

CEO Report

By Ginger McNally

2005 was an exceptional year. Thanks to the support of our membership, we were able to make an unprecedented level of investment in the community. We did this in a myriad of ways. Possibly the most rewarding investment made in 2005 was the opening of a small community outreach branch at Plaza Vigil in downtown Watsonville. Through the outreach efforts of the staff at both the Plaza Vigil and Freedom Boulevard branches, the Community Credit Union has been able to reach people who in many cases have never worked with a financial institution before. By having a safe place to save money, an affordable way to cash paychecks, and access to credit at reasonable rates, many local residents are more financially secure than they were a year ago. These formal financial services are complemented by informal financial education which we're sharing with members and nonmembers in their homes, their schools, their family resource centers, and other locations throughout Santa Cruz County and Pájaro. It is rewarding and humbling to see such a profound impact on local individuals and families through the pursuit of our mission of promoting economic justice.

We've also worked hard to improve convenience for you, our members. In 2005 we (finally) introduced Internet Banking and online Bill Payment for members. The response has been fantastic! We're working right now to upgrade our operating system and improve our technical capacity.

Keep letting us know how we can serve you better. As a financial cooperative, we are here to serve you, the members, so please let us know how we're doing.

A key goal for 2006 is an increase in deposits from members. If you have funds elsewhere, bring them on over! We've increased our rates to encourage community members to invest in the Community Credit Union. You can invest here as an individual, as a business, or as a nonprofit. We use those funds to make loans to members, both for personal and business needs. In 2005, we lent more money to our members than ever before in our history, and ended the year with more than \$60 million in our loan portfolio. We're delighted. Remember, your savings are insured up to \$100,000, so your money is safe at the Community Credit Union. And you know you're putting your money where your values are.

So, thanks for reading the rest of the annual report to find out more about the great work of the Santa Cruz Community Credit Union. I encourage you to attend the 2006 annual meeting at 6:00p.m. on April 27. Feel free to email me at gmcnally@scruzccu.org if you have any suggestions or comments. I want to know what you think.



Ginger McNally, Chief Executive Officer

Mission

The Santa Cruz Community Credit Union is a nonprofit financial cooperative that promotes economic justice.

Santa Cruz Community Credit Union es una cooperativa financiera sin fines de lucro dedicada a promover la justicia económica.

Vision

The Santa Cruz Community Credit Union pursues a vision of vital local communities whose members contribute individually and collectively to a just society. In our vision, all people have full access to economic opportunity, and have the resources to make effective financial decisions for themselves, their families, and their communities.



Mary Bennett, Chair of the Board of Directors

Chair of the Board of Directors Report

By Mary Bennett

In looking back at the past year it is clear that 2005 proved to be exciting, productive, and challenging for the Community Credit Union. We experienced continued growth and substantially increased loan production, while expanding service and access for our members with the introduction of online banking. This was a top priority for 2005 and after much hard work we are delighted to be able to offer this service to our members.

Another major accomplishment was the opening of our Plaza Vigil branch in downtown Watsonville. It has long been a goal of the Community Credit Union to establish a more visible presence in Watsonville and South County, to provide essential financial services to underserved communities. Through the work of both the Freedom branch and the Plaza Vigil branch, we have been able to expand the scope of our community development work with renewed commitment to our mission of promoting economic justice.

In 2005 we continued development and funding of our community development and outreach work through a number of programs such as our Individual Development Account Program, our Earned Income Tax Credit Program, Financial Education, and Childcare Ventures, and are looking to 2006 to expand in these areas.

We accomplished a great deal in 2005, thanks to the hard work and dedication of our management and staff. Their efforts and the work of the Board, committee members, all our volunteers and most importantly, our loyal members, enabled the Credit Union to continue its work to

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Overview of 2005

All staff at the Community Credit Union contribute in a wide variety of ways to our community development work. Deposits are recirculated into the community through personal and business loans we make to our members, which is a function of our loan department. Front office staff have always been the public face of the Community Credit Union and offer our members excellent friendly service, information, basic financial education, and access to our financial services on a daily basis. The finance department and information technology department, while more hidden from the public sphere, are essential to making sure the Community Credit Union operates effectively. Both departments oversee the smooth running of the operating, financial and technology systems. They are also integral to researching and implementing advances in our ongoing and new products and services. Additionally, the community development department and community outreach and marketing department provide ongoing involvement and service to our members and within the wider community. This is accomplished through a variety of programs.

