

**CALIFORNIA COASTAL RURAL
DEVELOPMENT CORPORATION**

**(A CALIFORNIA NON-PROFIT
PUBLIC BENEFIT CORPORATION)**

**ANNUAL FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2009 AND 2008

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

June 30, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

Board of Directors
California Coastal Rural Development Corporation
Salinas, California

We have audited the accompanying statements of financial position of California Coastal Rural Development Corporation (Cal Coastal), a California non-profit public benefit corporation, as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Cal Coastal's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Coastal Rural Development Corporation as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2010, on our consideration of California Coastal Rural Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements of California Coastal Rural Development Corporation taken as a whole. The accompanying supplementary information, including the schedule of expenditures of Federal awards, is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 27, 2010

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CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents - undesignated	\$ 3,199,774	\$ 4,717,390
Cash and cash equivalents - designated	1,692,486	2,037,338
Accounts receivable	134,055	383,825
Interest receivable	213,081	296,382
Investments	1,319,893	324,851
Loans receivable, net	10,034,050	8,722,965
Fixed assets, net	42,245	73,443
Other real estate owned	652,543	-
Other assets	120,898	82,124
TOTAL ASSETS	\$ 17,409,025	\$ 16,638,318
LIABILITIES AND NET ASSETS		
Accounts payable and other accrued expenses	\$ 20,194	\$ 59,302
Resold commercial loans payable	2,936,916	3,467,518
Accrued compensation and benefits	232,281	426,017
Interest payable	316,873	271,922
Deferred revenue	220,739	104,027
Other liabilities	13,952	18,191
Trust funded loans	2,233,569	2,369,077
Farm Service Agency/U.S. Department of Agriculture payables	388,204	388,204
Bank lines of credit	834,577	685,032
Notes payable	7,415,293	6,834,671
TOTAL LIABILITIES	14,612,598	14,623,961
NET ASSETS		
Unrestricted Net Assets		
Undesignated	2,971,820	1,708,827
Designated	(175,393)	305,530
TOTAL UNRESTRICTED NET ASSETS	2,796,427	2,014,357
TOTAL LIABILITIES AND NET ASSETS	\$ 17,409,025	\$ 16,638,318

See the accompanying notes to financial statements.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
REVENUES		
Contract support State OSB	\$ 539,450	\$ 705,450
Technical assistance contract income	305,340	242,667
CDFI grant income	1,000,000	-
Loan origination and guarantee fees	764,639	751,811
Loan late fees	38,782	23,538
Loan interest income	2,544,497	2,836,673
Investment income	3,947	7,172
Interest on deposit accounts	67,804	111,115
CDC income	98,894	111,386
Other income	33,989	28,058
TOTAL REVENUES	5,397,342	4,817,870
EXPENSES		
Salaries and wages	1,471,403	1,492,837
Payroll taxes and employee benefits	374,203	708,071
Interest expense	1,240,208	1,450,942
Provision for loan losses	584,496	90,996
California Capital Access Program contribution	14,240	28,140
Advertising and promotion	12,524	9,474
Meetings, education, and travel	86,097	118,228
Communication	81,555	83,807
Occupancy	208,845	206,904
Professional services	112,139	85,569
Office	50,626	65,086
Equipment repair and maintenance	20,577	25,098
Depreciation	33,928	45,817
Miscellaneous expenses	46,129	45,978
Loan expenses	278,302	217,942
TOTAL EXPENSES	4,615,272	4,674,889
Change in Net Assets	782,070	142,981
NET ASSETS, Beginning of Year	2,014,357	1,871,376
NET ASSETS, End of Year	\$ 2,796,427	\$ 2,014,357

See the accompanying notes to financial statements.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 782,070	\$ 142,981
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Depreciation	33,928	45,817
Provision for loan losses	584,496	90,996
(Increase) Decrease in Assets		
Accounts receivable	249,770	(18,599)
Interest receivable	83,301	29,178
Other assets	(38,774)	(1,237)
Increase (Decrease) in Liabilities		
Accounts payable and other accrued expenses	(39,108)	(29,012)
Resold commercial loans payable	(530,602)	(1,035,214)
Accrued compensation and benefits	(193,736)	30,089
Interest payable	44,951	(96,830)
Deferred revenue	116,712	34,863
Other liabilities	(4,239)	5,227
Net Cash Flows from Operating Activities	1,088,769	(801,741)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,730)	(34,693)
Net increase in loans receivable	(2,548,124)	(389,523)
Purchase of investments	(995,042)	(100,493)
Net Cash Flows from Investing Activities	(3,545,896)	(524,709)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in trust funded loans payable	(135,508)	354,401
Net increase in lines of credit	149,545	245,032
Net increase (decrease) in notes payable	580,622	(40,918)
Net Cash Flows from Financing Activities	594,659	558,515
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,862,468)	(767,935)
CASH AND CASH EQUIVALENTS, Beginning of Year	6,754,728	7,522,663
CASH AND CASH EQUIVALENTS, End of Year	\$ 4,892,260	\$ 6,754,728
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 1,195,257	\$ 1,547,772
Other real estate acquired in the settlement of loans	\$ 652,543	\$ -

See the accompanying notes to financial statements.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 1 - NATURE OF ORGANIZATION

California Coastal Rural Development Corporation (Cal Coastal or the Corporation) is a non-profit public benefit corporation serving the financial needs of small businesses and farmers. The Corporation was chartered in 1982 by the California Technology, Trade, and Commerce Agency to provide direct loans and loan guarantees to rural businesses located on the Central California Coast. Cal Coastal provides additional loan services to farmers and public jurisdictions in rural areas from offices in Salinas, Santa Barbara, Ventura, Monterey, and Santa Maria. Cal Coastal is not a Voluntary Health and Welfare Organization (VHWO) as defined by Statement of Financial Accounting Standards (SFAS) No. 117.

Cal Coastal has agreements with Monterey County and the Cities of Hollister and Guadalupe to provide the above-mentioned services on a pass-through basis for these jurisdictions. As Cal Coastal does not own the loans, they are not recorded on Cal Coastal's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. *Basis of Presentation* - The accounting and reporting policies of Cal Coastal conform to accounting principles generally accepted in the United States of America (US GAAP). The financial statements are prepared on the accrual basis of accounting.

A summary of the significant accounting and reporting policies used in the preparation of the accompanying financial statements follows.

- B. *Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in local economic conditions.
- C. *Fund Accounting* - In order to ensure observance of limitations and restrictions placed on the use of the resources available, the Corporation's accounts are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or specified objectives. Separate accounts are maintained for each fund. Accordingly, all financial transactions have been recorded and reported by fund group and are disclosed in detail in the supplemental schedules.

The *Corporate Fund* accounts for the revenues and expenses of Cal Coastal, which are not otherwise accounted for in other funds. The functions financed through this fund are primarily contracts with the California Business, Transportation, and Housing Agency (the BTH); loan originations and servicing with the U.S. Small Business Administration's 504 loan program; contracts to provide loan origination and servicing with local agency jurisdictions; and other programmatic functions financed with Corporation-generated funds.

The *Direct Loan Program Fund* accounts for the resources generated and used by Cal Coastal's direct farm lending operations (i.e. loans made with Cal Coastal controlled funds). The Farm Services Agency (the FSA), a Department of the United States Department of Agriculture (USDA), guarantees a portion of this loan portfolio (90 percent).

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Combined, these two funds represent the undesignated assets, liabilities, and net earnings of the Corporation. Operating results of the Direct Loan Program are used to support the Corporate Expenses, and these operating transfers are shown on the Combining Statement of Activities. The remaining individual funds, described below, represent designated funds for specific loan programs.

The *Intermediary Relending Program (IRP-1, IRP-2, and IRP-3) Funds* account for the receipt and subsequent disbursement of loan proceeds from the Rural Economic and Community Development Service (the RECDS). These funds are provided to the Corporation for the purpose of relending to small businesses engaged in non-agricultural industries and may be used as operating capital or for the purchase of equipment.

The *Small Business Administration (SBA) Fund* accounts for the resources generated and used by microloans funded through funds advanced from the SBA. These funds are provided to the Corporation for the purpose of relending to small businesses and may be used as operating capital, purchases of equipment, inventory, leasehold improvements, and real estate acquisitions.

