



SERVICE  
ONE  
CREDIT  
UNION

2009  
ANNUAL  
REPORT

**MARCH 2010 MEETING**



### John Wassom Report from the Chair

It is fitting to note that Service One Credit Union survived 2009 as well-capitalized despite egregious, exogenous events. One bright spot in the year was an increased growth in total assets of 20.15% to over \$101,000,000. Although consumer and mortgage loan net charge-offs were below 1.20%, the Provision for Loan Loss expense calculation was amended out of an abundance of caution changing the review period for loss and delinquency from a two-year to a one-year period. While year-end net income was disappointing, the Board and Management weathered unexpected market losses and regulatory changes with their focus on the future.

Another bright spot in the year occurred in November when Service One members and the community celebrated the grand opening of the Campbell Lane "Green" branch addition. This newly constructed building provides much needed space for employees and contains energy-efficient equipment and features. The living roof has a life expectancy of fifty years and energy costs for the addition will be minimal. We believe that this building serves as a model of sustainable building practices and adds value to our membership.

The dedication of the staff of Service One Credit Union is greatly appreciated by the Board of Directors. With the improving economy, we anticipate a solid year of success ahead. You can be assured that with our focus on safety and soundness, the credit union will continue to serve its membership for years to come.

## STATEMENTS OF FINANCIAL CONDITION

As of December 31, 2009 and 2008

	2009	2008
<b>Assets</b>		
Loans	\$58,742,903	\$52,790,832
Visa Credit Card Loans	8,363,880	8,799,229
Less Allowance for Loan Losses	(999,358)	(865,291)
Net Loans - Note 1	66,107,425	60,724,770
Cash	1,131,643	1,265,529
Investments (Net of unrealized gains/(losses)) - Note 2	23,299,288	16,552,932
Accounts Receivable	4,185	12,992
NCUSIF Deposit	848,470	727,262
Prepaid Expenses and Other Assets	5,422,233	1,338,435
Property, Furniture and Equipment - Note 3	4,653,226	3,597,656
Accrued Income	325,481	333,573
Other Real Estate Owned	0	209,696
<b>Total Assets</b>	<b>\$101,791,951</b>	<b>\$84,762,845</b>
<b>Liabilities and Members' Equity</b>		
<b>Non-share Liabilities</b>		
Accounts Payable	\$507,140	\$532,878
Dividends Payable	0	20
<b>Total Non-share Liabilities</b>	<b>507,140</b>	<b>532,898</b>
<b>Share Liabilities</b>		
Shares	32,414,333	31,299,140
Share Certificates	33,200,379	20,898,996
Share Drafts	25,679,125	21,737,402
<b>Total Share Liabilities - Note 4</b>	<b>91,293,837</b>	<b>73,935,538</b>
<b>Total Liabilities</b>	<b>91,800,977</b>	<b>74,468,436</b>
<b>Members' Equity</b>		
Regular Reserve	2,152,518	2,152,518
Undivided Earnings	7,699,940	8,117,449
Unrealized Gains (Losses) On AFS Securities	138,516	24,442
<b>Total Members' Equity</b>	<b>9,990,974</b>	<b>10,294,409</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$101,791,951</b>	<b>\$84,762,845</b>

## INCOME STATEMENTS

For the Years Ended December 31, 2009 and 2008

<b>Operating Income</b>		
Interest on Loans to Members	\$4,877,584	\$4,925,393
Interest on Investments	276,046	629,434
Other Income	2,096,263	1,946,523
<b>Total Operating Income</b>	<b>7,249,893</b>	<b>7,501,350</b>
<b>Operating Expenses</b>		
Members Insurance & Protection	44,891	53,746
Salaries & Benefits	2,497,355	2,351,950
Office Operations and Occupancy	925,280	959,818
Depreciation - Equipment & Building	230,617	262,353
Loan and Deposit Services	1,953,839	1,623,390
Education, Promotion and Annual Meeting	152,098	128,495
Other	36,654	51,863
<b>Total Operating Expenses</b>	<b>5,840,734</b>	<b>5,431,615</b>
<b>Income from Operations</b>	<b>1,409,159</b>	<b>2,069,735</b>
<b>Other Income (Expense)</b>		
Non-Operating Gain (Loss)	(18,581)	8,956
Dividend Expense	(1,272,187)	(1,568,935)
NCUA Insurance Premium Expense	(127,271)	0
Write-down in Investment in Corporate Credit Union	(280,270)	0
Pension Plan Losses	(55,134)	0
<b>Total Other Income (Expense)</b>	<b>(1,753,443)</b>	<b>(1,559,979)</b>
<b>Net Income (Loss)</b>	<b>\$(344,284)</b>	<b>\$509,756</b>

## STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009

### Cash Flows from Operating Activities

Interest received	\$4,885,675
Interest paid	(1,272,210)
Cash paid to suppliers and employees	(5,455,716)
Other income	2,899,861
<b>Net cash provided by operating activities</b>	<b>1,057,610</b>

### Cash Flows from Investing Activities

Investments purchased	(17,744,929)
Matured investments	14,052,213
Loan principal received,	
Net of new loans (disbursed)	(6,303,185)
Net change in ODP accounts	(16,226)
Acquisition of property and equipment	(1,286,188)
Proceeds from sales of property	145,505
Decrease (increase) in other assets	(3,991,918)
<b>Net cash used in investing activities</b>	<b>(15,144,728)</b>

### Cash Flows from Financing Activities

Net increase in members share accounts	17,396,698
<b>Net cash provided by financing activities</b>	<b>17,396,698</b>

Net increase (decrease)  
in cash & cash equivalents 3,309,580

Cash and cash equivalents,  
beginning of year 7,423,314

Cash and cash equivalents,  
end of year **10,732,894**

### Reconciliation of net income to net cash provided by (used in) operating activities:

Net income (loss)  
from operations \$(344,284)

#### Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation & amortization 230,618  
Non-operating (income)loss 300,336  
Provision for loan loss expense 882,993  
Provision of overdraft privilege losses 15,364

#### Changes in:

Accrued interest receivable 8,091  
Dividends payable (20)  
Other liabilities (35,488)  
**1,057,610**



**Valerie C. Brown**  
Report from the  
President

No doubt, the year 2009 will be remembered as the most difficult in your credit union's history. While I am pleased that Service One grew at an unprecedented rate through the greatest economic crisis since the Great Depression, I am disappointed in the fact that credit unions were swept up in regulatory and legislative over-reaction. Service One reduced its earnings by over \$462,000 to cover corporate credit union losses, share-insurance premium assessments, and market losses in the pension portfolio. Without these outside charges, net-income for 2009 would have been a respectable \$118,000.

Despite consumer-friendly practices, credit unions nationwide are being punished for the abuses of the too-large-to-fail financial institutions. The tide of reform has added a regulatory burden in enormous proportion. I, along with other credit union leaders, have met with our Washington DC delegation many times this year, and influenced the defeat of a bill allowing mortgage cram-downs. Other regulations were changed within days of enactment, at great expense to SOCU and other credit unions.

Hopefully, the economy is improving. Safety and soundness remain of paramount importance as we look to the future. Now, as in the past, you will see Service One Credit Union continue to face the financial challenges of today, as well as tomorrow, with anticipation and devotion to its membership.

## STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the Year Ended December 31, 2008

	Allowance for Loan Losses*	Regular Reserve	Unrealized Gains (Losses) on AFS Securities	Undivided Earnings
<b>Balances Dec. 31, 2008</b>	<b>\$865,291</b>	<b>\$2,152,518</b>	<b>\$24,442</b>	<b>\$8,117,449</b>
Reclassification of beginning balances			73,225	(73,225)
Income (loss) Allocation				(344,284)
Change in Unrealized Gains (Losses)			40,849	
Provision for Loan Losses	901,398			
Loans Charged Off	(880,253)			
Recovery of Loans Charged Off	112,922			
<b>Balances, December 31, 2009</b>	<b>\$999,358</b>	<b>\$2,152,518</b>	<b>\$138,516</b>	<b>\$7,699,940</b>

\* Includes Overdraft Protection Allowance

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

### Note 1 - Net Loans

Automobile	\$22,212,969
Share-secured	479,657
Signature	2,010,280
Member Business	741,288
Mortgage	35,996,671
Credit Card-unsecured	4,010,810
Other	1,655,108
Less Allowance for Loan Losses	(999,358)
<b>Total</b>	<b>\$66,107,425</b>