2005 saw the continuation and smooth functioning of our long-term programs: the Individual Development Account (IDA) Program (participants had saved more than \$326,000 by the end of 2005), Financial Education, and ChildCare Ventures. Also, in 2005 we completed work on the Child Care Playground Safety Initiative (CCPSI) and substantially increased our activity on the Earned Income Tax Credit (EITC) Tax Assistance Program.

After three-and-one-half years of work, we completed the Child Care Playground Safety Initiative. With support from the David and Lucile Packard Foundation, we were able to re-grant \$2.3 million to more than one hundred child care centers in Santa Cruz County and three other counties to make state-mandated child care playground safety improvements.

Building on our previous experience, we expanded our EITC Tax Assistance Program, coordinating our efforts with those of Project SCOUT. Last year, we were able to complete forms for 248 low-wage workers resulting in their receiving more than \$263,000 in EITC and other cash refunds that they probably would not have received otherwise. We are delighted to be able to expand the EITC program this year with support from the Santa Cruz County Human Resources Agency and in partnership with Project Scout.

Our outreach to the underserved expanded this year through a variety of measures. In 2005 we opened a new community outreach branch at Plaza Vigil in downtown Watsonville. The Plaza Vigil location is perfectly situated to reach the underserved communities in Watsonville. Located on the downtown Watsonville plaza, this branch is just blocks from the senior center, the bus station, Watsonville High School, Cabrillo College and the Watsonville Library. Salud Para La Gente, a health clinic for low income families, and La Manzana Resource Center are also nearby. Plaza Vigil branch staff have made an outstanding effort to offer information on nearby agency services and to be part of the neighborhood community. Staff have been developing new and ongoing relationships within the local community by bringing financial education and information about relevant Community Credit Union products and services into low-income, migrant communities through collaboration with local agencies, farms, schools, and in-home workshops. Approximately half of the new accounts opened at Plaza Vigil in 2005 are to members who previously have never had a bank account. Additionally, the Plaza Vigil ATM now dispenses \$5 and \$20 bills.

Our Freedom branch continues to serve our Watsonville members by offering great member service and by participating in a number of city events, including Cinco de Mayo and the Strawberry Festival. As of the end of 2005, Freedom branch had 2,639 total member shares, total deposits of \$5.3 million with approximately \$12 million in outstanding loans. The Freedom branch also experienced many building upgrades. The major improvements include a merchant workstation to support our business members, a newly upgraded and comfortable waiting area in the lobby, fresh new paint, a new children's play area, and a kiosk with access to our website.

The success of the SCCCU's overall work is due to the integration of our programs, products, and services available to community members.



Teresa Morales (front) leading a financial education workshop



Maria Hastings (left, back row) and AmeriCorps NCCC volunteers who help with EITC free tax assistance



June Padilla Ponce (center) discussing financial education with workshop participants

Chair *Continued from previous page*

promote economic justice and provide economic opportunity to those within our communities and beyond.

Finally, this report would not be complete without recognizing the work and commitment to the Community Credit Union of John Isbister. After almost thirty years of service, John will be resigning from the Board of Directors to move with his family to his home country of Canada. I've had the honor and privilege of working with John over many years, and no one has contributed as much to the development and success of the Community Credit Union as he. Thank you, John. You will be sorely missed.

SCCCU Business Borrower Profile

Gravago

“This business is like a lifestyle. I like to travel. I love working with artists and being in other cultures. Gravago has kept me doing what I like to do,” explains Barbara Horscraft, the owner of Gravago, a business that specializes in hand-made carpets, exotic home furnishings, lighting, and art.

The story of Gravago starts with Horscraft who began her career as a history teacher at Soquel High with a strong interest in politics, economics, current events, and developing countries. She took a year off to travel to the places she was teaching about and fell in love with those places, cultures, and arts that she encountered. She returned to the U.S. with beautiful craft pieces and art. A friend with experience in decorating suggested that she go into business.

