

PRESIDENT'S REPORT

The amount of support that we received from our members and volunteers in 2003 was astonishing. This is proving to be a big factor in how your credit union will be able to provide the best services we can for our members in the future. Last year also had many firsts for Permaculture Credit Union. We produced our first mortgage loans for our members and our first out of state mortgage and auto loans. These are just a few of the many firsts for your credit union and we look forward to many more. It has been a real pleasure working for members that really care more about the rest of the world rather than just themselves. Your credit union recognizes that spirit and will do everything it can to provide the same care back to our members.

Sincerely,

Donald J. Sarich
President/CEO

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is made up of four volunteers who oversee the activities of your credit union. The main focus is to ensure that the credit union is conducting business in the members' best interest.

The committee is responsible for organizing an "Agreed Upon Procedures" annual audit, and Eliot M. Stenzel, CPA, performed this for 2003. He returned a favorable audit. Other duties include working closely with state and federal regulatory agencies to make sure we are in compliance.

We have completed several continuing education Volunteer Achievement Programs offered by the Credit Union National Association & Affiliates. We will continue to serve the credit union as it expands, and we look forward to another successful year.

Sincerely,

Carolyn Agard
Chairperson

TREASURER'S REPORT

As of December 31, 2003 (To the nearest dollar)
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

<u>Assets</u>	<u># @ 2003</u>	<u>12/31/2003</u>
Share Secured	17	\$ 102,283
Certificate Secured	4	26,403
Unsecured	15	39,335
New Car	9	124,786
Used Car	27	308,565
Real Estate Loans	5	<u>239,821</u>
Regular Loans Total (yield=6.801% at 12/31/03)	77	841,193
Participation Loans – SECU (yield =6.75%)	6	77,009
Total Loans	<u>83</u>	918,202
Less: Allowance for Loan Losses		<u>9,544</u>
Net Loans		908,658
Cash-Members		100,684
Cash-Operating		47,590
Petty Cash		50
Investments (Financial Institution Deposits) # @ 2003		<u>12/31/2003</u>
State Employees Credit Union	16	961,617
Guadalupe Credit Union	1	98,289
First Financial Credit Union	1	5,201
National Cooperative Bank Company	1	3,024
Vermont Development Credit Union	2	98,409
Shore Bank Pacific	1	100,000
Southwest Corporate Federal Credit Union	4	<u>311,456</u>
Investment Total	25	1,577,996
NCUA Share Insurance Fund		20,543
Prepayments		3,107
Fixed Assets, net		3,551
Other Assets		3,939
Total Assets		<u>\$ 2,666,118</u>
<u>Liabilities and Equity</u>	<u># @ 2003</u>	<u>12/31/2003</u>
Savings Accounts		
Regular Shares	575	\$ 1,570,200
Certificates Shares	249	1,023,092
Average Shares	\$2,323,948	2,593,292
Dividends	\$27,905	
Share Cost	2.38%	
Miscellaneous Liabilities		<u>3,216</u>
Regular Reserve		21,277
Undivided Earnings		48,333
Net Income		0
Total Liabilities & Equity		<u>\$ 2,666,118</u>

CONSOLIDATED STATEMENT OF INCOME

Interest on Loans	\$ 48,535
Income from Investments	47,265
Fees and Charges	<u>1,563</u>
Total Income	<u>97,363</u>
Total Dividends	<u>27,905</u>
Income, net of Dividends	69,458
Provisions for Loan Losses	<u>6,536</u>
Income, net of Dividends and Provision for Loan Losses	62,922
Operating Expenses	<u>78,377</u>
Subtotal	<u>\$ (15,455)</u>
Non-Operating Income (Donations)	\$ 45,143
Net Income or (Loss)	<u>\$ 29,688</u>



Permaculture Credit Union Annual Report 2003

Annual Meeting
May 15, 2004

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BOARD OF DIRECTORS

Susan Coulter.....Chairperson
Nate DowneyVice-Chairperson
Sebia Hawkins.....Secretary
Allan Sindelar.....Treasurer
Winona Nava.....Director
James Stark.....Director
Wesley Roe.....Director

CREDIT UNION STAFF

Donald J. Sarich.....President/CEO
Michelle Lowrie.....Accounting Manager

SUPERVISORY COMMITTEE

Carolyn Agard.....Chairperson
Nora Haskins.....Member
Amy Brown.....Member
Joseph S. Ellis.....Member

COMMITTEES

Assets/Liabilities Management

**Donald J. Sarich, Michelle Lowrie, Winona Nava,
 Donal Kinney, Nate Downey, Susan Coulter
 & Allan Sindelar**

Fund Raising

**Vint Lawrence, Nate Downey, Sebia Hawkins
 & Phil Vergamini**

Marketing

**Nate Downey, Vint Lawrence, Susan Coulter,
 Phil Vergamini, James Stark, Sebia Hawkins,
 Allan Sindelar & Wesley Roe**

Operations

**Nate Downey, Amy Brown, Nora Haskins,
 Phil Vergamini & Susan Coulter**

CHAIR REPORT

This past year has been a phenomenal one for the Permaculture Credit Union. With the new CEO, Donald J. Sarich, in place we began organizing and streamlining our loan processing procedures. It was clear that the number of loans we needed to process in order to meet – and possibly exceed – our Business Plan projections would require us to work more efficiently, and process significantly more loans per month than we had been. This meant coming up with a process that allowed our office staff to work smarter, but not necessarily harder. Those processes are now in place and we are handling more loan dollars than we had imagined.

In addition to the new loan processes, we have had invaluable help and advice from our credit union mentor, Winona Nava of Guadalupe Credit Union. As we have grown with respect to loans; the policies, procedures and regulations have become extremely important. We have updated and modified several policies, which has allowed us to do more types of loans for higher dollar amounts. This increase in loans has, in turn, given us the freedom to look at bringing new services online. Our goal and our focus is to grow this credit union into a financial institution that can serve all of our members' needs.

As you can see from the graphs, we have continued our upward trend in Assets, Loans and Number of Members. The most important measure of our success, however, is our Loan to Asset Ratio. That is, what percentage of our assets do we have out in loans? That is a crucial figure. In order to pay dividends on our assets, we need to be bringing in interest from our loans. The biggest income generator for a credit union is the interest paid to us by our members on their loans. That interest income pays not only the dividends on shares – but also our rent, our phone bills, and the salaries and benefits of our office staff.

We are reaching the point of self-sustainability at a constant, and manageable rate – not too fast, not too slow. What that means, however, is that we are still somewhat dependent on donations to make ends meet. This dependency is much less than in previous years, but exists nonetheless.

It has been a sincere pleasure and enjoyable learning experience to serve as the Chair of the Board of Directors for the past year, and I have offered to continue as Chair for the upcoming year. This next year could very well be the turning point for us. We have a wonderful group of people, we have laid a path forward, and we plan on being a permanent part of the fiscal landscape. By bringing change and innovation to the world of financial institutions via Permaculture ethics, we are proving that People and the Planet can live together in harmony.

Susan Coulter
 Chair of the Board