### Note 2 - Investments

	Book Value	Market Values
Government & Other Securities	\$2,919,223	\$2,919,223
Short Term Investments	17,486,963	17,486,963
Long Term Investments	2,893,102	2,893,102
<b>Totals</b>	<b>\$23,299,288</b>	<b>\$23,299,288</b>

### Note 3 - Building, Furniture & Fixtures

Land	\$624,407
Buildings & improvements	4,107,848
Furniture & Fixtures	3,315,850
Assets awaiting capitalization	4,000
	8,052,105
Less Accumulated Depreciation	(3,398,879)
<b>Total</b>	<b>4,653,226</b>

### Note 4 - Capital

Share Drafts	\$25,679,125
Regular Shares	26,095,353
IRA Share Accounts	6,318,980
IRA Share Certificates	1,133,032
Share Certificates	32,067,347
<b>Total</b>	<b>\$91,293,837</b>

## 2009 STAFF

Aubrey Ates	Savings Officer
Heather Berry	Head Teller - Campus*
Paul Buhrmester	Training Coordinator
Christine Carrico	Records
La Faithe Carver	Loan Services Processor*
Angela Crabtree	Head Teller - ByPass*
Jim Driver	Credit Renewal Specialist
Myra Dwyer	Executive Secretary*
Emily Ellis	Savings Officer
Shelly Forshee	ESO Assistant Manager
Scott Franklin	Asset Protection Officer
Stanley Groves	Assistant Branch Manager Glasgow*
Lynn Harris	Accountant
Andrea Holland	Head Teller - Campbell Lane
Stephanie Howard	Member Service Consultant
Stephanie Johnson	Savings Officer
Diane Jones	Savings Officer*
Beth Lennan	Member Service Consultant*
Katherine Lindsey	Fraud Prevention Specialist
Anita Litterall	Administrative Clerk/ VP Lending
Adam Marcum	Savings Officer
Justin Allen Morris	Administrative Assistant/ SVP/CFO
Veronica Pheal	Member Information Specialist
Kara Phelps	Records
Tina Price	Assistant Branch Manager Campbell Lane*
Norma Price	Savings Officer*
Melinda Qualls	Bankruptcy Specialist
Kristen Rakers	Savings Officer
Jennifer Rigsby	Savings Officer
Ashley Riddle	Savings Officer
Jenny Russell	Administrative Assistant/ EVP/COO*
Rebecca Saltsman	Member Information Specialist*
William Sims	Network Administrator*
Lisa Sneed	Membership Development & Marketing Coordinator*
Kendra Turner	Mortgage Loan Processor
Michele Waldridge	Savings Officer*
Mark Westfall	Computer Operations Assistant
Amanda Woods	Head Teller - Glasgow
Carol Wooley	Assistant Branch Manager ByPass*

## BOARD OF DIRECTORS

John C. Wassom	Chair
Brenda Willoughby	Vice-Chair
Leslie Weigel	Secretary/Treasurer
C. Richard Aldridge	Director
Louella Fong	Director
Carol Glaser	Director
Richard Miller	Director

## SUPERVISORY COMMITTEE

Pamela Napier	Chair
Harold Little, Jr.	Member
J. Pat Stewart	Member

## MANAGEMENT TEAM

Valerie C. Brown	President/CEO
Leah J. Eckley	Executive VP/COO
Stephen Carrico	Senior VP/CFO
Sean Moore	VP, Information Systems/ Information Technology
Kristie Kennedy	VP, Lending
Rob Atnip	Facilities Manager
Duane Dedman	AVP IS/ESO*
Donna Cosand	ESO Manager
JoAnn Kearns	Dealer Direct Manager
Lori A. Hodges	AVP Membership Development and Marketing
Mary Faye Miller	AVP Records/ISO*
June Nakoski	AVP Human Resources /Branch Coordinator
John Stanford	AVP Asset Protection Dept.
Ken Vogler	AVP Mortgage Department
Ann Boots	Campus Office Manager
Nancy Bumpus	ByPass Branch Manager
Shelly Smith	Glasgow Branch Manager
Tammy Thompson	Campbell Ln. Branch Manager*



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\* Serious About Service (SAS) Winners, 2009 and prior.