The *North American Development Bank Program (NADBank) Fund* accounts for the advance and subsequent disbursement of loans made through the NADBank Program. The proceeds of such advances are used to fund portions of certain loans meeting the eligibility requirements of the United States Community Adjustment and Investment Program. The Rural Business-Cooperative Services (RBS), a department of the United States Department of Agriculture, guarantees 90 percent of these loans.

The *California Economic Development Lending Initiative (CEDLI) Fund* accounts for the advance and subsequent disbursement of loans made through the California Economic Development Lending Initiative. These funds are provided to the Corporation for the purpose of relending to small businesses and may be used as operating capital, purchases of equipment, inventory, leasehold improvements, and real estate acquisitions.

- D. *Accounts Receivable* - Accounts receivable consist primarily of amounts owed from grants and contracts. Grant and contract receivables are subject to review by the issuing agencies and, consequently, certain costs could be disallowed. Management is of the opinion that any adjustments made due to these reviews would be immaterial. Due to the nature of these receivables, such adjustments relating to prior year are taken against income in the year in which the amounts are determined to be uncollectible.
- E. *Loans Receivable* - Loans receivable are stated at the unpaid principal balance, less the allowance for loan losses and deferred loan fees net of deferred loans costs. Loan origination fees, offset by certain direct loan origination costs, are deferred and recognized over the contractual life of the loan as a yield adjustment. During the years ended June 30, 2009 and 2008, there were no deferred loan fees.

Non-Accrual Loans - Loans on which the accrual of interest has been discontinued are designated as non-accrual loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days or when, in the opinion of management, there is reasonable doubt as to collectibility. When loans are placed on non-accrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on non-accrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cal Coastal has adopted SFAS No. 114 (as amended by SFAS No. 118). The statement generally requires those loans identified as "impaired" to be measured at the present value of expected future cash flows discounted at the loans' effective interest rate, except that as a practical expedient, a creditor may measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. A loan is impaired when it is probable the creditor will not be able to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement.

Cal Coastal considers a loan to be impaired when it is probable that the Corporation will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. Measurement of impairment is based on the expected future cash flows of an impaired loan, which are to be discounted at the loan's effective interest rate, or measured by reference to an observable market value, if one exists, or the fair value of the collateral for a collateral-dependent loan. The Corporation selects the measurement method on a loan-by-loan basis except that collateral-dependent loans for which foreclosure is probable are measured at the fair value of the collateral. The Corporation recognizes interest income on impaired loans based on its existing methods of recognizing interest income on non-accrual and troubled debt restructured loans.

- F. Allowance for Loan Losses - The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is maintained at a level believed adequate by management to absorb estimated probable loan losses. Management's periodic evaluation of the adequacy of the allowance is based on Cal Coastal's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective, as it requires estimates, including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change.

- G. Fixed Assets - Fixed assets are stated at cost, less accumulated depreciation and amortization. Depreciation on furniture, fixtures, and equipment is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to five years. Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter, and computed on the straight-line method.
- H. Other Real Estate Owned - Other real estate owned includes real estate and other property acquired in full or partial settlement of loan obligations. When property is acquired, any excess of the recorded investment in the loan balance and accrued interest income over the appraised fair market value of the property, net of estimated selling costs, is charged against the allowance for loan and lease losses. A valuation allowance for losses on foreclosed assets is maintained to provide for temporary declines in value. The allowance is established through a provision for losses on foreclosed assets which is included in other non-interest expense. Subsequent gains or losses on sales or writedowns resulting from permanent impairments are recorded in other income or expense as incurred.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- I. Compensated Absences - Cal Coastal employees are credited twelve to thirty days of vacation and twelve days sick leave annually depending on seniority, to a maximum of thirty days vacation. The unused portion of vacation is payable to the employee at termination of employment. As of June 30, 2009 and 2008, the accrued vacation balance was \$151,533 and \$138,899, respectively. Sick leave is not vested and, therefore, is not paid nor is it accrued.
- J. Revenues - Cal Coastal's principle sources of revenue are interest income, loan origination and guarantee fees, and a contract between the Corporation and the BTH. The contract provides for the Corporation to be reimbursed for authorized expenditures from interest earned by the California Small Business Financial Development Corporation Loan Guarantee Fund (the Trust Fund) and also from State General Fund. Cal Coastal further earns service fees for making loan guarantees. Contract revenue is recorded when a contract is awarded or when earned under the terms and conditions of the contract.
- In August 2008, Cal Coastal was awarded a grant from Community Development Financial Institutions Fund (CDFI) for \$1 million. As of June 30, 2009, the funds were invested in the Small Business Guarantee Program Trust Fund (see Note 8 for further discussion of the Trust Fund) and are recorded in investments.
- K. Allocation of Expenditures - Cal Coastal charges all direct expenditures to the appropriate lending program. Indirect expenditures eligible to be charged to cost reimbursement programs are allocated to all funds, subject to contractual limits. Indirect costs which are not eligible to be charged to cost reimbursement programs are allocated prorata among the remaining funds
- L. Income Taxes - Cal Coastal is exempt from Federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been recorded in the financial statements. The Corporation annually files Forms 990, 199, and RRF-1 with the appropriate agencies. The Corporation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a).
- M. Concentrations of Credit and Market Risk - Financial instruments that potentially expose the Corporation to concentrations of credit and market risk consists primarily of cash equivalents and investments. Cash equivalents are maintained at well-capitalized financial institutions and credit exposure is limited to any one institution. At June 30, 2009 and 2008, the total amount of cash and cash equivalents in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits at all financial institutions totaled approximately \$4,394,046 and \$6,997,484, respectively. The Corporation has not experienced any losses on its cash equivalents. The funds held at financial institutions are closely monitored.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- N. Fair Value of Financial Instruments - SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, requires disclosures of fair value information about all financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate such value. Fair value estimates are made at year-end, based on relevant market information available about the financial instrument. In cases where quoted market prices are not available, fair values are based on estimates using present values. The present value estimates are based on judgments regarding future cash flow expectations, prepayment risk, perceived credit risk, economic conditions, and other subjective factors. In this regard, certain fair value estimates cannot be realized in immediate settlement of the instrument. SFAS No. 107 excludes all non-financial instruments from its disclosure requirements. The recorded value of the Corporation's cash, accounts receivable, accrued interest receivable, accounts payable, and other accrued liabilities are believed to approximate fair value based on the terms of the instruments. The recorded values for loans receivable and notes payable may differ from fair value, however, since a large majority of these instruments have variable interest rates and reprice frequently with no significant change in credit risk, fair value approximates the carrying value of these instruments.

SFAS No. 157, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs (other than Level 1 prices) such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the factors that market participants would use in pricing an asset or liability.

All of Cal Coastal's investments as disclosed in Note 4 are considered to be Level 1 investments.

- O. Cash and Cash Equivalents - For purposes of presentation in the Statement of Cash Flows, the Corporation considers all highly liquid financial instruments, with initial maturities of three months or less, to be cash equivalents. Investments include CDs maturing January 2009 and January 2008. These deposits are made to satisfy regulatory requirements to maintain a certain percentage of loan balances.
- P. Reclassifications - Certain prior year financial statement balances have been reclassified to conform to the current year presentation.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 3 - CASH IN BANKS

	June 30, 2009	
	Balance in Bank	Carrying Value
Cash - undesignated	\$ 3,445,448	\$ 3,199,774
Cash - designated	1,692,487	1,692,486
Total Cash and Cash Equivalents	\$ 5,137,935	\$ 4,892,260

	June 30, 2008	
	Balance in Bank	Carrying Value
Cash - undesignated	\$ 5,360,145	\$ 4,717,390
Cash - designated	2,037,339	2,037,338
Total Cash and Cash Equivalents	\$ 7,397,484	\$ 6,754,728

NOTE 4 - INVESTMENTS

Investments are carried at fair market value as follows:

	June 30, 2009		
	Adjusted Cost	Fair Value	Unrealized Appreciation (Depreciation)
Certificates of Deposit	\$ 318,139	\$ 318,139	\$ -
FmAc Equity Securities	8,909	1,825	(7,084)
Small Business Guarantee Program Trust Fund	999,929	999,929	-
	\$ 1,326,977	\$ 1,319,893	\$ (7,084)

Investment return is summarized as follows:

Interest income on certificates of deposit	\$ 3,947
Net unrealized loss	(7,084)
	\$ (3,137)

Investments are restricted to fund activities for loan loss reserves as follows: NADBank, \$158,506 and CEDLI, \$159,633.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 4 - INVESTMENTS, continued

Investments are carried at fair market value as follows:

	June 30, 2008		
	Adjusted Cost	Fair Value	Unrealized Appreciation (Depreciation)
Certificates of Deposit	\$ 315,942	\$ 315,942	\$ -
FmAc Equity Securities	12,706	8,909	(3,797)
	\$ 328,648	\$ 324,851	\$ (3,797)

Investment return is summarized as follows:

Interest income on certificates of deposit	\$ 7,172
Net unrealized loss	(3,797)
	\$ 3,375

Investments are restricted to fund activities for loan loss reserves as follows: NADBank, \$156,309 and CEDLI, \$159,663.

