

Annual Report 2008



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- Welcome.....*Robert J. Lawrence, Chairman*
- Call The Meeting To Order
- Ascertainment of a Quorum.....*Carl H. Dunn Jr., Secretary*
- Introductions.....*Robert J. Lawrence, Chairman*
- Chairman’s Report.....*Robert J. Lawrence, Chairman*
- Treasurer’s Report.....*Gerard G. Boucher Jr., Treasurer*
- President’s Report.....*William H. White, President and CEO*
- Supervisory Committee Report.....*Michael F. Szedlock, Director Emeritus, Chairman, Supervisory Committee*
- Nominating Committee Report.....*Gary L. Gillette, Director*
- Unfinished Business.....*Robert J. Lawrence, Chairman*
- New Business.....*Robert J. Lawrence, Chairman*
- Conclusion of Annual Meeting.....*Robert J. Lawrence, Chairman*
- Door Prizes
- Adjournment

Board of Directors

- | | |
|---|---|
| Robert J. Lawrence, <i>Chairman</i> | Ricci L. Heishman, <i>Vice Chairman</i> |
| Carl H. Dunn, Jr., <i>Secretary</i> | Gerard G. Boucher Jr., <i>Treasurer</i> |
| David R. Young, <i>Director</i> | Gary L. Gillette, <i>Director</i> |
| Michael F. Szedlock, <i>Director Emeritus</i> | Norman W. Runkles, <i>Director</i> |
| <i>Chairman, Supervisory Committee</i> | |

A. Synergy One President and CEO William White accepts the “Excellence in Business” Award from Bernard Niemeier, President & Publisher of *Virginia Business* magazine for being named the 2007 Business of the Year. The award was presented by the PWC-Greater Manassas Chamber of Commerce. The award is presented annually to recognize Chamber members for their work in serving the community and furthering the mission and goals of the Chamber.

B. Synergy One Director of Financial Education and Communications, Miriam Spencer, congratulates Abigail Friedman (Wellesley College) and Maria Jividen (University of Virginia), our 2008 Scholarship winners. Our scholarship winners each received \$1,000.



C. Synergy One President and CEO, William White, is on hand for the official ribbon cutting and opening of the Gainesville Middle School In-school Branch. The NestEgg Branch, Synergy One’s third student branch, is in partnership with Gainesville Middle and the Office of Business and Community Engagement for Prince William County Public Schools.



D. Synergy One sponsors “Making It Real” reality simulation game to area students. More than 800 students participated in the program for the year.



E. Synergy One President and CEO, accepts the 2008 Mayor’s Small Business Award from the City of Manassas Mayor, Harry “Hal” Parrish II. This recognition is the result of Synergy One’s extensive financial education program for the youth and adults of Manassas, as well as their dedication to supporting the local nonprofit organizations in our community.



F. Heltzel-Synergy One Mortgage Company was voted “Best Mortgage Company” in Prince William County for the fifth time. The previous years include 2003, 2004, 2006, & 2007.



A. Synergy One 'Synergizers' Walk Team participates in the March of Dimes March for Babies Walk. The Synergizers raised over \$18,000 and was named "Top Fund-raising Team in Prince William County. In addition, they were recognized as being the tenth top team in the National Capital Area Chapter which includes Maryland, Washington, D.C. and Northern Virginia.

B. Potomac Nationals mascot 'Uncle Slam' visits Synergy One's Main Branch to kick off the 2008 Annual Softball Chamber Challenge. Synergy One has sponsored this event the last two years. *Inset Photo: Employees in the Synergy One Marketing Department dress up in banana costumes as part of the "We Going Bananas" Loan Promotion.*



C. Synergy One and Heltzel-Synergy One Mortgage employees participate in the S.E.R.V.E. Bowl-A-Thon. The bowling teams raised a total of \$2,680 which included donations and a corporate sponsorship from Heltzel-Synergy One Mortgage of \$1,500.

D. Synergy One 'SOFCU All Stars' Walk Team participates in the annual Step Out to Fight Diabetes Walk for the American Diabetes Association. Synergy One and Heltzel-Synergy One employees and members exceeded the \$100,000 milestone in total contributions at the conclusion of the 2008 campaign.

E. Synergy One and Heltzel-Synergy One employees and members collected over 70 Christmas gifts for the 'Be A Santa for A Senior' Program. This program provides Christmas gifts to senior community members living in nursing homes or similar facilities and is sponsored by Home Instead Senior Care.

F. Synergy One and Heltzel-Synergy One Mortgage donated more than 20 Winter Warm-Up Kits during the Winter Warm-Up Drive sponsored by the PWC -Greater Manassas Chamber of Commerce. The kits consisted of warm clothes that were provided to local school children. A total of 550 kits were donated by participating businesses, chamber members and county residents.



May 3, 2008

Prince William County Fairgrounds

Call to Order: Chairman, Robert Lawrence called the Annual Meeting to order at 2:05pm, with a quorum present. The Minutes of 2007 were approved.