Gravago was born in 1981. “I began wholesaling to department stores in 1979. I called my business Golden Stag imports. Then, in 1981, I opened Gravago. The first two years were really tough. The exotic and ethnographic art was something not many Santa Cruzans had been exposed to. On top of that I had difficulty getting a bank to give me a loan. I couldn’t even get a credit card,” remembers Horscraft.

Today, Gravago is a successful business with an astonishing collection of carpets from Iran, Pakistan, India, Morocco, and Nepal. The rugs are hand-crafted of wool and many are colored with natural dyes. Horscraft often works directly with artisans to create specific decorative pieces. One example is Gravago’s line of lighting. Alabaster pieces are individually commissioned and created by artisans in Egypt. Each alabaster piece is unique and is paired with hand-forged metalwork designed by Horscraft. Gravago also offers a collection of hand-made, one-of-a-kind furniture. Each piece is selected by Horscraft for its beauty and uniqueness.

Gravago is one of the SCCCUs longest standing business borrowers. Horscraft first opened a line of credit with the SCCCU in the early 1980s. Horscraft explains, “I opened a personal account and then a Business Line of Credit at the SCCCU because it helps the community. The SCCCU has been great to work with over the years.”



Barbara Horscraft of Gravago

Supervisory Committee Report

By Maura Matera, Chair

The Supervisory Committee is responsible for ensuring that the financial statements accurately and fairly present the financial condition of the SCCCU and that management practices and procedures safeguard members’ assets.

During 2005, the Supervisory Committee met quarterly to review the operating practices and procedures of the Credit Union. It was determined that the policies and practices are safe, sound and are administered within the bounds of the Credit Union bylaws.

The CPA firm, O’Rourke, Sacher and Moulton, part of McGladrey & Pullen in Brisbane, California completed an annual review and member account verification. The Independent Auditor’s Report was performed as of June 30, 2005 was presented to the Board of Directors during the first quarter of 2006. The report confirmed that the Credit Union financial statements were prepared in conformity with accounting practices prescribed by California Credit Union Law and generally accepted accounting principles. The report also confirmed the adequacy of the Credit Union’s infrastructure.

Member Profile

Antonio Aquino

Antonio Aquino is originally from Mexico, but now works in Santa Cruz County. Born in Huixtepec, Oaxaca, Mexico, Aquino left his town to seek better economic opportunities in the United States in 1984. Although he became a legal resident in 1987, he considers Mexico his true home, where his wife and family live.

Aquino is passionate about three things in life: religion, credit unions, and politics. As a former student of a priest who taught “cooperativismo” in his town in the 1960s, he believes in the spirit of cooperatives, because, as he explains, “In a cooperative, you are valued for who you are. Banks only value you for what you have.” In his village of 30,000 residents in Oaxaca, Aquino proudly explains, “We do not even have one bank in our town, but have two credit unions instead.”

At 61 years of age, Antonio Aquino’s life in the US is all about his work. He loves his job at UCSC, his co-workers and people in the community that he has come to know as his family in Santa Cruz. And, he’s glad to have found a credit union that is a lot like the cooperatives of his hometown in Mexico. “I was walking by the Community Credit Union building on my way home a few years ago and I saw a sign that said “credit union.” I asked questions and found out that this was just like the cooperatives I knew in Mexico. When I saw that big painting on the wall I knew this wasn’t a regular bank, that this had a feeling of cooperation.”



Antonio Aquino

2006 Annual Meeting

April 27, 6:00 p.m.

