$	3,313,819
Dividends Payable.....	7,480,324	7,205,560
Share Accounts.....	1,650,806,460	1,665,873,570
Retained Earning Substantially Restricted.....	246,858,098	223,722,846
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 1,908,106,776</b>	<b>\$ 1,900,115,795</b>
<b>STATISTICAL INFORMATION</b>	<b>2019</b>	<b>2018</b>
Loans Granted..... \$	29,779,615 \$	15,708,808
Number of Loans Granted.....	1,019	1,047
Delinquent Loans..... \$	1,196,680 \$	1,631,535
Number of Delinquent Loans .....	82	45
Number of Members .....	24,862	25,090
<b>FINANCIAL HIGHLIGHTS</b>		
Gain (loss) in Assets.....	0.42%	-2.22%
Gain (loss) in Shares.....	-0.90%	-3.02%
Gain in Equity.....	10.34%	2.96%
Average Share Balance..... \$	66,399 \$	66,397
Average Loan Balance..... \$	12,841 \$	13,858
*Market Value of Investments .....	1,736,709,964 \$	1,710,531,969

## Statement of Income & Expense

December 31, 2019 and 2018

<b>OPERATING INCOME</b>	<b>2019</b>	<b>2018</b>
Income from Loans..... \$	6,759,182 \$	6,931,553
Investment Income.....	34,169,971	29,971,946
Other Income.....	650,807	1,581,288
<b>TOTAL INCOME</b>	<b>\$ 41,579,960</b>	<b>\$ 38,484,787</b>
<b>EXPENSES</b>		
Compensation & Employee Benefits..... \$	2,591,511 \$	2,651,668
Office Operations.....	653,069	648,556
Professional & Outside Services.....	594,344	425,907
Loan Servicing.....	715,246	592,128
Publicity/Promotion.....	41,588	30,172
Network Fees.....	410,177	148,670
Member Insurance.....	-	-
Other.....	655,853	628,484
<b>EXPENSES.....</b>	<b>\$ 5,661,788</b>	<b>\$ 5,125,585</b>
Provision for Loan Losses..... \$	38,028 \$	257,273
<b>TOTAL EXPENSES BEFORE DIVIDENDS.....</b>	<b>\$ 5,699,816</b>	<b>\$ 5,382,858</b>
Income from Operations Before Dividends..... \$	35,880,144 \$	33,708,943
Dividends Paid.....	30,485,527	25,515,312
Non-Operating Gain ( Loss).....	2,767,807	607,013
<b>NET INCOME.....</b>	<b>\$ 8,162,424</b>	<b>\$ 8,193,631</b>