NOTE 5 - LOANS RECEIVABLE

Loans receivable at June 30, 2009 and 2008, consist of the following:

	June 30, 2009					Total
	Direct Loan Program	IRP-1, IRP-2, and IRP-3 Relending Programs	SBA-1 and SBA-2 Loan Program	NADBank Loan Program	CEDLI Loan Program	
Commercial loans, gross	\$32,310,011	\$ 2,422,993	\$1,220,862	\$3,159,705	\$ 1,654,942	\$ 40,768,513
Resold commercial loans	(26,669,607)	-	-	(2,518,360)	-	(29,187,967)
Commercial loans, net	5,640,404	2,422,993	1,220,862	641,345	1,654,942	11,580,546
Allowance for loan losses	(393,790)	(389,281)	(208,593)	(27,004)	(527,828)	(1,546,496)
	\$ 5,246,614	\$ 2,033,712	\$1,012,269	\$ 614,341	\$ 1,127,114	\$ 10,034,050

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 5 - LOANS RECEIVABLE, continued

	June 30, 2008					
Direct Loan Program	IRP-1, IRP-2, and IRP-3 Relending Programs	SBA-1 and SBA-2 Loan Program	NADBank Loan Program	CEDLI Loan Program	Total	
Commercial loans, gross	\$24,479,611	\$ 2,234,377	\$1,251,486	\$3,207,577	\$ 1,383,953	\$ 32,557,004
Resold commercial loans	(20,235,947)	-	-	(2,541,714)	-	(22,777,661)
Commercial loans, net	4,243,664	2,234,377	1,251,486	665,863	1,383,953	9,779,343
Allowance for loan losses	(316,551)	(399,281)	(92,918)	(30,008)	(217,620)	(1,056,378)
	\$ 3,927,113	\$ 1,835,096	\$1,158,568	\$ 635,855	\$ 1,166,333	\$ 8,722,965

The Corporation's loan portfolio is collateralized predominantly by farm equipment, real estate, and crops throughout the Central Coast area of California. As a result, these portfolios consist of similar collateral types in the same region. Although the Corporation has a diversified portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent upon the economy of this region of California.

The Corporation assesses loans individually and classifies a loan as supervised (impaired) when it has been restructured, the accrual of interest has been discontinued, or management has serious doubts about the future collectibility of principal and interest, even though the loan may be currently performing. Collection procedures may be pursued either through foreclosure, demand on the FSA or RBS guarantee, or both.

At June 30, 2009, the Corporation had supervised loans, in gross, in the Direct Loan Program, the IRP-1, IRP-2, and IRP-3 Relending Programs, NADBank, SBA, and CEDLI of \$4,218,101, \$323,188, \$365,063, \$184,593, and \$509,587, respectively. At June 30, 2008, the Corporation had supervised loans, in gross, in the Direct Loan Program, the IRP-1 and IRP-2 Relending Programs, NADBank, and CEDLI of \$3,923,933, \$236,713, \$384,201, \$31,880, and \$94,900, respectively.

At June 30, 2009 and 2008, the total recorded investment in impaired loans, all of which has allowances determined in accordance with SFAS No. 114 and No. 118, amounted to \$5,600,532 and \$4,671,627, respectively. For the years ended June 30, 2009 and 2008, the average recorded investment related to impaired loans totaled approximately \$3,255,615 and \$3,831,700, respectively. The allowance for loan losses totaled approximately \$1,546,000 and \$1,056,000, respectively. The Corporation has no commitments to lend additional funds to borrowers whose loans have been modified. For the years ended June 30, 2009 and 2008, interest income from loans on non-accrual status would have been \$248,502 and \$261,060, respectively, had those loans been performing in accordance with their original terms and been outstanding throughout the period.

The total recorded investment in loans past due 90 days or more, and still accruing interest at June 30, 2009 and 2008, amounted to approximately \$1,295,000 and \$1,052,000, respectively.

Resold commercial loan payables at June 30, 2009 and 2008, were \$2,936,916 and \$3,467,518, respectively, and represent principal payments which were collected prior to June 30 and remitted subsequent to year end.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 5 - LOANS RECEIVABLE, continued

The following schedule summarizes the activity in the allowance for loan losses:

	Direct Loan Program	IRP-1 and IRP-2 Relending Program	SBA-1 and SBA-2 Loan Program	NADBank Loan Program	CEDLI Loan Program	Total
Balance, June 30, 2007	\$ 293,330	\$ 429,781	\$ 51,300	\$ 55,012	\$ 162,920	\$ 992,343
Loan loss provision	42,000	24,000	-	9,996	15,000	90,996
Charge-offs	(117,591)	-	-	-	-	(117,591)
Recoveries	89,312	-	1,318	-	-	90,630
Reclassifications	9,500	(54,500)	40,300	(35,000)	39,700	-
Balance, June 30, 2008	316,551	399,281	92,918	30,008	217,620	1,056,378
Loan loss provision	60,000	24,000	155,500	9,996	335,000	584,496
Charge-offs	(54,636)	-	(39,825)	-	(50,792)	(145,253)
Recoveries	50,875	-	-	-	-	50,875
Reclassifications	21,000	(34,000)	-	(13,000)	26,000	-
Balance, June 30, 2009	<u>\$ 393,790</u>	<u>\$ 389,281</u>	<u>\$ 208,593</u>	<u>\$ 27,004</u>	<u>\$ 527,828</u>	<u>\$ 1,546,496</u>

At June 30, 2009, Cal Coastal maintained restricted cash and investment accounts at financial institutions in the amount of \$270,495 for the SBA Loan Program, \$158,505 for NADBank, and \$159,632 for CEDLI. Such reserves are in addition to the above reserves for loan loss.

In addition, Cal Coastal has enrolled certain of its SBA loans into the California Capital Access Program (Cal Cap), administered by the California Pollution Control Financing Authority. Under this program, Cal Coastal contributes four percent of an enrolled loan's initial principal balance to a Trust Fund held by the Bank of New York. For the first \$500,000 of enrolled loans, Cal Cap matched Cal Coastal's contribution 150 percent; contributions for enrolled loans in excess of the first \$500,000 are matched 100 percent. Losses on enrolled loans are paid by the Trust, with Cal Cap's approval. Cal Coastal recorded contribution expenses of \$14,240 in the fiscal year ended June 30, 2009. At June 30, 2009, the principal balance of enrolled loans aggregated \$1,659,433 and reserves of \$32,203 were held by the Trust. Cal Coastal recorded contribution expenses of \$28,140 in the fiscal year ended June 30, 2008. At June 30, 2008, the principal balance of enrolled loans aggregated \$1,233,433 and reserves of \$66,263 were held by the Trust.