324 Front Street, Santa Cruz



Printed on recycled paper

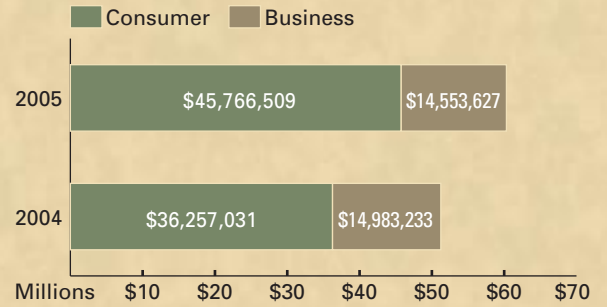
Financial Report

	2005	2004
INCOME		
Loan Interest	\$3,994,422	\$3,177,404
Investment Interest	\$87,122	\$138,861
Non-Interest Income	\$1,023,732	\$1,118,212
Total Income	\$5,105,276	\$4,434,477
EXPENSES		
Operating Expenses	\$3,918,290	\$3,117,511
Provision for Loan Loss	\$621,918	\$272,399
Total Expenses	\$4,540,208	\$3,389,910
Net Income	\$565,068	\$1,044,568
DISTRIBUTION OF NET INCOME		
Interest and dividends paid to member deposits	\$465,222	\$300,364
Surplus transferred to reserves	\$99,846	\$744,204
Total Distribution	\$565,068	\$1,044,568
ASSETS		
Total Loans	\$60,320,136	\$51,240,264
Allowance for Loan Loss	\$(423,703)	\$(466,243)
Net Loans	\$59,896,433	\$50,774,021
Cash	\$2,012,979	\$1,710,476
Investments	\$1,941,373	\$3,203,336
Fixed Assets	\$4,203,171	\$4,228,596
Other Assets	\$1,477,803	\$1,444,264
Total Assets	\$69,531,758	\$61,360,693
LIABILITIES, MEMBER EQUITY AND RESERVES		
Total Liabilities	\$7,505,740	\$1,079,719
MEMBERSHIP EQUITY		
Primary Shares	\$26,629,770	\$27,429,097
Checking	\$13,692,553	\$12,542,720
Money Market	\$1,448,372	\$2,092,348
Certificates	\$11,617,010	\$9,742,123
Individual Retirement Accounts	\$3,579,514	\$3,513,798
Total Deposits	\$56,967,221	\$55,320,087
RESERVES		
Total Reserves and Undivided Earnings	\$5,058,797	\$4,960,887
Total Liabilities, Member Equity and Reserves	\$69,531,758	\$61,360,693

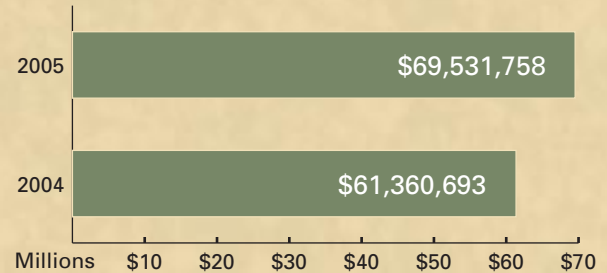
Santa Cruz Community Credit Union staff



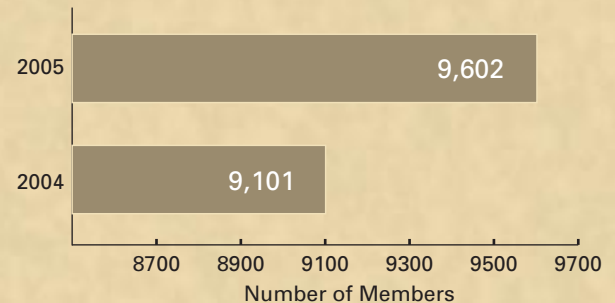
TOTAL LOANS



TOTAL ASSETS



TOTAL MEMBERS



Board of Directors

Chair Mary Bennett

Vice Chair Alisa Thomas

Secretary John Isbister

Treasurer Jay Dravich

Ryan Coonerty, Ellen Farmer, Karen Garcia Graham, Ken Kimes, Carlos Palacios, Pablo Reguerin, Dena Taylor

Executive Committee

Mary Bennett, Jay Dravich, John Isbister, Ken Kimes, Alisa Thomas

Supervisory Committee

Chair Maura Matera

Suzanne MacLean, Daniel Nikuna

Credit Committee

Kim Hallinan, Abbie Rosenberg, George Sherinian

Community Development & Outreach Committee

Cheri Allen, Ciel Benedetto, Jim Cochran, Ryan Coonerty, Ben Crow, Christina Cuevas, Sandy Davie, Kim Hallinan, Ken Kimes, Catherine Lachance, Mario Maldonado, Carlos Palacios, Reggie Sunga, Laurie Talcott, Dena Taylor, Ela Wehrmann