

**CALIFORNIA COASTAL RURAL
DEVELOPMENT CORPORATION**

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

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

JUNE 30, 2007 AND 2006

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

June 30, 2007 and 2006

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INDEPENDENT AUDITORS' REPORT

Board of Directors
California Coastal Rural Development Corporation
Salinas, California

We have audited the accompanying statement of financial position of California Coastal Rural Development Corporation (Cal Coastal), a California nonprofit public benefit corporation, as of June 30, 2007 and 2006, 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 California Coastal Rural Development Corporation as of June 30, 2007 and 2006, 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 October 1, 2007, 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 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 on it.

Rancho Cucamonga, California
October 1, 2007

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

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
Cash and cash equivalents - undesignated	\$ 5,523,466	\$ 2,871,387
Cash and cash equivalents - designated	1,999,197	1,746,290
Accounts receivable	365,226	256,552
Interest receivable	325,560	400,694
Investments	224,358	176,570
Loans receivable, net	8,424,438	7,536,057
Fixed assets, net	84,567	80,080
Other assets	80,887	82,005
	\$ 17,027,699	\$ 13,149,635
LIABILITIES AND NET ASSETS		
Accounts payable and other accrued expenses	\$ 88,314	\$ 103,668
Resold commercial loans payable	4,502,732	1,892,484
Accrued compensation and benefits	395,928	243,899
Interest payable	368,752	312,730
Deferred revenue	69,164	64,745
Other liabilities	12,964	14,090
Trust funded loans	2,014,676	2,226,753
Farm Service Agency/U.S. Department of Agriculture payables	388,204	388,204
Bank line of credit	440,000	-
Notes payable	6,875,589	6,231,891
	15,156,323	11,478,464
NET ASSETS		
Unrestricted Net Assets		
Undesignated	1,482,580	1,412,083
Designated	388,796	259,088
TOTAL UNRESTRICTED NET ASSETS	1,871,376	1,671,171
TOTAL LIABILITIES AND NET ASSETS	\$ 17,027,699	\$ 13,149,635

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, 2007 AND 2006

	2007	2006
REVENUES		
Contract support State OSB	\$ 547,692	\$ 526,498
Technical assistance contract income	234,721	228,838
Loan origination and guarantee fees	652,648	682,556
Loan late fees	55,905	28,435
Loan interest income	3,114,291	2,509,386
Investment income	7,360	1,580
Interest on deposit accounts	120,836	22,259
CDC income	137,383	203,335
Other income	12,824	9,812
TOTAL REVENUES	4,883,660	4,212,699
EXPENSES		
Salaries and wages	1,286,805	1,203,053
Payroll taxes and employee benefits	606,519	520,482
Interest expense	1,806,832	1,303,944
Provision for loan losses	107,096	93,679
California Capital Access Program contribution	14,880	21,060
Advertising and promotion	17,305	14,798
Meetings, education, and travel	111,102	104,358
Communication	85,497	85,088
Occupancy	182,450	172,988
Professional services	82,564	94,983
Office	69,821	55,538
Equipment repair and maintenance	26,374	25,836
Depreciation and amortization	46,464	45,597
Miscellaneous expenses	36,142	33,642
Loan expenses	203,604	232,395
TOTAL EXPENSES	4,683,455	4,007,441
Change in Net Assets	200,205	205,258
NET ASSETS, Beginning of Year	1,671,171	1,465,913
NET ASSETS, End of Year	\$ 1,871,376	\$ 1,671,171

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, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 200,205	\$ 205,258
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and amortization	46,464	45,597
Provision for loan losses	107,096	93,679
(Increase) Decrease in Assets		
Accounts receivable	(108,674)	2,458
Interest receivable	75,134	(153,192)
Other assets	1,118	34,453
Increase (Decrease) in Liabilities		
Accounts payable and other accrued expenses	(15,354)	(12,014)
Resold commercial loans payable	2,610,248	1,892,484
Accrued compensation and benefits	152,029	33,414
Interest payable	56,022	150,362
Deferred revenue	4,419	6,852
Other liabilities	(1,126)	(32,781)
Net Cash Flows from Operating Activities	3,127,581	2,266,570
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(50,951)	(45,769)
Net decrease in loans receivable	(995,477)	(2,299,503)
Sale of investments	-	35,597
Purchase of investments	(47,788)	-
Net Cash Flows from Investing Activities	(1,094,216)	(2,309,675)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in trust funded loans payable	(212,077)	649,650
Net decrease in Farm Service Agency/U.S. Department of Agriculture payables	-	(325,502)
Net increase in line of credit	440,000	-
Net increase in other loans payable	643,698	358,017
Net Cash Flows from Financing Activities	871,621	682,165
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,904,986	639,060
CASH AND CASH EQUIVALENTS, Beginning of Year	4,617,677	3,978,617
CASH AND CASH EQUIVALENTS, End of Year	\$7,522,663	\$4,617,677
SUPPLEMENTAL DISCLOSURES		
Noncash financing and investing activity:		
Interest paid	\$1,750,810	\$1,153,582

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, 2007 and 2006

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of California Coastal Rural Development Corporation (Cal Coastal or the Corporation) conform to accounting principles generally accepted in the United States of America.

