

Joint message from the Board President and Chief Executive Officer



Mary Bennett, Board President, and Ginger McNally, CEO, relax in the lobby of SCCCU's Santa Cruz branch.

At Santa Cruz Community Credit Union

we believe that it is our mission that makes us different and makes us successful as a nonprofit financial cooperative that promotes economic justice. It is the strength of our mission that drives us to incorporate the principles of access, affordability, and value for our members and for the community in everything we do. We want to thank you for the past thirty years of success and challenge at Santa Cruz Community Credit Union and let you know what to look forward to in the coming years.

The Board of Directors and staff just completed an ambitious three-year strategic plan for the institution. There are three areas of focus over the next three years: serving our members, serving our community, and strengthening our infrastructure. We will look at multiple approaches to improving member access to affordable financial services, loans, and financial education. We will implement community development programs geared toward increasing financial security and opportunity for local residents through income generation and asset development. We will support local job creation and economic growth through increased lending to locally-owned businesses and microenterprises. We will also encourage community investing through a focus on increasing deposits and the development of new savings products to serve our membership.

It is through your involvement as a member that SCCCU Union has developed into one of the top community development credit unions in the country. We are leaders in the movement to get access to affordable credit, financial services, and education into the hands of local residents, including people with limited financial resources. SCCCU is here to help create access to economic opportunity for our members and our community. As we celebrate our thirtieth anniversary, we welcome you as a member of the Santa Cruz Community Credit Union and are glad you are here.

*Mary Bennett, President of the Board of Directors
Ginger McNally, Chief Executive Officer*

OVERVIEW OF 2006

30

As we celebrate our first 30 years, Santa Cruz Community Credit Union is proud of its mission to provide access to economic opportunity for all community members.

Since inception, SCCCU has accomplished its mission by providing access to affordable loans and financial services to members, with a particular focus on underserved communities. Although SCCCU has adapted its strategies in response to economic and

social change over the years, SCCCU's mission remains unchanged: to promote economic justice.

As a community development financial institution, SCCCU invests in the community in a lasting and meaningful way. The Community Credit Union has developed a number of community investing strategies, including many types of savings accounts, financing options for locally-owned businesses, and access to financial education, asset building, and income generation strategies to assist members trying to reach greater economic security.

What Makes Us Different?

SCCCU is a nonprofit financial institution dedicated to promoting economic justice. It is cooperatively owned and governed by its members (one member one vote) and is government regulated and insured. SCCCU is a bilingual institution, offering fairly priced consumer and business loans including character-based lending decisions, reasonably priced financial services, and financial education. SCCCU also has a commitment to serve our broader community through a number of programs and services, with a primary focus on the underserved community.

30
Years of
Community
Investing

Community Investing

When a member makes a deposit at SCCCU s/he is actively supporting the Community Credit Union's mission of community investing. Each deposit allows SCCCU to finance locally-owned businesses, microenterprises, nonprofits, child care centers, affordable housing and more. Financing entrepreneurial activity has a direct impact on our community by making it possible for people to start businesses and increase family income. Making financing available to nonprofits and child care centers helps to maintain the critical facilities that our community depends upon.

Asset Building Programs

Asset building is a combination of policies and programs that assist people with limited financial resources to accumulate long-term assets. Getting ahead in today's economy is no longer just about one's job or income but increasingly about having the ability to accumulate and utilize assets. Asset building offers economic security and opportunity for people and their families for generations and includes buying a home, starting a business, saving for retirement, and acquiring higher education. Since 1977, SCCCU has introduced a number of asset building programs to further its mission of promoting economic justice.

Individual Development Account Program

SCCCU's Individual Development Account (IDA) program is an outstanding asset building and savings incentive model for low-income individuals and families. An IDA account is an asset building opportunity that offers matched savings accounts that enable low-income families to save, build assets, and move towards financial security. SCCCU's IDA program offers a 2:1 savings match to its qualified participants. Participants may save up to \$5,000 (matched by \$10,000 from the IDA program) to achieve asset building goals of starting a business, purchasing a home, or education. At the end of 2006, 48 IDA participants saved \$343,052 and of the 36 graduates, 20 have bought homes, 9 started a business, and 7 have begun higher education.

Earned Income Tax Credit Program

Over the past four years, SCCCU has developed a successful Earned Income Tax Credit (EITC) program in collaboration with Project Scout. In 2006, with financial support from the Appleton Foundation, Santa Cruz County's Human Resources Agency and First Five, the National Credit Union Association, and AmeriCorps NCCC volunteers, our free tax assistance program experienced tremendous growth. In 2006 the EITC Program helped 1,048 families and individuals file their tax returns, a 272% increase over the previous year. Clients received a total of \$994,723 in tax refunds. New initiatives in 2007 include refund splitting which allows taxpayers to deposit their refund into multiple accounts to encourage savings, and opening new accounts for EITC clients.