NOTE 6 - FIXED ASSETS

Fixed assets and related depreciation consists of the following:

	2009	2008
Furniture, fixtures, and equipment	\$ 673,278	\$ 670,545
Leasehold improvements	67,353	67,353
	<u>740,631</u>	<u>737,898</u>
Less: accumulated depreciation	(698,386)	(664,455)
	<u>\$ 42,245</u>	<u>\$ 73,443</u>

Depreciation expenses of \$33,928 and \$45,817 were recorded in the fiscal years ended June 30, 2009 and 2008, respectively.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 7 - EMPLOYEE BENEFIT PLAN

Cal Coastal has adopted a Simplified Employee Pension Plan (SEP-IRA) which covers all eligible employees age 21 and over. The Board of Directors determines annual fringe benefits at the beginning of each year. The SEP-IRA contribution is based on employee salaries, with quarterly payment. Included in employee benefits for the fiscal years ended June 30, 2009 and 2008, was \$116,642 and \$255,553, respectively, which was contributed to the Cal Coastal SEP-IRA plan.

NOTE 8 - STATE OF CALIFORNIA, OFFICE OF SMALL BUSINESS TRUST FUND

The Loan Guarantee Trust Fund (the Trust), managed by First Northern Bank's Asset Management and Trust Department, allows Cal Coastal to guarantee loans to small businesses up to a limit of 90 percent of a qualified loan and \$500,000 per borrower. The investment portfolio of the Trust is divided into two different accounts: income and managed. Cal Coastal is allowed to specify the investments of the managed account.

At June 30, 2009, the Trust net assets were \$5,933,514. The balance, which approximated fair value, with outstanding Cal Coastal loan guarantee liabilities of \$22,515,584, and farm loan liabilities of \$3,895,034, resulted in an encumbrance level of 4.45 percent of trust balance. Direct farm loans sold to the Trust at June 30, 2009, were \$3,402,681. The direct farm loans were approximately 90 percent guaranteed by the FSA. Cal Coastal's liability at June 30, 2009, was \$2,233,569.

At June 30, 2008, the Trust net assets were \$6,216,975. The balance, which approximated fair value, with outstanding Cal Coastal loan guarantee liabilities of \$25,194,738, and farm loan liabilities of \$2,855,421, resulted in an encumbrance level of 4.51 percent of trust balance. Direct farm loans sold to the Trust at June 30, 2008, were \$4,244,780. The direct farm loans were approximately 90 percent guaranteed by the FSA. Cal Coastal's liability at June 30, 2008, was \$2,369,077.

In August 2008, Cal Coastal was awarded a grant from CDFI for \$1 million. As of June 30, 2009, the funds were invested in the Small Business Guarantee Program Trust Fund for the sole purpose of providing direct farm loans and loan guarantees to eligible small businesses. Such funds shall remain separate and sole funds of Cal Coastal. At June 30, 2009, none of these funds on deposit were encumbered by any farm loans. The funds were removed and returned to Cal Coastal on August 28, 2009.

A schedule of the Loan Guarantee Trust Fund – Fund Activity is presented on page 26.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 9 - NOTES PAYABLE

	2009	2008
<p>Note payable to Opportunity Finance Network (formerly National Community Capital Association), unsecured, maturing on December 15, 2015. Principal is due and payable upon maturity. Interest accrues at a rate of 4.75% per annum and is payable in arrears on a quarterly basis.</p>	\$ 1,000,000	\$ 1,000,000
<p>Note payable to The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America, unsecured, the principle amount of sum of \$350,000, together with interest on the unpaid principle balance at a simple interest rate 4.0%. Principal shall be payable on or before September 30, 2009. Payment schedule of interest only during the life of the loan, payable quarterly in arrears on the last business day of March, June, September, and December of each year.</p>	350,000	350,000
<p>Note payable to the United States Department of Agriculture, Rural Economic and Community Development Service (RECDs), secured by the Intermediary Relending Program Fund and all collateral obtained as a result of such relending activity. Annual payments of \$79,800, including interest of 1.0% per annum, maturing December 2020. The maximum amount available to borrow under the note is \$2,000,000, and as of June 30, 2009, Cal Coastal had drawn all of the available funds under this note.</p>	887,597	957,945
<p>Note payable to the RECDs, secured by the Intermediary Relending Program Fund and all collateral obtained as a result of such relending activity. Annual payments of \$79,800, including interest of 1.0% per annum, maturing June 2025. The maximum amount available to borrow under the note is \$2,000,000, and as of June 30, 2009, Cal Coastal had drawn all of the available funds under this note.</p>	1,166,929	1,234,385
<p>Note payable to the United States Department of Agriculture, Rural Economic and Community Development Service (RECDs), secured by the Intermediary Relending Program Fund and all collateral obtained as a result of such relending activity. Annual payments for the first three years consist of interest only payments, following year and thereafter principal and interest payments are to fully amortize the loan 30 years from the date of the note until principle and interest are fully paid, 1.0% per annum, maturing March 2035. The maximum amount available to borrow under the note is \$750,000, and as of June 30, 2009, Cal Coastal had not drawn all available funds under this note.</p>	340,479	368,500
<p>Note payable to the United States Small Business Administration (SBA), secured by the SBA Fund and all collateral obtained as a result of related relending activity. Monthly payments of \$6,367, including interest of 2.75% per annum maturing in June 2011. The maximum amount available to borrow under the note is \$500,000. As of June 30, 2009, Cal Coastal had drawn all of the available funds under this note.</p>	185,923	222,000
<p>Note payable to the United States Small Business Administration (SBA), secured by the SBA Fund and all collateral obtained as a result of related relending activity. Monthly payments of \$2,952 are required including interest of 1.5% per annum. The note will mature in September 2013. The maximum amount available to borrow under the note is \$500,000, and as of June 30, 2009, Cal Coastal had drawn all of the available funds under this note.</p>	282,622	346,967

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 9 - NOTES PAYABLE, continued

	2009	2008
<p>Note payable to the United States Small Business Administration (SBA), secured by the SBA Fund and all collateral obtained as a result of related relending activity. Monthly payments of \$1,080 including interest of 3.625% per annum, assuming certain conditions were met, began in June 2005. The note will mature in April 2015. The maximum amount available to borrow under the note is \$250,000, and as of June 30, 2009, Cal Coastal had drawn all of the funds available under this note.</p>	\$ 185,887	\$ 215,126
<p>Note payable to the United States Small Business Administration (SBA), secured by the SBA Fund and all collateral obtained as a result of related relending activity. Monthly payments of \$1,150 including interest of 2.375% per annum maturing in July 2016. The maximum amount available to borrow under the note is \$500,000, and as of June 30, 2009, Cal Coastal had drawn down \$450,000.</p>	400,468	342,151
<p>Line of credit to North American Development Bank, secured by all collateral obtained as a result of related relending activity. The line was originally approved on December 31, 1999. The agreement has been amended to extend the terms. The current amendment was approved for the period to March 31, 2009. The terms call for payments of principal and interest in arrears. Interest is due in an amount equal to 50% of the interest received per program loan up to a maximum of 5% for any one loan. The maximum amount available is \$1,250,000.</p>	972,214	320,833
<p>Note payable to California Economic Development Lending Initiative (CEDLI), under a \$2,000,000 revolving line of credit. The agreement has been amended to extend the terms. The current amendment was approved for the period to April 30, 2008. Individual notes are secured by collateral obtained as a result of relending activity. The notes are payable in monthly installments, based upon the receipt of principal from relend advances, including interest of prime less 3.00% per annum. The notes have varying maturities not exceeding an 84 month term.</p>	1,643,174	1,476,764
	\$ 7,415,293	\$ 6,834,671

Maturities as of June 30, 2009, on the notes payable are as follows:

Fiscal Year Ended June 30,	
2010	\$ 1,393,509
2011	922,665
2012	890,318
2013	744,561
2014	1,676,932
Thereafter	2,621,885
Less: Amount representing interest	(834,577)
	\$ 7,415,293

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 10 - LINE OF CREDIT

As of June 30, 2009, Cal Coastal has a \$6 million line of credit with a bank to be drawn down upon as needed, with an interest rate of prime plus ½ percent. The line expires on January 15, 2010. As of June 30, 2009 and 2008, the Corporation had amounts of \$0 and \$685,032, respectively, outstanding on the line. On April 17, 2009, Cal Coastal entered into a \$900,000 line of credit agreement with a credit union to be drawn down as needed, with an interest rate of prime plus one percent. The line expires on April 17, 2014. As of June 30, 2009, Cal Coastal had \$834,577 outstanding on the line.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

A. Program Funding - Cal Coastal's use of the Trust Fund's interest and principal for administrative support is determined on a year-to-year basis by negotiations between the OSB and the Corporation. The State retains a residual interest in the Trust Funds held by First Northern Bank. A cancellation of the administrative support agreement with the State would have an adverse effect on the Corporation's operations.