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

- A. *Nature of Operations* - Cal Coastal 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. Financial records are maintained using the accrual basis of accounting.

Cal Coastal has agreements with the Monterey County Redevelopment Agency 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.

- 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 Office of Small Business (the OSB) (contained within 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).

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2007 and 2006, 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, 2007 and 2006

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

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. 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, 2007 and 2006, the accrued vacation balance was \$113,257 and \$102,032, respectively. Sick leave is not vested and, therefore, is not paid nor is it accrued.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- I. Revenues - Cal Coastal's primary sources of revenue are interest income and a contract between the Corporation and the OSB. 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.
- J. 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
- K. 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).
- L. 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, 2007 and 2006, the total amount of cash and cash equivalents in excess of the FDIC insured limits at all financial institutions totaled approximately \$7,405,184 and \$4,691,695, respectively. The Corporation has not experienced any losses on its cash equivalents. The funds held at financial institutions are closely monitored. The Corporation's investments do not represent significant concentrations of market risk in as much as its investment portfolio is adequately diversified among only U.S. Government and Agency obligations.
- M. Fair Value of Financial Instruments - Statement of Financial Accounting Standard 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.
- N. 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 2008 and January 2007. These deposits are made to satisfy regulatory requirements to maintain a certain percentage of loan balances.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

O. *Reclassifications* - Certain prior year financial statement balances have been reclassified to conform to the current year presentation.

NOTE #2 - CASH IN BANKS

	June 30, 2007	
	Balance in Bank	Carrying Value
Cash - undesignated	\$ 6,247,324	\$ 5,523,466
Cash - designated	2,031,237	1,999,197
Total Cash and Cash Equivalents at June 30, 2007	\$ 8,278,561	\$ 7,522,663

	June 30, 2006	
	Balance in Bank	Carrying Value
Cash - undesignated	\$ 3,663,169	\$ 2,871,387
Cash - designated	1,785,408	1,746,290
Total Cash and Cash Equivalents at June 30, 2006	\$ 5,448,577	\$ 4,617,677

NOTE #3 - INVESTMENTS

Investments are carried at fair market value as follows:

	June 30, 2007		
	Adjusted Cost	Fair Value	Unrealized Appreciation (Depreciation)
Certificates of Deposit	\$ 211,652	\$ 211,652	\$ -
FmAc Equity Securities	10,160	12,706	2,546
	\$ 221,812	\$ 224,358	\$ 2,546

Investment return is summarized as follows:	
Interest income on certificates of deposit	\$ 7,360
Net unrealized gains	2,546
	\$ 9,906

Investments are restricted to fund activities for loan loss reserves as follows: NADBank, \$53,427 and CEDLI, \$158,225.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

NOTE #3 - INVESTMENTS, continued

	June 30, 2006		
	Adjusted Cost	Fair Value	Unrealized Appreciation (Depreciation)
Certificates of Deposit	\$ 166,410	\$ 166,410	\$ -
FmAc Equity Securities	8,255	10,160	1,905
	<u>\$ 174,665</u>	<u>\$ 176,570</u>	<u>\$ 1,905</u>
Investment return is summarized as follows:			
Interest income on certificates of deposit			\$ 1,580
Net unrealized gains			1,905
			<u>\$ 3,485</u>

Investments are restricted to fund activities for loan loss reserves as follows: NADBank, \$50,676 and CEDLI, \$115,734.

NOTE #4 - LOANS RECEIVABLE

Loans receivable at June 30, 2007 and 2006, consist of the following:

	June 30, 2007					
	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	Totals
Commercial loans, gross	\$ 19,136,949	\$ 2,168,688	\$ 988,105	\$ 3,732,099	\$ 1,435,588	\$ 27,461,429
Resold commercial loans	(15,026,684)	-	-	(3,017,964)	-	(18,044,648)
Commercial loans, net	4,110,265	2,168,688	988,105	714,135	1,435,588	9,416,781
Allowance for loan losses	(293,330)	(429,781)	(51,300)	(55,012)	(162,920)	(992,343)
	<u>\$ 3,816,935</u>	<u>\$ 1,738,907</u>	<u>\$ 936,805</u>	<u>\$ 659,123</u>	<u>\$ 1,272,668</u>	<u>\$ 8,424,438</u>

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

NOTE #4 - LOANS RECEIVABLE, continued

	June 30, 2006					
	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	Totals
Commercial loans, gross	\$ 23,915,107	\$ 2,529,440	\$ 913,019	\$ 3,839,676	\$ 625,639	\$ 31,822,881
Resold commercial loans	(20,302,241)	-	-	(3,074,734)	-	(23,376,975)
Commercial loans, net	3,612,866	2,529,440	913,019	764,942	625,639	8,445,906
Allowance for loan losses	(259,177)	(406,281)	(71,455)	(45,016)	(127,920)	(909,849)
	\$ 3,353,689	\$ 2,123,159	\$ 841,564	\$ 719,926	\$ 497,719	\$ 7,536,057

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, 2007, the Corporation had supervised loans, in gross, in the Direct Loan Program, the IRP-1 and IRP-2 Relending Programs, NADBank, and CEDLI of \$3,222,838, \$265,445, \$384,201, and \$44,107, respectively. At June 30, 2006, the Corporation had supervised loans, in gross, in the Direct Loan Program, the IRP-1 and IRP-2 Relending Programs, NADBank, and CEDLI of \$1,749,497, \$248,017, \$431,338, and \$68,265, respectively.

