

Joint Message from the Board Chair and Chief Executive Officer

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

Last year was both tough and exciting. The tough part was that we lost money, like many financial institutions and nonprofits around the country. The exciting part is that the global financial crisis has highlighted the value of our approach to doing business, and our role in the community as a member-owned financial institution.

When you make a deposit here, your money finances a local business, nonprofit, child care center or first time home buyer. We lend to your neighbors, we make decisions at our office, and we respond to economic conditions here at home.

We are well capitalized, and well-positioned to weather the economic storm. With NCUA insurance up to \$250,000 for each regular share account, your money is safe and sound.

As a credit union, and in particular a community development credit union, we are different than mainstream financial institutions. There are two main differences.

First, a credit union is owned by its members, which means one member/one vote, rather than one dollar/one vote as is the case in banks. Credit unions by definition are economic democracy in action.

The second thing that makes Santa Cruz Community Credit Union different is that we care about economic justice, we believe in the values of democracy and freedom, and we are committed to making the world a better place for our children's children.

Throughout the Community Credit Union's thirty-two year history, people have trusted us to be leaders, to be imaginative, and to develop creative financial opportunities for our community.

This year, we will introduce a new "triple bottom line" initiative that challenges us to demonstrate financial responsibility, social impact, and environmental stewardship in everything we do. Some of this we know how to do and have done for many years. Other aspects are more challenging.

(continued on page 2)

Santa Cruz Community Credit Union

Annual Report 2008

Mission:

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:

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

Ginger McNally

SCCCU Business Borrower Profile New Leaf Community Markets

New Leaf Community Markets has been a key natural and organic foods grocer in Santa Cruz County since its inception in 1985. With a mission "to nourish and sustain our community," the local natural foods grocer has grown to six locations from Capitola to Half Moon Bay, with a brand new store on the Westside.

The first New Leaf Community Markets store formed when Scott Roseman, who wanted to sustain a source of organic and natural foods in Santa Cruz, bought the assets of a local, neighborhood co-op with a business loan from his dad. He opened the first Westside Community Market on the middle of the block on Ingalls Street, between Swift and Fair Ave on the Westside of Santa Cruz.

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(Joint Message continued)

Because we believe in linking economic equity and environmental sustainability, we're committed to reducing our environmental impact while increasing our social impact and financial strength.

We are developing performance standards in the areas of financial responsibility, social impact, and environmental stewardship and will share the results of our efforts in next year's annual report. We don't expect to be perfect, but we do expect to make progress and promise to be accountable and transparent.

We want to thank you for being members, for sharing in the mission and values that make the Community Credit Union so special. We are glad you are here and encourage you to invite your friends to join. *Thank you!*

How we achieve our mission

As Santa Cruz Community Credit Union (SCCCU) evolves over time, our core values and commitments remain constant. We value integrity, sustainability, equity and leadership. We put our values into action by:

- acting with respect, honesty, and fairness
- anticipating and responding to challenges with innovation and collaboration
- being vigilant in our awareness of the financial, social, and environmental impact of our decisions, and
- pursuing a vision of equal access to economic opportunity

2008 Lending Impact



Small Business Lending:
\$13 million in loans
225 entrepreneurs;
50% microenterprise loans

Consumer Lending:
\$11 million in loans
525 borrowers

Affordable Housing—Mobile Home Loans:
\$1.2 million in loans
15 homeowners

SCCCU's thirty-two year history illustrates our commitment to making sound financial decisions to promote economic justice. We do this by providing access to loan capital, financial education, and affordable and innovative financial services. In the face of the national financial crisis and shrinking economic opportunity for working people, SCCCUC continues to stay true to its mission and vision. We seek to expand financial stability for everyone in our community while ensuring that SCCCUC is financially safe, strong and prosperous.

Owning a home or a business can be a path to financial security and stability. In 2008, SCCCUC's lending was strong to first time homebuyers, small businesses and nonprofits. SCCCUC, together with Santa Cruz Community Ventures (SCCV), its 510(c)(3) affiliate, also expanded its asset development impact in 2008. Our innovative financial education, matched savings account, free tax assistance, and child care technical assistance programs offered opportunities for hard-working people to build long-term assets.

2008 Asset Building Impact



Matched Saving Accounts:
86 participants
\$998,000 invested

Free Tax Assistance:
441 individual returns
\$467,338 in refunds

Financial Education:
1600 participants
36 community partners

Holly Costa, IDA graduate, and son

SCCCUC's free tax assistance program connects volunteers with tax filers and brings hard-earned dollars back into our community.

Program Coordinator, Jason Kim, works with volunteer Inessa Zolotareva.



(**New Leaf** continued)

In 1986 Scott got a business loan from SCCCU to remodel the original building and later moved to the Mission Street location for higher visibility. The name was then changed to New Leaf Community Markets. The old location has since been occupied by Bonny Doon Winery, and the whole area has turned into a center of food and wine tasting, and so Roseman and co-owner Rex Stewart were given the opportunity to occupy a new 21,000 square feet building right next to where the company started out. SCCCU provided a bridge loan when other lenders could not provide the needed cash to finish the expansion. The result is a \$4 million new store that opened on March 11, a combined staff of over 330, and \$33 million in annual revenue for the company's four stores.

