

2007 Annual Report

SANTA CRUZ COMMUNITY CREDIT UNION



Joint Message from the Board Chair and Chief Executive Officer

Mary Bennett, President of the Board of Directors

Ginger McNally, Chief Executive Officer

We are delighted with the accomplishments of 2007 and want to thank you, the members, for helping Santa Cruz Community Credit Union have one of the most successful years ever. Last year was both financially strong and a year in which our community development programs sustained and expanded their impact in our community. Many of our activities are highlighted in this annual report.

The first responsibility of a financial institution, including a community development credit union like ours, is to protect its members' money. Members' deposits are federally insured up to \$100,000, so you can feel confident that your money is safe when you make a deposit at the Community Credit Union. The way that financial institutions generate income is through making loans. In 2007, 611 community members borrowed \$16,447,319 from the Community Credit Union, which allowed us to build our reserves to help us grow in the future.

What is special about Santa Cruz Community Credit Union is that it is owned by you, the members, and that we care about more than just money. Banks typically have one goal, or bottom line, which is to make a profit for their stockholders. Our approach is different. We work hard to generate sufficient surplus and invest it back into the community rather than into private investors' pockets. And that's not all we care about. We also care about our second goal, or bottom line, which is social and economic impact, which we call community development.

When you make a deposit or get a loan at Santa Cruz Community Credit Union, you are in a very direct way investing in your community. You are making it possible for us to finance a child care center needing new playground equipment, a student who needs a small loan to buy books, a single mom who makes great salsa

and needs help expanding her market. You are making peoples' dreams possible by keeping your money working here at home.

Because we value innovation and initiative at the Community Credit Union, we are especially proud of our new Get Green program to encourage thoughtful stewardship of the planet, our new SBA Community Express certification that helps us link small loans with education for small businesses and microentrepreneurs, and our new matched savings and education program to help foster youth who are making the transition to adulthood. That is your Community Credit Union at work and it couldn't be done without your commitment to saving and borrowing here at home.

So, please invite a friend or colleague to join us! Give us a call, send us an email, and let us know how we're doing. *We want to hear from you.*



Ginger McNally, Chief Executive Officer, and Mary Bennett, Board President, in SCCCU's main branch lobby.

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.

Founded in 1977, the primary mission of Santa Cruz Community Credit Union (SCCCU) is to promote economic justice. We do this by offering innovative and diverse financial services and products — from savings accounts to small business loans — to meet the changing needs of our members. As a Community Development Financial Institution, SCCCUC continues to grow and innovate, while focusing both on strong financial performance and increasing social and economic impact.

Our members support SCCCUC's community investing by helping us finance small business owners, microentrepreneurs, and nonprofits. Since 1977, SCCCUC has provided \$432,124,136 in loans to members. SCCCUC offers a full range of financial products designed to provide pathways toward economic self-sufficiency and asset development for families and individuals. Those strategies to financial security include: savings accounts, business and personal loans, financial education, and asset building programs.



JOOP RUBENS

In 2007, SCCCUC introduced an innovative Get Green loan program. Our affordable Get Green loans are designed to make it possible for home owners and businesses to reduce their carbon footprint and save money. SCCCUC has offered rate discounts on Clean Cars (fuel efficient, alternative fuel and low emission vehicles) for a number of years. In 2007, to help promote solar energy, which is clean, reliable, and cost effective, we introduced solar power loans. We also introduced loans to improve home energy efficiency as an affordable way to purchase energy-efficient appliances, install proper insulation, heating/cooling systems, and drip irrigation. In 2007, SCCCUC became a certified green business by the City of Santa Cruz and introduced eStatements — an earth-friendly alternative to paper statements.

Financial Education and Asset Building Programs

SCCCUC has offered three successful asset development programs for many years. These programs are the Individual Development Account (IDA) program, our free Earned Income Tax Credit (EITC) program, and the Economic Justice Project. All three programs offer financial education workshops as core components.

Our IDA program offers matched savings accounts that enable families to save, build assets and move towards financial security. At the end of 2007, 83 IDA active participants and graduates have saved a total of \$343,578. Of the 47 IDA graduates, 21 have bought homes, 13 capitalized a business, and 13 have begun higher education. SCCCUC received a grant from the Richard Miles Johnson Foundation to expand our IDA program, working in partnership with the Independent Living Program to foster youth aged 14 and over. We are delighted to expand our IDA program to offer foster youth critical life skills education.

SCCCUC's Earned Income Tax Credit program continues to expand to reach more low-income workers. SCCCUC and partner Project Scout, along with over sixty volunteers, filed over 1,700 tax returns, assisted more than 3,000 individuals and families and brought in over \$1.05 million in refund dollars to county residents. Carlos Caminos, an education outreach worker with the Internal Revenue Service, describes the program as "the largest anti-poverty program in America."