At June 30, 2007 and 2006, the total recorded investment in impaired loans, all of which has allowances determined in accordance with SFAS No. 114 and No. 118, amounted to \$3,916,591 and \$2,497,117, respectively. For the years ended June 30, 2007 and 2006, the average recorded investment related to impaired loans totaled approximately \$3,000,000 and \$1,900,000, respectively. The allowance for loan losses totaled approximately \$992,000 and \$910,000, respectively. The Corporation has no commitments to lend additional funds to borrowers whose loans have been modified. For the years ended June 30, 2007 and 2006, interest income from loans on non-accrual status would have been \$310,171 and \$336,879, 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, 2007 and 2006, amounted to approximately \$700,000 and \$140,000, respectively.

Resold commercial loan payables at June 30, 2007 and 2006, were \$4,502,732 and \$1,892,484, respectively, and represent principal payments which were collected prior to June 30 and remitted subsequent to year end.

CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

NOTE #4 - 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	Totals
Balance, June 30, 2005	\$ 197,136	\$ 443,796	\$ 43,695	\$ 45,016	\$ 127,920	\$ 857,563
Loan loss provision	28,183	18,000	22,500	9,996	15,000	93,679
Charge-offs	(86,505)	(31,524)	(53,499)	-	-	(171,528)
Recoveries	77,863	9	52,263	-	-	130,135
Reclassifications	42,500	(24,000)	6,496	(9,996)	(15,000)	-
Balance, June 30, 2006	259,177	406,281	71,455	45,016	127,920	909,849
Loan loss provision	34,000	23,500	4,600	9,996	35,000	107,096
Charge-offs	-	-	(24,755)	-	-	(24,755)
Recoveries	153	-	-	-	-	153
Reclassifications	-	-	-	-	-	-
Balance, June 30, 2007	<u>\$ 293,330</u>	<u>\$ 429,781</u>	<u>\$ 51,300</u>	<u>\$ 55,012</u>	<u>\$ 162,920</u>	<u>\$ 992,343</u>

At June 30, 2007, Cal Coastal maintained restricted cash and investment accounts at financial institutions in the amount of \$236,049 for the SBA Loan Program, \$53,427 for NADBank, and \$158,225 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 \$14,880 in the fiscal year ended June 30, 2007. At June 30, 2007, the principal balance of enrolled loans aggregated \$875,058 and reserves of \$85,342 were held by the Trust. Cal Coastal recorded contribution expenses of \$21,060 in the fiscal year ended June 30, 2006. At June 30, 2006, the principal balance of enrolled loans aggregated \$881,598 and reserves of \$48,764 were held by the Trust.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

NOTE #5 - FIXED ASSETS

Fixed assets and related depreciation consists of the following:

	2007	2006
Furniture, fixtures, and equipment	\$ 653,859	\$ 603,356
Leasehold improvements	49,345	48,895
	703,204	652,251
Less: accumulated depreciation and amortization	(618,637)	(572,171)
	\$ 84,567	\$ 80,080

Depreciation expenses of \$46,464 and \$45,597 were recorded in the fiscal years ended June 30, 2007 and 2006, respectively.

NOTE #6 - 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, 2007 and 2006, was \$213,349 and \$180,851, respectively, which was contributed to the Cal Coastal SEP-IRA plan.

NOTE #7 - STATE OF CALIFORNIA, OFFICE OF SMALL BUSINESS TRUST FUND

The Loan Guarantee Trust Fund, 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 three different accounts: income, directed, and advisory. Cal Coastal is allowed to specify the investments of the directed account.

At June 30, 2007, the Trust net assets were \$6,524,296. The balance, which approximated fair value, with outstanding Cal Coastal loan guarantee liabilities of \$21,029,621, and farm loan liabilities of \$2,051,886, resulted in an encumbrance level of 3.54 percent of trust balance. Direct farm loans sold to the Trust at June 30, 2007, were \$4,361,141. The direct farm loans were approximately 90 percent guaranteed by the FSA. Cal Coastal's liability at June 30, 2007, was \$2,014,676.

