

Audit Committee Report

The Audit Committee is appointed by the Board of Directors and is responsible for two general goals. First, that management's financial reporting objectives have been met, and secondly, that management practices and procedures safeguard member assets. In accomplishing these goals, we supervise the establishment and ensure it maintains effective internal controls, promptly prepares accounting records, and financial reports that accurately reflect operations and results. Additionally, that management establishes policies and procedures that safeguard against error, carelessness, conflict of interest, and fraud.

The Texas Credit Union Department and the National Credit Union Administration examine Space City CU annually, and the Audit Committee contracts the services of Credit Union Resources, Inc. to conduct an internal audit. We are proud to report that our financial statements accurately portray the net worth of the credit union. The books and records, loan portfolio, and other administrative areas are accurately maintained. Due in part to the efforts of the Audit Committee and auditors throughout the credit union movement, credit unions as a whole are very sound financial institutions. Credit Unions provide an alternative to consumers. The fact is, more individuals are choosing credit unions, not only because of their services, but also because they know their money is safe. The Audit Committee is dedicated to ensuring these beliefs are well founded. The committee welcomes all comments and suggestions from our members. You are invited to use the following confidential address: Space City CU Audit Committee, P.O. Box 2992, Houston, TX 77252.

Sincerely,
Jack Patton, Matt Hayslip, Philip Ringer



Statement of Income For Period Ending December 31, 2010		Statement of Financial Condition For Period Ending December 31, 2010		How Did We Do In 2010?	
	2010	2009	2010	2009	A Nationwide Comparison
Income			Assets		
Loans	\$ 1,684,755	\$ 1,594,994	Loans	\$25,718,770	\$22,427,047
Investments	\$ 20,588	\$ 67,477	Allowance for	(\$ 239,112)	(\$ 254,628)
Other	\$ 906,269	\$ 847,114	Loan Loss		
Total Income	\$2,611,612	\$ 2,509,585	Net Loans	\$25,479,658	\$22,172,419
Non-Operating	(\$ 81,646)	\$ 97,291	Cash	\$ 511,399	\$ 627,779
Income/Expense			Investments	\$ 2,904,373	\$ 3,669,108
Income Before	\$2,529,965	\$ 2,606,875	Fixed Assets	\$ 610,080	\$ 612,859
Dividends			Other Assets	\$ 161,395	\$ 169,849
Less: Dividends Int	\$ 361,774	\$ 436,713	Total Assets	\$29,666,905	\$27,252,014
on Borrowed Funds			Liabilities		
Expenses			Notes Payable	\$ 0	\$ 1,972,644
Employee	\$ 817,295	\$ 728,418	Accounts Payable	\$ 424,092	\$ 147,893
Compensation			Other Liabilities	\$ 153,267	\$ 123,484
Office Operations	\$ 438,971	\$ 485,907	Total Liabilities	\$ 577,359	\$ 2,244,020
Provision for	\$ 164,266	\$ 188,934	Savings		
Loan Losses			Shares	\$26,814,071	\$22,822,706
Operating Expenses	\$ 657,473	\$ 550,119	Equity		
Net Income	\$ 90,187	\$ 216,784	Regular Reserves	\$ 493,206	\$ 493,206
Allocation of			Undivided Earnings	\$ 1,782,268	\$ 1,692,081
Net Income			Total Liabilities	\$29,666,905	\$27,252,014
To Regular Reserves	\$ 0	\$ 0	& Equity		
To Undivided Earnings	\$ 90,187	\$ 216,784			

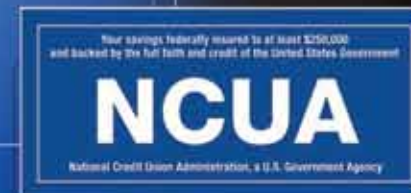
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“Your Financial Destination”



2010 Annual Report



President's Report

On behalf of Space City Credit Union, we are honored to celebrate another successful year of serving the membership. This is our 46th year of serving you and we are ever so proud to be the continued financial institution of choice for over 5,200 members around the nation. 2010 was a year of strategic planning and navigating through difficult waters. With an uncertain economic outlook, the credit union spent much time researching and planning different ways to ensure that we are poised for growth, prosperity, and financial soundness in the years ahead.

It is our goal to continually offer cutting-edge products and services to our membership. In 2010, one of the new services added to our roster was "Online Check Deposits." Our new online check deposit functionality allows members to deposit checks from the comfort of their own home or office. Members can make deposits through their online banking account, scan a copy of the check they want to deposit and email it to the Credit Union. This is a completely free service that is geared towards ensuring that making deposits into a Space City Credit Union account is as quick and convenient as possible.