At June 30, 2009 and 2008, Cal Coastal was involved in several instances in which loans in default were not called for the guarantee. Management believes that any adjustments necessary for these loans will not have a material effect on the financial statements.

B. Litigation - Cal Coastal may be involved in various pending or threatened litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

C. Federal and State Program Audits - Cal Coastal receives funds from Federal and State sources which may be used only for specified purposes that are subject to review and audit by the grantor agencies. Although such audits could generate comments of noncompliance or expenditure disallowances under terms of the funding source, in the opinion of management, any required adjustments would not be material to the financial statements.

D. Operating Leases - Cal Coastal has entered into various non-cancelable operating leases for its facilities and equipment. Minimum rental commitments under these leases are as follows:

		Fiscal Year Ended			
		June 30,			
		2010	2011	2012	Total
Facilities		\$ 106,224	\$ 97,871	\$ 97,872	\$ 301,967
Equipment		6,300	5,775	-	12,075
	Total	\$ 112,524	\$ 103,646	\$ 97,872	\$ 314,042

Rental expense for the years ended June 30, 2009 and 2008, was \$162,898 and \$165,013, respectively.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008

NOTE 11 - COMMITMENTS AND CONTINGENCIES, continued

E. *Deficit Fund Balances* - Cal Coastal tracks allocated expenses between all funds. At June 30, 2009, the SBA Fund owed the Corporate Fund \$1,459,661 for their portion of these allocated costs. The SBA Fund has a deficit fund balance of \$1,033,605 at June 30, 2009. The ability of the SBA Fund to repay this balance to the Corporate Fund is dependent upon increased future revenues and cost controls within the SBA Fund. Should the SBA Fund not reach a profitable or break-even point, this amount will not be realized by the Corporate Fund. The CEDLI Fund has a deficit fund balance of \$464,608 at June 30, 2009. The ability of the CEDLI Fund to repay this balance to the Corporate Fund is dependent upon increased future revenues and cost controls. At June 30, 2009, the Corporate Fund has sufficient resources to absorb this potential deficit. While this will not have a negative impact on Cal Coastal's total net asset balance, the Corporate Fund may be impacted individually.

NOTE 12 - SUBSEQUENT EVENTS

Cal Coastal has evaluated subsequent events for recognition and disclosure through January 27, 2010, which is the date the financial statements were available to be issued.

In November 2009, CEDLI performed an audit of its Cal Coastal Loans to Lenders portfolio. As a result of the audit, Cal Coastal was notified in January 2010 that the remaining Cal Coastal CEDLI loans should be assigned back to CEDLI. In addition, Cal Coastal will remit \$165,000 to CEDLI, the full contractual amount of the limited recourse, in exchange for CEDLI acknowledging that Cal Coastal has no further liability for the related loans.

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SUPPLEMENTARY INFORMATION

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CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Balances Outstanding July 1, 2008</u>	<u>2008-2009 Authorized</u>	<u>2008-2009 Unobligated</u>	<u>Balances Outstanding June 30, 2009</u>
<u>U.S. Department of Agriculture</u>					
Intermediary Relending Program	10.767	<u>\$2,234,377</u>	<u>\$ 485,000</u>	<u>\$ (296,384)</u>	<u>\$ 2,422,993</u>
<u>U.S. Small Business Administration</u>					
Microloan Demonstration Program	59.046	<u>1,219,605</u>	<u>356,009</u>	<u>(354,743)</u>	<u>1,220,871</u>
Total Federal Programs					<u><u>\$ 3,643,864</u></u>

See accompanying note to supplementary information.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS	Undesignated Funds		
	Corporate	Direct Loan Program	Total
	Cash and cash equivalents - unrestricted	\$ 47,099	\$ 2,557,603
Cash and cash equivalents - designated	-	-	-
Accounts receivable	121,084	-	121,084
Interest receivable	-	155,606	155,606
Due from other funds	3,902,543	-	3,902,543
Investments	-	1,001,754	1,001,754
Loans receivable, net	-	5,246,614	5,246,614
Fixed assets, net	42,245	-	42,245
Other real estate owned	-	652,543	652,543
Other assets	58,128	-	58,128
TOTAL ASSETS	\$ 4,171,099	\$ 9,614,120	\$ 13,785,219
LIABILITIES AND NET ASSETS			
Accounts payable and other accrued expenses	\$ 20,194	\$ -	\$ 20,194
Resold commercial loans payable	-	2,936,916	2,936,916
Accrued compensation and benefits	219,317	-	219,317
Interest payable	3,500	272,254	275,754
Deferred revenue	-	220,739	220,739
Other liabilities	13,952	-	13,952
Due to other funds	-	2,708,381	2,708,381
Trust funded loans	-	2,233,569	2,233,569
Farm Service Agency/U.S. Department of Agriculture payables	-	-	-
Bank line of credit	-	834,577	834,577
Notes payable	1,350,000	-	1,350,000
TOTAL LIABILITIES	1,606,963	9,206,436	10,813,399
NET ASSETS			
Unrestricted Net Assets			
Undesignated	2,564,136	407,684	2,971,820
Designated	-	-	-
TOTAL UNRESTRICTED NET ASSETS	2,564,136	407,684	2,971,820
TOTAL LIABILITIES AND NET ASSETS	\$ 4,171,099	\$ 9,614,120	\$ 13,785,219

See accompanying note to supplementary information.

Designated Funds

Small Business Administration							
IRP-1	IRP-2	IRP-3	1 and 2	NADBank	CEDLI	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ 551,813	\$ 43,259	\$ -	\$ 3,199,774
484,866	471,787	355,515	380,318	-	-	-	1,692,486
-	-	-	12,971	-	-	-	134,055
3,357	3,120	296	14,431	17,734	18,537	-	213,081
-	-	-	-	630,232	-	(4,532,775)	-
-	-	-	-	158,506	159,633	-	1,319,893
703,426	1,244,483	85,803	1,012,269	614,341	1,127,114	-	10,034,050
-	-	-	-	-	-	-	42,245
-	-	-	-	-	-	-	652,543
(604)	604	-	65,973	(3,203)	-	-	120,898
<u>\$1,191,045</u>	<u>\$1,719,994</u>	<u>\$441,614</u>	<u>\$1,485,962</u>	<u>\$1,969,423</u>	<u>\$1,348,543</u>	<u>\$(4,532,775)</u>	<u>\$17,409,025</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,194
-	-	-	-	-	-	-	2,936,916
-	-	-	-	12,964	-	-	232,281
4,768	481	1,016	5,006	24,037	5,811	-	316,873
-	-	-	-	-	-	-	220,739
-	-	-	-	-	-	-	13,952
139,095	61,472	-	1,459,661	-	164,166	(4,532,775)	-
-	-	-	-	-	-	-	2,233,569
-	-	-	-	388,204	-	-	388,204
-	-	-	-	-	-	-	834,577
887,597	1,166,929	340,479	1,054,900	972,214	1,643,174	-	7,415,293
<u>1,031,460</u>	<u>1,228,882</u>	<u>341,495</u>	<u>2,519,567</u>	<u>1,397,419</u>	<u>1,813,151</u>	<u>(4,532,775)</u>	<u>14,612,598</u>
-	-	-	-	-	-	-	2,971,820
159,585	491,112	100,119	(1,033,605)	572,004	(464,608)	-	(175,393)
159,585	491,112	100,119	(1,033,605)	572,004	(464,608)	-	2,796,427
<u>\$1,191,045</u>	<u>\$1,719,994</u>	<u>\$441,614</u>	<u>\$1,485,962</u>	<u>\$1,969,423</u>	<u>\$1,348,543</u>	<u>\$(4,532,775)</u>	<u>\$17,409,025</u>