Aidee Farias, EITC Program Coordinator, and Emily Labarre, UCSC intern, provide clients with free tax assistance at our Santa Cruz branch.



Financial Education and Outreach

Financial education, in conjunction with a number of other services, is increasingly being used as a tool to alleviate poverty. A good financial education program promotes long-term financial security for individuals and families through homeownership, small business creation, education, and savings. SCCCU's financial education program strives to promote family financial security by introducing the principles of budgeting and saving and access to affordable financial products and services. In 2006, with financial support of the Cowell Foundation, SCCCU continued to deliver money management education workshops to our Economic Justice Project clients, in partnership with La Manzana Community Resources and the Watsonville Law Center.

In 2006 SCCCU deepened its outreach to the underserved by leveraging its expertise through partnerships with over thirty-six community-based organizations. Collaboration allowed SCCCU to provide financial education workshops to partner clients and through in-home workshops for friends, family and neighbors of interested individuals. In the last 18 months, nearly 200 accounts were opened to new members who were previously unbanked.

ChildCare Ventures

In 2006 ChildCare Ventures (CCV) continued as the leading provider of child care business management. Thanks to funding from the Community Foundation of Santa Cruz County, the Foundation's Community Advisors Network, and the Bill Graham Foundation, CCV is establishing a Child Care Business Alliance that will enhance child care centers' economic success through centralized services, business skills training and collaborative purchasing, including a pilot program of bulk-purchasing locally grown organic produce. A Wells Fargo grant supports the provision of ongoing technical assistance and access to capital to start-up and existing child care centers and family child care homes in the county, in partnership with the Central Coast Small Business Development Center and the El Pájaro Community Development Corporation. Additionally, CCV promotes access to SCCCU's Child Care Revolving Loan Program.

Business Lending

In 2006, the world focused on Nobel Peace Prize winner Muhammad Yunus, a pioneer in microfinancing for his innovative and outstanding work offering microloans to impoverished people. In his own words, Yunus remarked that, "Poverty is a threat to peace. The creation of opportunities for the majority of people — the poor — is at the heart of the work that we have dedicated ourselves to during the past 30 years." As Muhammad Yunus has shown the world, microlending is a strategy that enables individuals to achieve economic self-sufficiency by creating their own small businesses. For thirty years, SCCCU has been committed to creating economic opportunity by providing business loans to local small and microenterprise businesses. SCCCU provides small business loans for as little as \$500 and up to several million.

In 2006, over \$6.5 million was invested into 122 locally-owned businesses and \$1.5 million was lent to microenterprise businesses. Nearly 30% of SCCCU's business borrowers were women or minority borrowers and SCCCU business loans created or retained 936 jobs.



Griselda Hernandez, SCCCU staff member, leads a money management workshop.

Santa Cruz Community Credit Union is a unique catalyst for change in our community because we are first and foremost a financial institution. In conjunction with SCCCU's 501(c)(3) nonprofit affiliate, Santa Cruz Community Ventures (SCCV), SCCCU has developed a number of programs to promote economic justice in our community. Our programs, products, and services would not be possible without the continued investment by our individual members, board members, volunteers, staff, and our public and private funders. SCCCU thanks all

SCCCU members Jackson and Amber Wolff have been clowning around as Story Creek Productions since the early years of Santa Cruz Community Credit Union. Storytelling, making balloon critters, and inspiring laughter at many, many events is their way of life. Story Creek Productions is one of SCCCU's earliest business borrowers.





op for program participants.

of you for your time, your financial support, and your commitment to economic justice.

For more information about how you or your organization can support the work of Santa Cruz Community Credit Union, contact Sheila Schat, Director of Community Development and Outreach (460-2342, sheilas@scruzccu.org). SCCV allows supporters to make tax-deductible contributions that further our community development activities.



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 2006, 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 which 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.

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.

30th Annual Meeting

April 26, 6:00 pm

324 Front St., Santa Cruz

Speaker: Fred Keeley

Hart Landscaping

“I started my business with a compact car and some basic tools about five years before joining the Individual Development Account (IDA) program at SCCC. My IDA savings allowed my business to grow into a two-truck, two-member crew business with regular staff on payroll,” explains Stacey Hart, founder and owner of Hart Landscaping.

“I heard about SCCC’s IDA program when I was getting financial aid through the county’s social services system. The day I heard about it, I drove directly over to the Credit Union to apply to join the program!”

After graduating from Cabrillo College with a Master Gardener degree and a certificate in Permaculture Design, Hart started Hart Landscaping, operating it with a mission to manage projects with minimal waste and negative environmental impact to the land. Hart and her staff use each opportunity to educate clients to think about their landscape as a place of peace and refuge for humans and wildlife at the same time.

“I learned the business of starting a landscaping company through Cabrillo College coursework, but I learned the value of saving money, careful bookkeeping, and planning and sticking to a budget from the IDA program.

“I also learned the wise use of credit. I refinanced my truck through the Credit Union, establishing a relationship with SCCC.