Introductions: Mr. Lawrence introduced the Directors and Associate Director.

Chairman's Report: Bob outlines the role Synergy One plays in the Community and our dedication to the improvement of financial literacy at an early age. Synergy One has established another student run branch within the [Prince William Public Schools at Gainesville Middle School]. This branch will open in the Fall of 2008. We currently have [branches in] Brentsville [District] High School and Stonewall Middle School, [also] in Prince William County. The Reality Story once again was a huge success. We will be bringing another branch to the community soon.

President's Report: Bill White thanked everyone for coming to the first Vendor and Expo Annual Meeting. He went on the talk about the Gainesville Site and that we are still waiting approval of site plans. Bill also states that we are currently trying to sell the 8700 Centreville Road building – the building is too big for us. We will keep a branch presence on route 28 by leasing the current site for 5 years and maybe build a smaller headquarters in Gainesville, VA.

Treasurer's Report: Jerry Boucher begins to review the Treasurer's Report. Assets declined 4.7%, the first decline in 11 years. However, net worth still remains close to \$15.0MM and net loans hover around \$155MM.

Supervisory Committee Report: Committee Chairman, Michael Szedlock introduced the Committee and states both the CPA audit and the NCUA Examination were both in order.

Nominating Committee Report: Committee Chairperson, Dave Young states Robert Lawrence and Mary Loren were elected to serve 3 year terms and Gary Gillette was elected to serve a 2 year term.

Adjournment: Mr. Lawrence moved to adjourn the meeting; the motion was seconded and carried to adjourn at 3:00 PM. Door Prizes and give-a-ways to follow.

*Robert J. Lawrence, Chairman, 38-year member/owner
Carl H. Dunn, Jr., Secretary, 15-year member/owner*

Chairman & President's Report

The year 2008 was, to say the least, a very tumultuous time in the history of our great nation and challenging for our members and your credit union.

Our members are experiencing loss of employment and some are losing their homes. They are facing the challenges of a changing economy and fighting to sustain the financial health of their families.

This stress is showing up on the credit union's balance sheet in the form of slower loan growth, and rising delinquencies, which in turn has increased the number of loan charge offs and decreased net income.

Amidst the turmoil, we are helping members get through the crisis. We are doing our very best to assist with loan restructures on auto loans and home mortgages. We take proactive steps to contact our members who may have delinquent accounts to offer our assistance, with the primary goal being to help them avoid home foreclosure.

We are watching our operational expenses and are cutting back wherever we can to keep expenses down. However, we are careful not to compromise the level of member service that you deserve and have come to expect.

With all of this, we remain with good capital and continue to grow in membership. We have money to lend and encourage member participation for as many products and services as possible. Our vision continues to be the community's first choice for financial services.

There is much to be thankful for this year. We are thankful to you, our member-owners, for your commitment to this community and to your credit union.

We look forward to serving your needs now and in the future.

Robert J. Lawrence, Chairman, 38-year member/owner
William H. White, President and CEO, 33-year member/owner

Supervisory Committee Report

The Supervisory Committee is appointed annually by the Board of Directors to serve as a liaison between the Board / Management and the member/owners. The primary responsibility of the Supervisory Committee is to ensure the credit union's financial records are in order and internal controls are in place to protect the members' funds and the credit union's assets.

Each year your credit union is reviewed extensively by three major sources:

- 1) Orth, Chakler, Murnane and Company, CPA's –
Performed an audit of the financial statements as of December of 2008.
- 2) The National Credit Union Administration (NCUA) –
Performed an examination as of June 30, 2008 at major areas of our operations, financial condition, quality of management, and risk of loss to member capital and the share insurance fund.
- 3) Accume Partners –
Performed internal audits of all areas of operation throughout 2008.

The Supervisory Committee also conducted monthly reviews of consumer and real estate loans and expense reports with no exception found. In addition to its audits in Lending, the Committee serves as the representative to the members in investigating serious errors or account problems.

We are very proud of our audit record history and compliment the CEO, Management and staff, and the voluntary members of the Board of Directors and Committee for their undying dedication to the credit union and its membership.

Michael F. Szedlock, Director & Chair, 37-year member/owner
Harold R. Post, 32-year member/owner
Kenneth W. Baxter, Jr., 32-year member/owner
Gary L. Gillette, 28-year member/owner
Dennis E. Mastin, 5-year member/owner

I believe that we all can agree that 2008 was the most difficult year in our history. Falling home prices and severe economic news for the banking and finance industry made for a very unusual year.

Our loan volume fell to a low of \$65.5 million in 2008, a decline of over 30% from 2007. The silver lining was that lower home prices followed by a decline in mortgage rates at the end of the year resulted in a good start for 2009. As of April 2009, we are again on pace for a very good year.