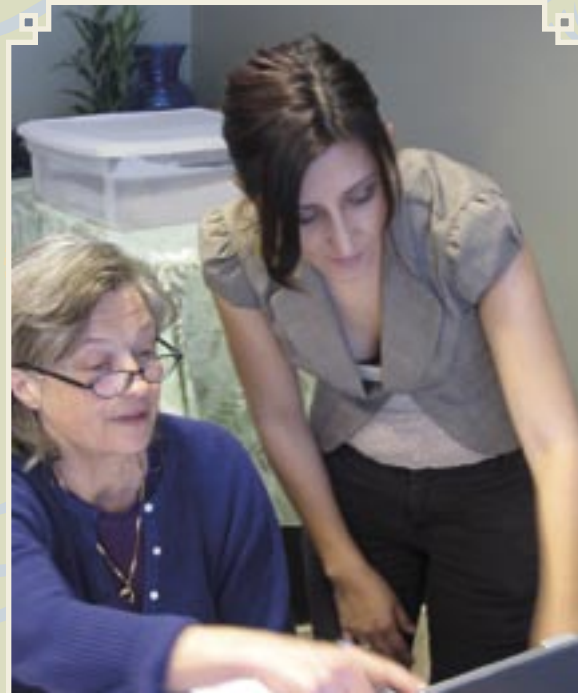
Peter Kennedy installs new energy-efficient windows into his home with a Get Green loan.

In 2007, with renewed support for three more years from the Cowell Foundation, SCCCUC and its partners — La Manzana Community Resources and the Watsonville Law Center — expanded the Economic Justice Project by connecting participants with money management workshops and social and legal assistance. At the end of the first grant cycle, the partnership enrolled 356 participants, and linked 688 with free tax assistance for a total of \$694,986 in refunds and tax credits.

Elisa Ramirez, program coordinator, assists EITC volunteer, Julia Dye, with tax preparation.

Child Care Ventures

ChildCare Ventures (CCV) celebrated ten productive years as the leader in providing child care business management in Santa Cruz County. In 2007, CCV established the Child Care Business Alliance, a professional association dedicated to enhancing centers' financial success through collaborative purchasing, business skills training and centralized services. CCV also released "The Economic Impact Report of Child Care in Santa Cruz County." This report includes the benefits of the industry to Santa Cruz County's economic vitality, and opportunities to identify strategies to ensure that we continue to build and support a supply of licensed, high quality child care as an economic benefit to our community. Thanks to funding from the Community Foundation of Santa Cruz County, the Foundation's Community Advisors Network, and Wells Fargo, the CCV partnership of the Central Coast Small Business Development Center, the El Pájaro Community Development and the Child Development Resource Center expanded its service. In 2007, the partnership offered technical assistance to 210 businesses and the SCCCUC Child Care Revolving Loan Program made \$115,245 in loans to child care centers.



Business Lending

SCCCU's business lending program is at the heart of its mission to promote economic justice. In 2007, nearly \$10 million was invested into 213 locally-owned businesses and an average loan size of \$46,000. SCCCUCU also received approval as a Small Business Administration (SBA) Community Express lender. Community Express loans are guaranteed loans for women, minorities, veterans and low and moderate income areas. The program links SBA-guaranteed loans with free technical assistance for historically underserved entrepreneurs. Many of these borrowers are newer, smaller businesses that need small-size loans and equity investments accompanied by technical assistance.

SCCCUCU, together with our 501(c)(3) nonprofit affiliate, Santa Cruz Community Ventures (SCCV), is in a unique position to promote economic justice. 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. SCCCUCU thanks all 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). SCCCV 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 represent the financial condition of the SCCCUCU and that management practices and procedures safeguard members' assets.

During 2007, the Supervisory Committee met 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, McGladrey and Pullen in Brisbane, California completed an annual review and member account verification. The Independent Auditor's Report was performed as of June 30, 2007. 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.



Ecology Action staff discuss future plans.

SCCCUCU Business Borrower Profile

ECOLOGY ACTION, BUSINESS BORROWER

Ecology Action of Santa Cruz was established in 1970 during a national cultural push for environmental awareness, which also resulted in the first Earth Day. The first Ecology Action of Santa Cruz program was a recycling center for bottles and cans. Today, Ecology Action remains a local leader when it comes to developing innovative programs designed to protect the environment and encourage lifestyle changes that conserve resources and reduce waste. Ecology Action delivers cutting edge education services, technical assistance and program implementation to help individuals, businesses, and government to maximize environmental quality and community well-being.