At June 30, 2006, the Trust net assets were \$6,244,224, which includes a \$1,402,340 receivable codified in law from the State of California. The remaining balance is \$4,841,884, which approximated fair value, with outstanding Cal Coastal loan guarantee liabilities of \$17,727,725, and farm loan liabilities of \$2,359,334, resulting in an encumbrance level of 3.22 percent of trust balance. Direct farm loans sold to the Trust at June 30, 2006, were \$3,452,537. The direct farm loans were approximately 90 percent guaranteed by the FSA. Cal Coastal's liability at June 30, 2006, was \$2,226,753.

A schedule of the Loan Guarantee Trust Fund – Fund Activity is presented on page 20.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

NOTE #8 - NOTES PAYABLE

	2007	2006
<p>Note payable to Opportunity Finance Network (formerly National Community Capital Association), unsecured, maturing on December 15, 2015. Principle 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%. Principle 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, 2007, Cal Coastal had drawn all of the available funds under this note.</p>	1,027,442	1,096,250
<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, 2007, Cal Coastal had drawn all of the available funds under this note.</p>	1,301,138	1,367,303
<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, with the following year and thereafter principle and interest payments that will fully amortize the loan 30 years from the date of the note until fully paid, including interest of 1.0% per annum, maturing March 2035. The maximum amount available to borrow under the note is \$750,000, and as of June 30, 2007, Cal Coastal had not drawn all available funds under this note.</p>	368,500	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 \$5,960, including interest of 4.875% per annum maturing January 2008. The maximum amount available to borrow under the note is \$500,000, and as of June 30, 2007, Cal Coastal had drawn all available funds under this note.</p>	29,027	96,133
<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, 2007, Cal Coastal had drawn all of the available funds under this note.</p>	257,481	292,001
<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, 2007, Cal Coastal had drawn all of the available funds under this note.</p>	414,778	460,151

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

NOTE #8 - NOTES PAYABLE, continued

	2007	2006
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 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, 2007, Cal Coastal had drawn all of the funds available under this note.	\$ 243,681	\$ 251,399
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. The note will mature in May 2016. The maximum amount available to borrow under the note is \$500,000, and as of June 30, 2007, Cal Coastal had drawn none of the funds available under this note.	-	-
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 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.	373,749	384,771
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 principle from relent advances, including interest of prime less 3.00% per annum. The notes have varying maturities not exceeding an 84 month term.	1,509,793	565,383
	\$ 6,875,589	\$ 6,231,891

Maturities as of June 30, 2007, on the notes payable are as follows:

Fiscal Year Ended June 30,	
2008	\$ 601,994
2009	562,748
2010	606,379
2011	934,324
2012	538,405
Thereafter	3,631,739
	\$ 6,875,589

NOTE #9 - LINE OF CREDIT

As of June 30, 2007, Cal Coastal has a \$3.5 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, 2008. As of June 30, 2007 and 2006, the Corporation had \$440,000 and \$0, respectively, drawn on the line.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

NOTE #10 - 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, 2007 and 2006, 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				
	2008	2009	June 30, 2010	2011	Total
Facilities	\$ 125,905	\$ 43,149	\$ -	\$ -	\$ 169,054
Equipment	6,300	6,300	6,300	5,775	24,675
Total	<u>\$ 132,205</u>	<u>\$ 49,449</u>	<u>\$ 6,300</u>	<u>\$ 5,775</u>	<u>\$ 193,729</u>

Rental expense for the years ended June 30, 2007 and 2006, was \$141,874 and \$134,473, respectively.

E. Deficit Fund Balances - Cal Coastal tracks allocated expenses between all funds. At June 30, 2007, the SBA Fund owed the Corporate Fund \$1,099,868 for their portion of these allocated costs. The SBA Fund has a deficit fund balance of \$713,968 at June 30, 2007. 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 \$21,259 at June 30, 2007. 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, 2007, 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.

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SUPPLEMENTARY INFORMATION

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

SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Balances Outstanding July 1, 2006</u>	<u>2006-2007 Authorized</u>	<u>2006-2007 Unobligated</u>	<u>Balances Outstanding June 30, 2007</u>
<u>U.S. Department of Agriculture</u>					
Intermediary Relending Program	10.767 *	<u>\$2,529,440</u>	<u>\$ 425,222</u>	<u>\$ 786,645</u>	<u>\$ 2,168,017</u>
<u>U.S. Small Business Administration</u>					
Microloan Demonstration Program	59.046 *	<u>913,019</u>	<u>404,000</u>	<u>328,913</u>	<u>988,106</u>
Total Federal Programs					<u><u>\$ 3,156,123</u></u>