It is a great time to buy or refinance a home and as we enter our 44th year in business, Heltzel-Synergy One Mortgage looks forward to helping our members with their residential mortgage needs.

Our partnership with Nationwide Insurance continues to grow as our number of members that insure their homes and autos with us increases every year.

We currently offer a full range of investment vehicles including Life & Health Insurance, Annuities, 529 College Savings Plans, Long Term Care Insurance and Mutual Funds.

Give us a call if we can help you with your investment and insurance needs.

We look forward to working with you and wish you the best for the balance of 2009.

Robert T. Heltzel, CEO/President, 8-year member/owner

A. Grand Prize Winners - David Mercer (left) 32-inch Flat-Screen Television, and Aalisha Gallmetzer, Blu-Ray Player. **B.** Synergy One President and CEO, William White, and Sally Martin pose as bride and groom. **C.** Event staff gather for a group picture. **D.** Members attend Annual Meeting portion of the day's event. **E.** Member receives assistance with On-line Services from our Chief Information Officer, Bud Hobeck. **F.** Members visit Synergy One Information Tables. **G.** Boy Scout Troop 670 members takes a break for some refreshments. **H.** Synergy One Financial Services, CEO, Rob Heltzel

visits with Dominion Dental vendor booth. **I.** Members seek out information from Ealy Hopkins & Associates vendor booth. **J.** Synergy One Chief Operations Officer, Claudia Stepp, visits with Junction Travel vendor booth.



Treasurer's Report

In the 2007 Treasurer's Report, I stated 2008 would be a year of unknown direction for the economy and its impact on the credit union and members alike. Clearly as we move into 2009 and leave 2008 behind I understated my analysis just a little.

The results for 2008 simply reflect the extreme challenges we, as a community credit union, and the members in the community, have experienced. Home values fell, home sales evaporated, foreclosures reached record levels, members lost good jobs, the overall economy suffered and good news was just simply hard to be found anywhere. The credit union results for 2008 demonstrate we are indeed your community credit union and we are all in this together.

Financially, assets declined 3.3%, this follows a 4.7% decline in 2007. Unfortunately, due to heavy losses from credit cards and home equity real estate loans, the credit union experienced a net loss of \$4.2 million. The credit union's net worth was reduced as a result to just over 6%. Market share growth was virtually flat for 2008 despite the adverse conditions and the competitive marketplace.

We have taken steps to address these results and will continue to address the issues we face in 2009. We have aggressively reduced operating expenses and will continue to work with members who are experiencing financial difficulty to help them recover from these trying times.

You have no doubt heard on television and radio how the credit markets have frozen and banks are not lending. I can assure you, your credit union continues to offer competitive rates on loans and we have not moved to restrict lending in any way. Loan growth was moderate, but positive, 3.1% in 2008.

We know 2008 was a tough year and 2009 will likely be as difficult. We plan to thrive through these economic times and Synergy One is here to work with our members to meet the challenges both of us face.

Gerard G. Boucher, Jr., Treasurer, 10-year member/owner

FINANCIAL HIGHLIGHTS

CONDENSED STATEMENTS OF FINANCIAL CONDITION

	2008	2007
Assets		
Loans to Members (Net)	145,301,929	154,810,158
Loans Held For Sale	14,108,544	2,210,822
Cash & Cash Equivalents	6,890,144	9,680,180
Net Investments	2,815,576	9,678,808
Property, Equipment & Other Assets	16,557,617	16,344,179
Total Assets	\$ 185,673,810	\$ 192,724,147
Liabilities & Members' Equity		
Members' Share & Savings Accounts	168,114,165	167,527,069
Borrowed Funds	6,287,723	8,950,591
Accounts Payable & Accrued Expenses	2,150,362	1,886,611
Total Liabilities	\$ 176,552,250	178,364,271
Members' Equity	9,121,560	14,359,876
Total Liabilities & Equity	\$ 185,673,810	\$ 192,724,147

CONDENSED STATEMENTS OF INCOME

Interest Income		
Interest on Loans	9,825,031	10,974,465
Income from Investments	212,135	790,366
Total Interest Income	\$ 10,037,166	11,764,831
Interest Expense		
Dividends	3,757,496	4,165,196
Interest on Borrowed Money	314,206	420,512
Total Interest Expense	\$ 4,071,702	\$ 4,585,708
Net Interest Income	\$ 5,965,464	\$ 7,179,123
Provision for Loan Losses	4,587,500	676,500
Non-Interest Income		
Fees & Miscellaneous Income	5,814,685	6,064,265
Non Operating Gains (losses)	-	-
Total Non-Interest Income	\$ 5,814,685	\$ 6,064,265
Non-Interest Expense		
Compensation & Benefits	4,756,887	5,456,994
Occupancy & Operations	6,611,930	7,162,049
Total Non-Interest Expense	\$ 11,368,817	\$ 12,619,043
Net Income	\$ -4,176,168	\$ -52,155