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Corporate	Direct Loan Program	IRP-1	IRP-2
REVENUES				
Contract support State OSB	\$ 339,150	\$ 200,300	\$ -	\$ -
Technical assistance contract income	135,340	-	-	-
CDFI grant income	-	1,000,000	-	-
Loan origination and guarantee fees	124,372	619,501	2,000	6,016
Loan late fees	-	34,429	123	601
Loan interest income	-	2,035,490	42,972	47,041
Investment income	-	-	-	-
Interest on deposit accounts	-	28,611	12,385	11,985
CDC income	98,894	-	-	-
Other income	11,413	22,576	-	-
TOTAL REVENUES	<u>709,169</u>	<u>3,940,907</u>	<u>57,480</u>	<u>65,643</u>
EXPENSES				
Salaries and wages	708,045	509,605	26,856	33,528
Payroll taxes and employee benefits	185,107	126,754	6,461	9,376
Interest expense	-	961,873	9,075	12,316
Provision for loan losses	-	81,000	(7,000)	5,000
California Capital Access Program contribution	14,240	-	-	-
Advertising and promotion	11,891	421	21	34
Meetings, education, and travel	50,489	23,742	1,232	1,624
Communication	41,392	26,814	1,409	1,787
Occupancy	100,625	72,265	3,805	4,784
Professional services	64,615	31,747	1,690	2,030
Office	21,025	22,085	725	1,049
Equipment repair and maintenance	8,695	7,906	410	538
Depreciation and amortization	17,516	10,953	577	716
Miscellaneous expenses	(3,332)	29,793	563	729
Loan expenses	7,318	254,499	455	140
TOTAL EXPENSES	<u>1,227,626</u>	<u>2,159,457</u>	<u>46,279</u>	<u>73,651</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE OPERATING TRANSFERS	(518,457)	1,781,450	11,201	(8,008)
OPERATING TRANSFERS				
Transfers in	1,375,000	-	-	-
Transfers out	-	(1,375,000)	-	-
TOTAL TRANSFERS	<u>1,375,000</u>	<u>(1,375,000)</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	856,543	406,450	11,201	(8,008)
NET ASSETS, Beginning of Year	<u>1,707,593</u>	<u>1,234</u>	<u>148,384</u>	<u>499,120</u>
NET ASSETS, End of Year	<u>\$ 2,564,136</u>	<u>\$ 407,684</u>	<u>\$ 159,585</u>	<u>\$ 491,112</u>

See accompanying note to supplementary information.

IRP-3	Small Business Administration 1 and 2	NADBank	CEDLI	Total
\$ -	\$ -	\$ -	\$ -	\$ 539,450
-	170,000	-	-	305,340
-	-	-	-	1,000,000
-	2,138	-	10,612	764,639
32	2,325	-	1,272	38,782
5,172	96,936	229,368	87,518	2,544,497
250	-	2,196	1,501	3,947
1,697	4,705	8,421	-	67,804
-	-	-	-	98,894
-	-	-	-	33,989
<u>7,151</u>	<u>276,104</u>	<u>239,985</u>	<u>100,903</u>	<u>5,397,342</u>
-	129,114	33,056	31,199	1,471,403
-	29,227	8,512	8,766	374,203
3,601	25,019	159,830	68,494	1,240,208
(8,000)	155,500	(3,004)	361,000	584,496
-	-	-	-	14,240
-	97	28	32	12,524
-	5,956	1,542	1,512	86,097
-	6,745	1,745	1,663	81,555
-	18,222	4,688	4,456	208,845
-	8,121	2,045	1,891	112,139
-	3,821	988	933	50,626
-	2,014	514	500	20,577
-	2,790	711	665	33,928
-	17,005	695	676	46,129
22	1,485	4,581	9,802	278,302
<u>(4,377)</u>	<u>405,116</u>	<u>215,931</u>	<u>491,589</u>	<u>4,615,272</u>
11,528	(129,012)	24,054	(390,686)	782,070
-	-	-	-	1,375,000
-	-	-	-	(1,375,000)
-	-	-	-	-
11,528	(129,012)	24,054	(390,686)	782,070
88,591	(904,593)	547,950	(73,922)	2,014,357
<u>\$ 100,119</u>	<u>\$ (1,033,605)</u>	<u>\$ 572,004</u>	<u>\$ (464,608)</u>	<u>\$ 2,796,427</u>

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF ALLOWANCE FOR LOAN LOSSES HISTORY
FOR THE YEAR ENDED JUNE 30, 2009

		IRP-1, IRP-2						
		DLP	and IRP- 3	SBA	NADBank	CEDLI	Combined	Cal Cap
6/30/1999	Ending ALL ¹ Balances	\$157,184	\$ 128,257	\$ 1,962	\$ 9,000	\$ -	\$ 296,403	\$ -
	Provisions	28,993	36,200	32,750	12,000	5,000	114,943	-
	Charge Offs	(17,409)	-	-	-	-	(17,409)	-
	Recoveries	7,583	7,500	6,500	-	-	21,583	-
6/30/2000	Ending ALL Balances	176,351	171,957	41,212	21,000	5,000	415,520	-
	Provisions	(6,996)	52,760	51,571	30,000	18,000	145,335	12,271
	Charge Offs	-	-	(44,166)	-	-	(44,166)	-
	Recoveries	28,918	4,500	2,334	-	-	35,752	-
6/30/2001	Ending ALL Balances	198,273	229,217	50,951	51,000	23,000	552,441	12,271
	Provisions	21,504	12,000	30,000	20,004	18,000	101,508	48,428
	Charge Offs	(21,258)	(10,001)	(7,073)	-	-	(38,332)	-
	Recoveries	19,132	-	75	-	-	19,207	-
	Reclasses	(60,000)	79,080	(25,000)	(16,000)	21,920	-	-
6/30/2002	Ending ALL Balances	157,651	310,296	48,953	55,004	62,920	634,824	60,699
	Provisions	20,004	24,500	5,000	35,004	18,000	102,508	28,302
	Charge Offs	-	-	(18,948)	-	-	(18,948)	(21,016)
	Recoveries	-	-	-	-	-	-	-
6/30/2003	Ending ALL Balances	177,655	334,796	35,005	90,008	80,920	718,384	67,985
	Provisions	20,004	12,000	-	20,004	18,000	70,008	35,546
	Charge Offs	(106,489)	-	-	-	-	(106,489)	(24,438)
	Recoveries	75,967	-	10,382	-	-	86,349	-
	Reclasses	-	15,000	-	(15,000)	-	-	-
6/30/2004	Ending ALL Balances	167,137	361,796	45,387	95,012	98,920	768,252	79,093

¹ALL = Allowance for Loan Losses

See accompanying note to supplementary information.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF ALLOWANCE FOR LOAN LOSSES HISTORY, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