* Major Program

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, 2007

	Corporate	Direct Loan Program	IRP-1 (Designated)	IRP-2 (Designated)
ASSETS				
Cash and cash equivalents - unrestricted	\$ 3,171	\$ 4,815,877	\$ -	\$ -
Cash and cash equivalents - designated	-	-	550,643	839,598
Accounts receivable	234,661	4,163	-	-
Interest receivable	-	260,704	4,373	6,990
Due from other funds	2,648,566	-	-	-
Investments	-	12,706	-	-
Loans receivable, net	-	3,816,935	643,983	938,902
Fixed assets, net	84,567	-	-	-
Other real estate owned	-	-	-	-
Other assets	72,887	-	-	-
TOTAL ASSETS	\$ 3,043,852	\$ 8,910,385	\$ 1,198,999	\$ 1,785,490
LIABILITIES AND NET ASSETS				
Accounts payable and other accrued expenses	\$ 2,538	\$ 89,299	\$ -	\$ 3,060
Resold commercial loans payable	-	4,502,732	-	-
Accrued compensation and benefits	379,928	16,000	-	-
Interest payable	-	326,484	5,518	535
Deferred revenue	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	1,350,000	48,945	30,509
Trust funded loans	-	2,014,676	-	-
Farm Service Agency/U.S. Department of Agriculture payables	-	-	-	-
Bank of line of credit	-	440,000	-	-
Notes payable	1,350,000	-	1,027,442	1,301,138
TOTAL LIABILITIES	1,732,466	8,739,191	1,081,905	1,335,242
NET ASSETS				
Unrestricted Net Assets				
Undesignated	1,311,386	171,194	-	-
Designated	-	-	117,094	450,248
TOTAL UNRESTRICTED NET ASSETS	1,311,386	171,194	117,094	450,248
TOTAL LIABILITIES AND NET ASSETS	\$ 3,043,852	\$ 8,910,385	\$ 1,198,999	\$ 1,785,490

See accompanying note to supplementary information.

IRP-3 (Designated)	Small Business Administration - 1 and 2 (Designated)	NADBank	CEDLI	Eliminations	Total
\$ -	\$ -	\$ 564,032	\$ 140,386	\$ -	\$ 5,523,466
281,673	327,283	-	-	-	1,999,197
-	126,402	-	-	-	365,226
1,264	15,745	16,906	19,578	-	325,560
-	-	-	-	(2,648,566)	-
-	-	53,427	158,225	-	224,358
156,022	936,805	659,123	1,272,668	-	8,424,438
-	-	-	-	-	84,567
-	-	-	-	-	-
-	-	-	8,000	-	80,887
<u>\$ 438,959</u>	<u>\$ 1,406,235</u>	<u>\$ 1,293,488</u>	<u>\$ 1,598,857</u>	<u>\$(2,648,566)</u>	<u>\$ 17,027,699</u>
\$ -	\$ -	\$ (6,583)	\$ -	\$ -	\$ 88,314
-	-	-	-	-	4,502,732
-	-	-	-	-	395,928
1,232	6,203	21,834	6,946	-	368,752
-	69,164	-	-	-	69,164
-	-	12,964	-	-	12,964
-	1,099,868	15,866	103,378	(2,648,566)	-
-	-	-	-	-	2,014,676
-	-	388,204	-	-	388,204
-	-	-	-	-	440,000
368,500	944,968	373,749	1,509,792	-	6,875,589
<u>369,732</u>	<u>2,120,203</u>	<u>806,034</u>	<u>1,620,116</u>	<u>(2,648,566)</u>	<u>15,156,323</u>
-	-	-	-	-	1,482,580
69,227	(713,968)	487,454	(21,259)	-	388,796
<u>69,227</u>	<u>(713,968)</u>	<u>487,454</u>	<u>(21,259)</u>	<u>-</u>	<u>1,871,376</u>
<u>\$ 438,959</u>	<u>\$ 1,406,235</u>	<u>\$ 1,293,488</u>	<u>\$ 1,598,857</u>	<u>\$(2,648,566)</u>	<u>\$ 17,027,699</u>

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

COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Corporate</u>	<u>Direct Loan Program</u>	<u>IRP-1 (Designated)</u>	<u>IRP-2 (Designated)</u>
REVENUES				
Contract support State OSB	\$ 391,792	\$ 155,900	\$ -	\$ -
Technical assistance contract income	112,738	-	-	-
Loan origination and guarantee fees	246,625	339,801	1,000	1,742
Loan late fees	-	49,934	162	1,528
Loan interest income	-	2,433,495	57,580	93,317
Investment income	-	-	-	-
Interest on deposit accounts	-	40,798	21,837	30,473
CDC income	137,383	-	-	-
Other income	5,180	7,644	-	-
TOTAL REVENUES	<u>893,718</u>	<u>3,027,572</u>	<u>80,579</u>	<u>127,060</u>
EXPENSES				
Salaries and wages	615,021	432,483	26,601	28,691
Payroll taxes and employee benefits	289,904	203,749	12,602	13,564
Interest expense	(6)	1,458,978	10,623	13,608
Provision for loan losses	-	34,000	9,000	9,000
California Capital Access Program contribution	14,880	-	-	-
Advertising and promotion	15,241	1,318	86	92
Meetings, education, and travel	66,006	28,984	1,786	1,932
Communication	40,932	28,594	1,802	1,910
Occupancy	87,081	61,458	3,760	4,078
Professional services	42,782	28,144	1,294	1,401
Office	32,960	23,619	1,421	1,632
Equipment repair and maintenance	14,095	8,033	438	519
Depreciation and amortization	20,574	16,670	1,039	1,104
Miscellaneous expenses	373	13,462	819	896
Loan expenses	3,647	157,536	(126)	88
TOTAL EXPENSES	<u>1,243,490</u>	<u>2,497,028</u>	<u>71,145</u>	<u>78,515</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE OPERATING TRANSFERS	(349,772)	530,544	9,434	48,545
OPERATING TRANSFERS				
Transfers in	467,374	-	-	-
Transfers out	-	(577,649)	-	-
TOTAL TRANSFERS	<u>467,374</u>	<u>(577,649)</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	117,602	(47,105)	9,434	48,545
UNRESTRICTED NET ASSETS, Beginning of Year	<u>1,193,784</u>	<u>218,299</u>	<u>107,660</u>	<u>401,703</u>
UNRESTRICTED NET ASSETS, End of Year	<u>\$ 1,311,386</u>	<u>\$ 171,194</u>	<u>\$ 117,094</u>	<u>\$ 450,248</u>