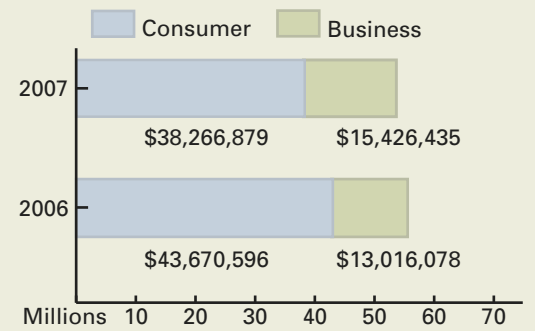
Ecology Action programs include Waste Reduction, Pollution Prevention, Climate Solutions, Transportation, Green Building and Energy Efficiency. "Our RightLights program is the largest energy efficiency program for businesses in Santa Cruz County, providing subsidized lighting retrofits that cut energy use and reduce energy bills. It's funded by PG&E and the California Public Utilities Commission," says Anna Hirst, Communications Director.

Ecology Action is a long-time member and business borrower of SCCCUCU. "We are a member of SCCCUCU because we believe in contributing to the sustainability of our local economy," explains Hirst.

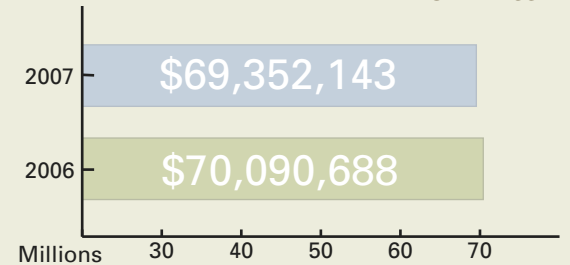
FINANCIAL REPORT

	2007	2006
INCOME		
Loan Interest	\$4,582,099	\$4,792,621
Investment Interest	\$382,876	\$117,008
Non-Interest Income	\$1,146,768	\$1,088,065
Total Income	\$6,111,743	\$5,997,694
EXPENSES		
Operating Expenses	\$3,763,404	\$3,885,327
Provision for Loan Loss	\$175,971	\$381,614
Dividends and Interest	\$1,018,969	\$850,847
Total Expenses	\$4,958,344	\$5,117,788
SURPLUS (Net Surplus)	\$1,153,399	\$879,906
ASSETS		
Total Loans	\$53,693,313	\$56,686,674
Allowance for Loan Loss	\$(304,950)	\$(502,762)
Net Loans	\$53,388,364	\$56,183,912
Cash	\$8,632,044	\$7,181,930
Investments	\$2,201,443	\$1,461,324
Fixed Assets	\$3,961,700	\$4,157,949
Other Assets	\$1,168,592	\$1,105,574
Total Assets	\$69,352,143	\$70,090,688
LIABILITIES, MEMBER EQUITY AND RESERVES		
Total Liabilities	\$281,278	\$265,576
MEMBERSHIP EQUITY		
Primary Shares	\$22,573,706	\$25,875,561
Checking	\$14,638,703	\$15,924,286
Money Market	\$1,294,666	\$1,444,429
Certificates	\$18,897,892	\$16,314,708
Individual Retirement Accounts	\$4,553,555	\$4,319,074
Total Deposits	\$61,958,522	\$63,878,057
RESERVES		
Total Reserves	\$7,112,343	\$5,947,055
Total Liabilities, Member Equity and Reserves	\$69,352,143	\$70,090,688

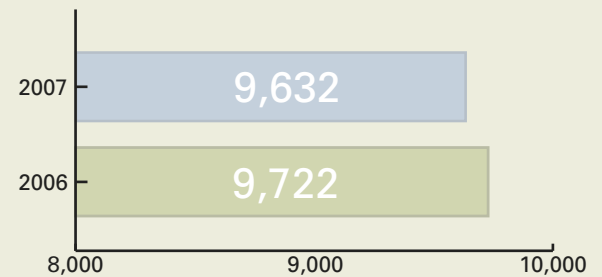
TOTAL LOANS



TOTAL ASSETS



TOTAL MEMBERS



Santa Cruz Community Credit Union staff



Branch Locations:
 324 Front Street, Santa Cruz
 1428 Freedom Boulevard, Watsonville
 831-425-7708
www.scrzccu.org

Board of Directors

Mary Bennett, *President*
 Ellen Farmer, *Vice-President*
 Alisa Thomas, *Treasurer*
 Ken Kimes, *Secretary*
 Ryan Coonerty, Christina Cuevas, Eric Grabiell,
 Julie Lambert, Mario Maldonado, Gwen Marcum,
 Rick Polse

Executive Committee

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

Supervisory Committee

Maura Matera, Daniel Nikuna, Suzanne MacLean

Credit Committee

Kim Hallinan, George Sherinian, Michael Meara



31st Annual Meeting—April 24, 6:00 pm

324 Front Street, Santa Cruz

Speaker: *Susan Paradise*, Independent Living Program

Topic: *Foster Youth IDA Savings Program*