		IRP-1, IRP-2						
		DLP	and IRP- 3	SBA	NADBank	CEDLI	Combined	Cal Cap
6/30/2004	Ending ALL ¹ Balances	\$167,137	\$ 361,796	\$ 45,387	\$ 95,012	\$ 98,920	\$ 768,252	\$ 79,093
	Provisions	30,000	12,000	-	20,004	29,000	91,004	42,307
	Charge Offs	(5,618)	-	(41,377)	-	-	(46,995)	(60,942)
	Recoveries	5,617	-	39,685	-	-	45,302	1,375
	Reclasses	-	70,000	-	(70,000)	-	-	-
6/30/2005	Ending ALL Balances	197,136	443,796	43,695	45,016	127,920	857,563	61,833
	Provisions	28,183	18,000	22,500	9,996	15,000	93,679	39,056
	Charge Offs	(86,505)	(31,524)	(53,499)	-	-	(171,528)	(52,125)
	Recoveries	77,863	9	52,263	-	-	130,135	-
	Reclasses	42,500	(24,000)	6,496	(9,996)	(15,000)	-	-
6/30/2006	Ending ALL Balances	259,177	406,281	71,455	45,016	127,920	909,849	48,764
	Provisions	34,000	23,500	4,600	9,996	35,000	107,096	36,192
	Charge Offs	-	-	(24,755)	-	-	(24,755)	-
	Recoveries	153	-	-	-	-	153	386
	Reclasses	-	-	-	-	-	-	-
6/30/2007	Ending ALL Balances	293,330	429,781	51,300	55,012	162,920	992,343	85,342
	Provisions	42,000	24,000	-	9,996	15,000	90,996	53,115
	Charge Offs	(117,591)	-	-	-	-	(117,591)	(72,194)
	Recoveries	89,312	-	1,318	-	-	90,630	-
	Reclasses	9,500	(54,500)	40,300	(35,000)	39,700	-	-
6/30/2008	Ending ALL Balances	\$316,551	\$ 399,281	\$ 92,918	\$ 30,008	\$217,620	\$1,056,378	\$ 66,263
	Provisions	60,000	24,000	155,500	9,996	335,000	584,496	20,172
	Charge Offs	(54,636)	-	(39,825)	-	(50,792)	(145,253)	(54,232)
	Recoveries	50,875	-	-	-	-	50,875	-
	Reclasses	21,000	(34,000)	-	(13,000)	26,000	-	-
6/30/2009	Ending ALL Balances	\$393,790	\$ 389,281	\$208,593	\$ 27,004	\$527,828	\$1,546,496	\$ 32,203

SUMMARY:

6/30/1999	Beginning ALL Balances	\$157,184	\$ 128,257	\$ 1,962	\$ 9,000	\$ -	\$ 296,403	\$ -
	Provisions	277,692	238,960	301,921	177,000	506,000	1,501,573	315,389
	Charge Offs	(409,506)	(41,525)	(229,643)	-	(50,792)	(731,466)	(284,947)
	Recoveries	355,420	12,009	112,557	-	-	479,986	1,761
	Reclasses	13,000	51,580	21,796	(158,996)	72,620	-	-
6/30/2009	Ending ALL Balances	\$393,790	\$ 389,281	\$208,593	\$ 27,004	\$527,828	\$1,546,496	\$ 32,203

¹ALL = Allowance for Loan Losses

See accompanying note to supplementary information.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2009

NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Corporation and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

B. Combining Statement of Financial Position and Combining Statement of Activities

These statements provide detail for the activity within the various funds utilized by the Corporation. This information is not a required component of the financial statements, but is provided to enhance the usefulness of the statements. These statements are presented on the accrual basis of accounting and have been subjected to the auditing procedures applied to the financial statements as a whole.

C. Schedule of Allowance for Loan Losses History

This schedule provides information related to the allowance for loan losses ten year history of the Corporation from June 30, 1998 to June 30, 2009. The Cal Cap Program is administered through the California Pollution Control Financing Authority. The reserves noted in this schedule are maintained by the Trust and not Cal Coastal.

*ADDITIONAL SUPPLEMENTARY INFORMATION
(UNAUDITED)*

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CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

GUARANTEE LOAN PORTFOLIO ACCOUNTABILITY REPORT
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Balance of Loan Guarantee, Beginning of Year	\$ 25,194,738	\$ 21,029,621
Loans Guaranteed	9,429,297	16,697,762
Loan Payoffs	<u>(12,108,451)</u>	<u>(12,532,645)</u>
Balance of Loan Guarantee, End of Year	<u>\$ 22,515,584</u>	<u>\$ 25,194,738</u>

Unaudited - see accompanying note to additional supplementary information.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

LOAN GUARANTEE TRUST FUND – FUND ACTIVITY REPORT
FOR THE YEAR ENDED JUNE 30, 2009

	Managed Account		Total
	Cash and Securities	Farm Loans	
Balance at July 1, 2008	\$ 1,542,342	\$ 4,244,781	\$ 5,787,123
Receipts			
Interest - investments	47,480	-	47,480
Interest on farm loans	57,402	-	57,402
Recoveries received	28,706	-	28,706
Principal farm loan repayments	2,931,359	(2,931,359)	-
Cal Coastal trust investment	-	-	-
Total Receipts	<u>3,064,947</u>	<u>(2,931,359)</u>	<u>133,588</u>
Disbursements			
Farm loan advances	(2,089,260)	2,089,260	-
Capital gains (losses)	(2,414)	-	(2,414)
Fixed contract payment	-	-	-
Trustee and bank fees	-	-	-
Loss payouts	(989,921)	-	(989,921)
Total Disbursements	<u>(3,081,595)</u>	<u>2,089,260</u>	<u>(992,335)</u>
Intrafund transfers	(104,905)	-	(104,905)
Ending Balance at June 30, 2009	<u>\$ 1,420,789</u>	<u>\$ 3,402,682</u>	<u>\$ 4,823,471</u>

Unaudited - see accompanying note to additional supplementary information.

<u>Income Account</u>	<u>CCRDC Managed Account</u>	<u>Total</u>
\$ 429,852	\$ -	\$ 6,216,975
12,251	129	59,860
563	-	57,965
-	-	28,706
-	-	-
-	1,000,000	1,000,000
<u>12,814</u>	<u>1,000,129</u>	<u>1,146,531</u>
-	-	-
3,179	-	765
(435,371)	-	(435,371)
(5,265)	(200)	(5,465)
-	-	(989,921)
<u>(437,457)</u>	<u>(200)</u>	<u>(1,429,992)</u>
104,905	-	-
<u>\$ 110,114</u>	<u>\$ 999,929</u>	<u>\$ 5,933,514</u>

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF LOAN GUARANTEE BALANCES
JUNE 30, 2009

<u>Loan Number</u>	<u>Guarantee Liability</u>	<u>Loan Number</u>	<u>Guarantee Liability</u>	<u>Loan Number</u>	<u>Guarantee Liability</u>	<u>Loan Number</u>	<u>Guarantee Liability</u>
CC979	\$ -	CC1306	\$ 455,539	CC1393	\$ 32,573	CC1450	\$ 48,271
CC986	-	CC1308	59,771	CC1395	134,500	CC1451	30,969
CC1013	125,414	CC1309	31,204	CC1395	-	CC1453	31,263
CC1020	-	CC1315	49,000	CC1396	442,042	CC1453	-
CC1050	16,725	CC1316	421,541	CC1398	-	CC1454	-
CC1093	-	CC1319	6,975	CC1407	12,993	CC1455	37,500
CC1101	92,492	CC1320	4,821	CC1409	-	CC1456	56,999
CC1117	92,472	CC1321	157,606	CC1410	490,357	CC1457	40,061
CC1121	-	CC1322	162,988	CC1411	55,659	CC1458	25,408
CC1142	296,795	CC1323	377,729	CC1412	72,251	CC1459	45,000
CC1143	-	CC1324	18,641	CC1414	94,719	CC1460	28,970
CC1157	326,998	CC1325	158,860	CC1415	-	CC1461	12,721
CC1160	-	CC1329	25,934	CC1416	-	CC1463	-
CC1178	-	CC1330	121,371	CC1418	79,519	CC1464	-
CC1190	-	CC1331	-	CC1420	9,720	CC1465	10,026
CC1194	-	CC1332	84,746	CC1422	-	CC1466	208,382
CC1198	-	CC1333	214,883	CC1423	77,696	CC1469	263,981
CC1199	214,778	CC1334	32,846	CC1424	30,833	CC1471	-
CC1202	-	CC1335	174,984	CC1426	-	CC1472	194,141
CC1205	-	CC1337	25,374	CC1427	243,146	CC1473	131,564
CC1214	-	CC1338	18,746	CC1428	-	CC1474	-
CC1220	79,969	CC1341	132,799	CC1429	-	CC1475	-
CC1230	395,870	CC1342	8,418	CC1430	42,492	CC1476	-
CC1232	220,755	CC1351	163,285	CC1432	32,181	CC1477	40,101
CC1233	8,967	CC1353	85,523	CC1433	33,400	CC1478	-
CC1241	53,881	CC1357	89,533	CC1434	-	CC1479	98,571
CC1246	-	CC1361	72,101	CC1435	-	CC1480	134,736
CC1248	50,870	CC1362	88,424	CC1436	-	CC1481	-
CC1251	4,500	CC1363	86,253	CC1437	430,038	CC1482	191,831
CC1270	740	CC1372	274,616	CC1438	-	CC1483	80,000
CC1277	10,369	CC1377	46,974	CC1439	484,090	CC1485	-
CC1280	10,369	CC1378	109,245	CC1440	-	CC1486	3,712
CC1283	50,421	CC1383	85,488	CC1441	-	CC1487	-
CC1290	150,993	CC1386	-	CC1442	94,075	CC1489	45,000
CC1291	12,790	CC1387	8,914	CC1444	208,000	CC1490	-
CC1296	5,928	CC1388	-	CC1445	-	CC1491	-
CC1297	20,337	CC1389	-	CC1446	64,162	CC1492	53,224
CC1299	-	CC1390	-	CC1448	31,822	CC1493	47,769
CC1304	9,349	CC1392	205,763	CC1449	-	CC1494	22,500