See accompanying note to supplementary information.

IRP-3 (Designated)	Small Business Administration - 1 and 2 (Designated)	NADBank	CEDLI	Total
\$ -	\$ -	\$ -	\$ -	\$ 547,692
-	121,983	-	-	234,721
28	2,714	35,008	25,730	652,648
141	1,400	2,351	389	55,905
16,271	84,523	354,669	74,436	3,114,291
-	-	2,751	4,609	7,360
2,505	8,973	16,250	-	120,836
-	-	-	-	137,383
-	-	-	-	12,824
<u>18,945</u>	<u>219,593</u>	<u>411,029</u>	<u>105,164</u>	<u>4,883,660</u>
-	118,498	36,092	29,419	1,286,805
-	55,730	17,059	13,911	606,519
3,793	29,663	248,600	41,573	1,806,832
5,500	4,600	9,996	35,000	107,096
-	-	-	-	14,880
-	361	111	96	17,305
-	8,020	2,381	1,993	111,102
-	7,900	2,380	1,979	85,497
-	16,758	5,150	4,165	182,450
-	5,737	1,778	1,428	82,564
-	6,694	1,919	1,576	69,821
-	2,101	681	507	26,374
-	4,534	1,412	1,131	46,464
-	18,523	1,168	901	36,142
-	1,000	33,976	7,483	203,604
<u>9,293</u>	<u>280,119</u>	<u>362,703</u>	<u>141,162</u>	<u>4,683,455</u>
9,652	(60,526)	48,326	(35,998)	200,205
55,275	15,000	-	40,000	577,649
-	-	-	-	(577,649)
<u>55,275</u>	<u>15,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
64,927	(45,526)	48,326	4,002	200,205
4,300	(668,442)	439,128	(25,261)	1,671,171
<u>\$ 69,227</u>	<u>\$ (713,968)</u>	<u>\$ 487,454</u>	<u>\$ (21,259)</u>	<u>\$ 1,871,376</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, 2007

		IRP-1, IRP-2						
		DLP	IRP-1, and IRP- 2	SBA	NADBank	CEDLI	Combined	Cal Cap
6/30/1997	Ending ALL Balances	\$115,510	\$ 137,774	\$ -	\$ -	\$ -	\$ 253,284	\$ -
	Provisions	(16,092)	-	-	-	-	(16,092)	-
	Charge Offs	(24,396)	-	-	-	-	(24,396)	-
	Recoveries	72,462	-	-	-	-	72,462	-
6/30/1998	Ending ALL Balances	147,484	137,774	-	-	-	285,258	-
	Provisions	9,700	29,550	26,000	9,000	-	74,250	-
	Charge Offs	-	(39,067)	(24,038)	-	-	(63,105)	-
	Recoveries	-	-	-	-	-	-	-
6/30/1999	Ending ALL 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, 2007

	DLP	IRP-1, IRP-2		NADBank	CEDLI	Combined	Cal Cap
		and IRP- 3	SBA				
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

SUMMARY:

6/30/1997 Beginning ALL Balances	\$115,510	\$ 137,774	\$ -	\$ -	\$ -	\$ 253,284	\$ -
Provisions	169,300	220,510	172,421	166,008	156,000	884,239	242,102
Charge Offs	(261,675)	(80,592)	(213,856)	-	-	(556,123)	(158,521)
Recoveries	287,695	12,009	111,239	-	-	410,943	1,761
Reclasses	(17,500)	140,080	(18,504)	(110,996)	6,920	-	-
6/30/2007 Ending ALL Balances	\$293,330	\$ 429,781	\$ 51,300	\$ 55,012	\$162,920	\$ 992,343	\$ 85,342

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
FOR THE YEAR ENDED JUNE 30, 2007

NOTE #1 - PURPOSE OF SCHEDULES

A. Schedule of Federal Awards

The United States Office of Management and Budget (OMB) Circular A-133, "*Audits of Institutions of Higher Education and Other Non-profit Organizations*" requires a disclosure of the financial activities of all federally funded programs. The OMB Circular requires the schedule when an entity receives funding greater than \$500,000.