SCCCU is strengthening its partnership with New Leaf Community Markets by installing a full-service ATM at the Westside store. "It's a value statement," explains Scott Roseman, "Buying from locally-owned businesses and banking locally go hand in hand."

To find out more about New Leaf Community Markets, visit www.newleaf.com.

Making the Impossible Possible

We believe that we can do more for our community and for our planet. Promoting economic justice and fighting poverty must work in conjunction with acting on climate change. Our future depends on it.

SCCCU has always incorporated environmental stewardship into its activities. As a Monterey Bay Certified Green Business, SCCCU will strengthen its commitment to sustainability in 2009. We will model environmentally sustainable business practices internally and for members through product and service offerings.

In 2009 we will also increase convenience for you, our members, to make it easier to achieve your financial goals. We expanded our hours in 2008 and in May 2009, SCCCU will

Now more than ever we need sound financial institutions that make responsible business decisions and that care about equity, sustainability, access to credit, and the financial stability of all community members.

unveil a new, full-service ATM at the brand-new New Leaf Community Markets store on the Westside of Santa Cruz. SCCCU will launch a new and improved website for news, financial education, product and service information, downloadable documents, online applications, and Internet Banking. We will also expand business services and investigate technological solutions to continue to meet your needs.

Now more than ever we need sound financial institutions that make responsible business decisions and that care about equity, sustainability, access to credit, and the financial stability of all community members. Your membership is valuable. Your deposits are channeled into small business, nonprofit, and first time homebuyer loans, and loans for members who utilize Get Green loans that reduce carbon emissions.

Our programs, products, and services would not be possible without the continued investment by our members, board members, volunteers, staff and our public and private funders. SCCCU and SCCV thank you for your time, your financial support, and your commitment to economic justice. We would



like to thank the Community Foundation of Santa Cruz County, Watsonville Law Center, Independent Living Program, La Manzana Community Resources, and Community Action Board for funding and collaboration opportunities.

We also thank the Richard Myles Johnson Foundation and United Way for their support.

Together we can make the impossible possible.

For more information about how you or your organization can support our work, contact Sheila Schat, Director of Community Development and Outreach (sheilas@scruzccu.org, 831-460-2342). SCCV allows supporters to make tax-deductible contributions that further our community development activities.



FINANCIAL REPORT	12/31/2008	12/31/2007
INCOME		
Loan Interest	\$4,083,986	\$4,582,099
Investment Interest	\$302,318	\$382,876
Non-Interest Income	\$1,179,056	\$1,146,768
Total Income	\$5,565,360	\$6,111,743
EXPENSES		
Operating Expenses	\$4,073,663	\$3,763,404
Provision for Loan Loss	\$1,714,296	\$175,971
Dividends and Interest	\$794,395	\$1,018,969
Total Expenses	\$6,582,354	\$4,958,344
SURPLUS (Net Surplus)	\$(1,016,994)	\$1,153,399
ASSETS		
Total Loans	\$60,641,620	\$53,693,313
Allowance for Loan Loss	\$(1,229,785)	\$(304,950)
Net Loans	\$59,411,835	\$53,388,364
Cash	\$2,004,298	\$8,707,225
Investments	\$8,104,842	\$2,202,497
Fixed Assets	\$3,871,273	\$3,961,700
Other Assets	\$1,217,169	\$1,168,592
Total Assets	\$74,609,416	\$69,428,378
LIABILITIES, MEMBER EQUITY AND RESERVES		
Total Liabilities	\$647,086	\$357,513
MEMBERSHIP EQUITY		
Primary Shares	\$26,316,794	\$22,573,706
Checking	\$15,065,717	\$14,638,703
Money Market	\$1,412,988	\$1,294,666
Certificates	\$20,162,126	\$18,897,892
Individual Retirement Accounts	\$4,918,223	\$4,553,555
Total Deposits	\$67,875,848	\$61,958,522
RESERVES		
Total Reserves	\$6,086,482	\$7,112,343
Total Liabilities, Member Equity and Reserves	\$74,609,416	\$69,428,378
NUMBER OF MEMBERS	8,384	8,460

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 SCCCU and that management practices and procedures safeguard members' assets.

Throughout 2008, 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 has been engaged to complete an annual internal audit and member account verification. The Independent Auditor's Report will cover the period of June 30, 2007 to December 31, 2008. The findings of this report will be available in the second quarter of 2009.



Board of Directors

Mary Bennett, President
 Ken Kimes, Vice-President
 Gwen Marcum, Secretary
 Alisa Thomas, Treasurer
 Christina Cuevas, Eric Grabiell, Julie Lambert,
 Mario Maldonado, Michael Meara, Pablo Reguerin, George Newell

Executive Committee

Mary Bennett, Eric Grabiell, Ken Kimes,
 Gwen Marcum, Alisa Thomas

Supervisory Committee

Maura Matera, Daniel Nikuna, Suzanne MacLean

Credit Committee

Kim Hallinan, Thomas Kerns, Michael Meara

Please join us
32nd Annual Meeting
April 23, 6:00 pm
324 Front Street,
Santa Cruz

Board elections, Community Visa Donation
Fund winners announced, and treats served

Photos by Joop Rubens

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