“June Padilla Ponce (IDA Program Coordinator) suggested that I get a line of credit to consolidate debt and increase business cash flow at a lower rate than other loans I had. I’ve used my IDA savings to buy a computer and software, for extensive marketing and general business supplies — all with the goal of increasing business.”

Hart also explains that, “Most importantly, as an IDA participant, I learned that my community wants me to be here performing a valuable service.”



Stacey Hart, owner of Hart Landscaping, stands in front of one of her environment-friendly landscape designs. To find out more about Hart Landscaping, visit www.hartlandscaping.com

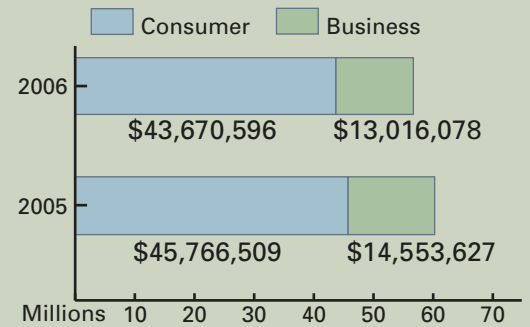


Hart Landscaping installed the interlocking cobble patio on a very tight schedule for a wedding ceremony. Hart had already designed a deck on the same property and wanted to connect the irregular shapes and triangular points. The final patio design incorporates a lotus flower motif that the owner identified as a recurring pattern from his travels to India.

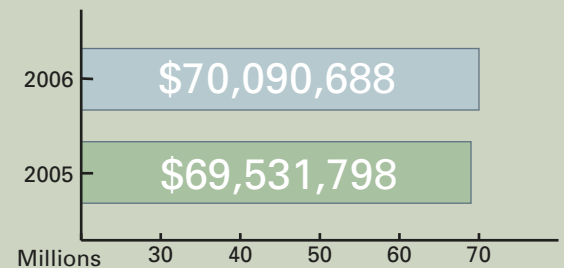
FINANCIAL REPORT

	2006	2005
INCOME		
Loan Interest	\$4,792,621	\$3,994,422
Investment Interest	\$117,008	\$ 87,122
Non-Interest Income	\$1,088,065	\$1,023,732
Total Income	\$5,997,694	\$5,105,276
EXPENSES		
Operating Expenses	\$3,885,327	\$3,918,290
Provision for Loan Loss	\$381,614	\$621,918
Dividends and Interest	\$850,847	\$465,222
Total Expenses	\$5,117,788	\$5,005,430
SURPLUS (Net Surplus)		
	\$879,906	\$99,846
ASSETS		
Total Loans	\$56,686,674	\$60,320,136
Allowance for Loan Loss	\$(502,762)	\$(423,703)
Net Loans	\$56,183,912	\$59,896,433
Cash	\$7,181,930	\$2,012,979
Investments	\$1,461,324	\$1,941,373
Fixed Assets	\$4,157,949	\$4,203,171
Other Assets	\$1,105,574	\$1,477,803
Total Assets	\$70,090,688	\$69,531,758
LIABILITIES, MEMBER EQUITY AND RESERVES		
Total Liabilities	\$265,576	\$7,505,740
MEMBERSHIP EQUITY		
Primary Shares	\$25,875,561	\$26,629,770
Checking	\$15,924,286	\$13,692,553
Money Market	\$1,444,429	\$1,448,372
Certificates	\$16,314,708	\$11,617,010
Individual Retirement Accounts	\$4,319,074	\$3,579,514
Total Deposits	\$63,878,057	\$56,967,221
RESERVES		
Total Reserves	\$5,947,055	\$5,058,797
Total Liabilities, Member Equity and Reserves	\$70,090,688	\$69,531,758

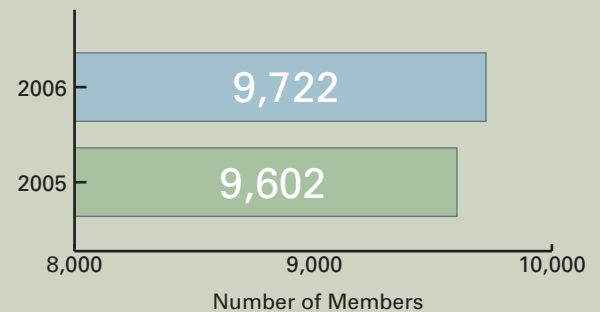
TOTAL LOANS



TOTAL ASSETS



TOTAL MEMBERS



Santa Cruz Community Credit Union staff



Board of Directors

President Mary Bennett

Vice President Ellen Farmer

Secretary Ken Kimes

Treasurer Alisa Thomas

Ryan Coonerty, Karen Garcia Graham, Gwen Marcum, Mario Maldonado, Julie Lambert, Rick Polse

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Mary Bennett, Ryan Coonerty, Ellen Farmer, Ken Kimes, Alisa Thomas

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