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 history of the Corporation from June 30, 1996 to June 30, 2007.

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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Balance of Loan Guarantee, Beginning of Year	\$ 17,727,725	\$ 16,831,360
Loans Guaranteed	16,809,442	11,686,784
Loan Payoffs	<u>(13,507,546)</u>	<u>(10,790,419)</u>
Balance of Loan Guarantee, End of Year	<u>\$ 21,029,621</u>	<u>\$ 17,727,725</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, 2007

	Managed Account		Total
	Cash and Securities	Farm Loans	
Balance at July 1, 2006	<u>\$ 1,198,313</u>	<u>\$ -</u>	<u>\$ 1,198,313</u>
Receipts			
Interest - investments	74,279	-	74,279
Interest on farm loans	185,149	-	185,149
Recoveries received	-	-	-
Principal farm loan repayments	1,811,242	(1,811,242)	-
Repayment of state receivable	1,402,340	-	1,402,340
Interest on state receivables	-	-	-
Trustee to trustee transfers	(4,657)	3,463,665	3,459,008
Other adjustments	-	-	-
Total Receipts	<u>3,468,353</u>	<u>1,652,423</u>	<u>5,120,776</u>
Disbursements			
Farm loan advances	3,719,456	(2,708,718)	1,010,738
Capital gains (losses)	9,835	-	9,835
Fixed contract payment	-	-	-
Trustee and bank fees	30	-	30
Loss payouts	45,800	-	45,800
Other adjustment	-	-	-
Total Disbursements	<u>3,775,121</u>	<u>(2,708,718)</u>	<u>1,066,403</u>
Intrafund transfers	745,138	-	745,138
	<u>745,138</u>	<u>-</u>	<u>745,138</u>
Ending Balance at June 30, 2007	<u><u>\$ 1,636,683</u></u>	<u><u>\$ 4,361,141</u></u>	<u><u>\$ 5,997,824</u></u>
Consisting of:			
Cash and securities			\$ 5,997,824
Farm loan notes			-
Receivable codified in law			-
Total			<u><u>\$ 5,997,824</u></u>

Unaudited - see accompanying note to additional supplementary information.

<u>Directed Account</u>	<u>Income Account</u>	<u>Receivable from the State</u>	<u>Total</u>
<u>\$ 3,452,540</u>	<u>\$ 191,031</u>	<u>\$ 1,402,340</u>	<u>\$ 6,244,224</u>
-	16,061	-	90,340
60,914	-	-	246,063
-	-	-	-
-	-	-	-
-	-	(1,402,340)	-
-	131,419	-	131,419
(3,463,665)	(2,465)	-	(7,122)
-	-	-	-
<u>(3,402,751)</u>	<u>145,015</u>	<u>(1,402,340)</u>	<u>460,700</u>
(1,010,738)	-	-	-
-	14	-	9,849
-	121,001	-	121,001
-	3,948	-	3,978
-	-	-	45,800
-	-	-	-
<u>(1,010,738)</u>	<u>124,963</u>	<u>-</u>	<u>180,628</u>
(1,060,527)	315,389	-	-
<u>(1,060,527)</u>	<u>315,389</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 526,472</u>	<u>\$ -</u>	<u>\$ 6,524,296</u>
\$ -	\$ 526,472	\$ -	\$ 6,524,296
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ 526,472</u>	<u>\$ -</u>	<u>\$ 6,524,296</u>