Unaudited - see accompanying note to additional supplementary information.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF LOAN GUARANTEE BALANCES, CONTINUED
JUNE 30, 2009

Loan Number	Guarantee Liability	Loan Number	Guarantee Liability	Loan Number	Guarantee Liability	Loan Number	Guarantee Liability
CC1495	\$ -	CC1535	\$ -	CC1575	\$ 32,598	CC1615	\$ 131,564
CC1496	68,317	CC1536	-	CC1576	14,285	CC1616	110,464
CC1497	-	CC1537	22,500	CC1577	263,579		<u>\$ 22,515,584</u>
CC1498	21,844	CC1538	-	CC1578	152,544		
CC1499	66,807	CC1539	223,447	CC1579	165,762		
CC1500	177,776	CC1540	120,000	CC1580	224,187		
CC1501	15,772	CC1541	146,284	CC1581	350,000		
CC1503	35,000	CC1542	21,250	CC1582	35,000		
CC1504	62,615	CC1543	205,593	CC1583	62,219		
CC1505	-	CC1544	175,000	CC1584	37,500		
CC1506	69,163	CC1545	407,456	CC1585	3,500		
CC1507	48,761	CC1546	12,750	CC1586	379,055		
CC1508	-	CC1547	57,657	CC1587	26,611		
CC1509	69,985	CC1548	40,574	CC1588	414,131		
CC1510	-	CC1549	32,317	CC1589	53,771		
CC1511	123,882	CC1550	32,000	CC1590	495,000		
CC1512	488,546	CC1551	78,646	CC1592	66,459		
CC1513	-	CC1552	17,500	CC1593	175,000		
CC1514	371,868	CC1553	85,000	CC1594	240,000		
CC1515	-	CC1554	486,588	CC1595	35,000		
CC1516	27,000	CC1555	86,667	CC1596	200,000		
CC1517	359,177	CC1556	70,000	CC1597	37,499		
CC1518	339,941	CC1557	15,133	CC1598	159,074		
CC1519	-	CC1558	21,250	CC1599	154,863		
CC1520	-	CC1559	35,923	CC1600	14,000		
CC1521	-	CC1560	96,996	CC1601	17,500		
CC1522	-	CC1561	40,000	CC1602	157,886		
CC1523	88,760	CC1562	-	CC1603	32,500		
CC1524	-	CC1563	50,425	CC1604	17,500		
CC1525	-	CC1564	16,794	CC1605	117,495		
CC1526	31,941	CC1565	15,000	CC1606	59,378		
CC1527	-	CC1566	56,628	CC1607	50,000		
CC1528	36,701	CC1567	140,000	CC1608	37,500		
CC1529	9,669	CC1568	172,408	CC1609	23,742		
CC1530	161,516	CC1569	40,878	CC1610	4,270		
CC1531	37,186	CC1570	75,250	CC1611	35,235		
CC1532	36,000	CC1571	170,920	CC1612	72,070		
CC1533	160,231	CC1572	25,778	CC1613	37,500		
CC1534	42,248	CC1573	140,000	CC1614	42,380		

Unaudited - see accompanying note to additional supplementary information.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF LOANS ORIGINATED
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

<u>2009</u>	<u>Gross Loans Originated</u>	<u>Number of Loans</u>	<u>Net Loans Originated</u>
California Economic Development Lending Initiative	\$ 550,000	5	\$ 550,000
Direct Farm Loan Program - Farm Ownership	875,000	1	875,000
Direct Farm Loan Program - Operating Loans	26,077,500	72	26,077,500
Guaranteed Loans	9,429,297	53	6,087,729
Intermediary Relending Program - 1	-	-	-
Intermediary Relending Program - 2	485,000	4	485,000
Monterey County EDA	355,000	5	355,000
Monterey County Revolving Loan Fund	235,000	2	235,000
Small Business Administration (SBA)	366,000	13	366,000
SBA 504 Loan Program	-	-	-
Direct Loan Program - Workout Loans	1,975,904	11	1,975,904
Other programs	158,000	3	158,000
Rust Program	57,570	1	57,570
Total Loans by Product	<u>\$ 40,564,271</u>	<u>170</u>	<u>\$ 37,222,703</u>

<u>2008</u>	<u>Gross Loans Originated</u>	<u>Number of Loans</u>	<u>Net Loans Originated</u>
California Economic Development Lending Initiative	\$ 427,000	6	\$ 427,000
Direct Farm Loan Program - Farm Ownership	1,020,000	2	1,020,000
Direct Farm Loan Program - Operating Loans	19,903,250	74	19,903,250
Guaranteed Loans	16,697,762	119	12,469,615
Intermediary Relending Program - 1	200,000	1	200,000
Intermediary Relending Program - 2	320,000	2	320,000
Monterey County Revolving Loan Fund	210,000	3	210,000
Small Business Administration (SBA)	706,000	23	706,000
SBA 504 Loan Program	261,000	1	261,000
Direct Loan Program - Workout Loans	515,353	6	515,353
Other programs	184,000	3	184,000
Rust Program	249,700	2	249,700
Total Loans by Product	<u>\$ 40,694,065</u>	<u>242</u>	<u>\$ 36,465,918</u>

Unaudited - see accompanying note to additional supplementary information.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - PURPOSE OF SCHEDULES

A. *Guarantee Loan Portfolio Accountability Report*

This schedule provides detail information related to the Loan Guarantees Portfolio maintained by the State of California on behalf of the Corporation. The schedule is required by State agencies providing funding to the Corporation.

B. *Loan Guarantee Trust Fund - Fund Activity Report*

This schedule provides detail information related specifically to Farm Loan advances, repayments, and activity within the Farm Loan Program. This schedule is required by State agencies providing Farm Loan funding to the Corporation.

C. *Schedule of Loan Guarantee Balances*

This schedule provides information related to the Guaranteed Loans administered through the Corporation about the total activity regarding the specific Loans and the balance held in the Guarantee Loan Portfolio. This schedule is required by State agencies providing funding to the Corporation.

D. *Schedule of Loans Originated*

This schedule provides information regarding the loan activity by 'product' line. This information is provided to satisfy reporting requirements of various funding agencies.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
California Coastal Rural Development Corporation
Salinas, California

We have audited the financial statements of California Coastal Rural Development Corporation as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated January 27, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered California Coastal Rural Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the California Coastal Rural Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of California Coastal Rural Development Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether California Coastal Rural Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Varrinck, Irine, Day & Co. LLP

Rancho Cucamonga, California
January 27, 2010



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
California Coastal Rural Development Corporation
Salinas, California

Compliance

We have audited the compliance of California Coastal Rural Development Corporation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. California Coastal Rural Development Corporation's major Federal programs are identified in the summary of auditors' results. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of California Coastal Rural Development Corporation's management. Our responsibility is to express an opinion on California Coastal Rural Development Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about California Coastal Rural Development Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of California Coastal Rural Development Corporation's compliance with those requirements.

In our opinion, California Coastal Rural Development Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of California Coastal Rural Development Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered California Coastal Rural Development Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of California Coastal Rural Development Corporation's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within California Coastal Rural Development Corporation, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Varrinck, Fine, Day & Co. LLP

Rancho Cucamonga, California
January 27, 2010

**CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>59.046</u>	<u>Microloan Demonstration Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