In the realm of financial literacy, BALANCE "Financial Fitness," is another very useful tool that was introduced in 2010. Space City Credit Union is now offering free debt management counseling, budgeting, first time home-buyer information and much more in conjunction with BALANCE. All Space City Credit Union members are able to call a BALANCE counselor and receive one-on-one counseling for any of their financial needs. Counselors are available Monday through Saturday for extended hours, and speak a wide variety of languages.

In 2011, the Credit Union is looking forward to a substantial building improvement at our main office location on Harrisburg Boulevard. The building will receive a significant make-over to modernize the appearance of the building. The remodel is slated to begin mid 2011 and we are thrilled to be able to update our facility for the membership.

On behalf of the entire Credit Union staff I would like to thank our members for their continued business. I would also like to express my appreciation to our employees for their dedication to serving the needs of our members. Many thanks are also owed to our volunteer committees for their support.

Thank You,
Craig Rohden, President/CEO

Chairman's Report

On behalf of the Board of Directors, committees, and staff of Space City Credit Union, I am pleased to present this Chairman's report to you. 2010 saw many expansion projects throughout the East End of Downtown where our main branch is located. The Houston Dynamo soccer stadium is being built a few blocks away from the Credit Union. We are looking forward to the increased traffic and notoriety that the Credit Union will receive from being located near the stadium. The Houston Metropolitan Transit Authority's light rail expansion into the East End of Houston is also a very welcome addition to the area around the Credit Union. The new light rail will run directly in front of the main branch and will have stops all along Harrisburg Boulevard. In early 2010, the Credit Union sold a portion of our Harrisburg Boulevard location's property to Metro to complete the light rail expansion project. We are predicting increased traffic and visibility when the expansion project is complete. Early projections have the light rail project being completed in three to five years.

We continue to be energized about our growth as a financial organization. We will forever strive to expand our product offerings and improve upon our service. It is our hope that you will join your neighbors and make Space City CU your primary financial institution. Please remember the Space City CU staff and members of the board are here to serve you. Please let me know if there is anything I or any of my fellow board members (below) can do to assist you.

Craig Rohden	President/CEO/Director	Buddy Holcombe	Director
Mick Lay	Chairman	Rita Schaulat	Director (Retired September 2010)
Steve Hines	Vice Chairman	Jack Patton	Director (Appointed October 2010)
Judy Langford	Secretary	Matt Hayslip	Audit Committee
Jerry Garcia	Treasurer	Philip Ringer	Audit Committee (2011)

Sincerely,
Mick Lay, Chairman

Treasurer's Report

I am proud to report to you that Space City CU remains strong, safe and secure because of our loyal member-owners. We are not bankers. Our credit union includes family members, co-workers, friends and neighbors, all pooling our resources for a better financial future. It is through your support that we continue to prosper and develop convenient services that complement your busy lifestyles. Membership has many benefits and our cooperative effort will always prevail through the hard times for you to achieve your financial goals.

As we continue to grow, we have better economies of scale and efficiencies that enable us to develop a broader array of financial products and services. We encourage all members to "go-green" and make environmentally friendly choices. The Credit Union offers many green products including, home banking, e-statements, online check depositing, mobile banking for your Space City CU MasterCard, and more. In 2011, we plan to explore ways to offer more products while we continue to improve our service to you. Your patronage of the credit union benefits you, the owner, with competitive dividends and interest rates, low-cost or no-cost financial services and expanded product lines. Thank you for your membership.

Sincerely,
Jerry Garcia, Treasurer

Credit Committee Report

Our lending policy provided a solid foundation upon which our lending department stood. Thanks to our low rates and efficient service, loan demand remained constant throughout the year. Space City Credit Union works diligently to make sure our loan rates remain competitive and that we do everything we can do provide our members with the financing that they need. Throughout the tough economic climate that we've faced, we have been able to maintain deposit and loan rates that are extremely competitive and in most cases above market rates. We are grateful that we have not had to raise rates on auto loans, or significantly reduce deposit rates. Quite the contrary, we have been industry leaders in our rate offerings. In 2010, our loan department also worked diligently with renewed focus in the arena of mortgage and home equity loans. We are working to grow our mortgage and business loan portfolio by increasing awareness of these product offerings.

In the year 2010, Space City CU's loan department approved over 1093 loans for more than 15.7 million dollars, making for a record-breaking year in lending. Below you will find a consolidated statement for your review.

Thank you,
Steve Hines
Chairman, Credit Committee

2010 Loans

Loan Type	#	Amount	Percentage
New Autos	115	\$ 3,031,855	19%
Used Autos	351	\$ 4,712,526	30%
Signature	327	\$ 915,110	6%
HE/Real Estate	14	\$ 1,911,150	12%
Other Secured	133	\$ 1,623,901	10%
Refinanced Amount	153	\$ 780,872	5%
MasterCard Advance		\$ 2,757,732	18%
Total	1093	\$ 15,733,146	