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

SCHEDULE OF LOAN GUARANTEE BALANCES
JUNE 30, 2007

<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>
CC762	\$ -	CC1157	\$ 348,152	CC1265	\$ 137,203	CC1310	\$ -
CC813	125,768	CC1160	90,273	CC1267	-	CC1311	-
CC937	-	CC1168	-	CC1268	-	CC1312	-
CC938	-	CC1176	-	CC1269	-	CC1313	-
CC958	-	CC1178	17,085	CC1270	11,289	CC1314	-
CC970	-	CC1179	7,368	CC1273	191,367	CC1315	56,868
CC973	65,263	CC1182	42,014	CC1274	125,666	CC1316	435,747
CC977	-	CC1190	59,254	CC1275	-	CC1317	-
CC979	17,510	CC1194	32,558	CC1276	-	CC1318	-
CC986	29,039	CC1198	131,173	CC1277	30,420	CC1319	12,134
CC999	-	CC1199	248,122	CC1279	-	CC1320	7,393
CC1001	-	CC1200	-	CC1280	234,647	CC1321	313,901
CC1004	-	CC1202	109,907	CC1281	-	CC1322	215,040
CC1013	154,550	CC1205	296,627	CC1282	-	CC1323	458,028
CC1015	356	CC1206	79,610	CC1283	71,870	CC1324	36,406
CC1020	16,440	CC1211	400,000	CC1284	-	CC1325	175,930
CC1034	-	CC1212	-	CC1285	-	CC1326	15,411
CC1041	13,125	CC1214	10,914	CC1286	-	CC1327	-
CC1042	-	CC1215	15,000	CC1289	-	CC1328	-
CC1046	-	CC1217	16,940	CC1290	195,264	CC1329	37,527
CC1050	18,341	CC1218	-	CC1291	24,977	CC1330	205,873
CC1052	3,481	CC1219	189,000	CC1292	16,106	CC1331	174,706
CC1055	31,583	CC1220	139,170	CC1293	-	CC1332	102,917
CC1072	-	CC1227	-	CC1294	-	CC1333	259,469
CC1076	-	CC1230	461,547	CC1295	-	CC1334	64,520
CC1093	312,752	CC1232	281,374	CC1296	12,608	CC1335	247,611
CC1101	128,260	CC1233	8,592	CC1297	30,424	CC1336	-
CC1102	-	CC1234	-	CC1298	-	CC1337	46,387
CC1105	-	CC1241	86,745	CC1299	30,598	CC1338	34,919
CC1117	126,098	CC1242	-	CC1300	18,000	CC1339	42,500
CC1121	46,302	CC1244	-	CC1301	-	CC1340	37,500
CC1129	-	CC1246	259,107	CC1302	-	CC1341	160,637
CC1133	-	CC1248	83,937	CC1303	-	CC1342	22,837
CC1135	21,108	CC1251	15,300	CC1304	20,418	CC1343	150,000
CC1142	306,583	CC1252	2,500	CC1305	-	CC1344	-
CC1143	9,827	CC1257	-	CC1306	474,234	CC1345	-
CC1147	-	CC1260	-	CC1307	-	CC1346	68,075
CC1148	-	CC1262	-	CC1308	152,774	CC1347	320,000
CC1156	-	CC1263	-	CC1309	67,370	CC1350	9,000

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, 2007

<u>Loan Number</u>	<u>Guarantee Liability</u>	<u>Loan Number</u>	<u>Guarantee Liability</u>	<u>Loan Number</u>	<u>Guarantee Liability</u>
CC1351	\$ 144,927	CC1394	\$ 45,000	CC1433	\$ 44,794
CC1352	17,000	CC1395	221,242	CC1434	42,500
CC1353	116,166	CC1396	487,858	CC1435	29,750
CC1355	42,500	CC1397	22,500	CC1436	65,025
CC1356	24,000	CC1398	113,667	CC1437	500,000
CC1357	158,139	CC1399	40,000	CC1438	500,000
CC1358	120,000	CC1400	80,000	CC1439	500,000
CC1359	18,000	CC1401	45,000	CC1440	63,750
CC1360	200,000	CC1402	22,250	CC1441	200,000
CC1361	96,105	CC1403	13,500	CC1442	120,000
CC1362	116,550	CC1404	63,750	CC1443	36,000
CC1363	114,757	CC1405	80,000	CC1444	320,000
CC1364	93,500	CC1406	39,686		<u>\$ 21,029,621</u>
CC1365	150,000	CC1407	17,039		
CC1366	8,500	CC1408	220,000		
CC1367	13,500	CC1409	100,000		
CC1368	28,294	CC1410	495,634		
CC1369	45,000	CC1411	77,877		
CC1370	59,500	CC1412	103,456		
CC1371	85,000	CC1413	16,658		
CC1372	331,430	CC1414	125,195		
CC1373	85,000	CC1415	42,858		
CC1375	185,131	CC1416	85,000		
CC1377	54,955	CC1417	80,000		
CC1378	111,300	CC1418	130,597		
CC1380	200,000	CC1419	80,000		
CC1381	88,200	CC1420	15,313		
CC1382	176,470	CC1421	20,000		
CC1383	100,152	CC1422	16,000		
CC1384	21,250	CC1423	107,605		
CC1385	33,757	CC1424	42,090		
CC1386	246,394	CC1425	22,500		
CC1387	14,575	CC1426	400,000		
CC1388	268,995	CC1427	276,620		
CC1389	20,000	CC1428	20,000		
CC1390	35,862	CC1429	300,000		
CC1391	80,000	CC1430	54,873		
CC1392	259,200	CC1431	22,500		
CC1393	39,703	CC1432	42,500		

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, 2007 AND 2006

<u>2007</u>	<u>Gross Loans Originated</u>	<u>Number of Loans</u>	<u>Net Loans Originated</u>
Business and Industry/North American Development Bank	\$ 1,920,000	1	\$ 1,920,000
California Economic Development Lending Initiative	1,194,000	9	1,194,000
Direct Farm Loan Program - Farm Ownership	-	-	-
Direct Farm Loan Program - Operating Loans	15,546,000	57	15,546,000
Guaranteed Loans	16,809,442	97	11,864,044
Intermediary Relending Program - 1	149,000	3	149,000
Intermediary Relending Program - 2	276,222	4	276,222
Intermediary Relending Program - 3	-	-	-
Monterey County Revolving Loan Fund	405,000	3	405,000
Small Business Administration (SBA)	404,000	16	404,000
SBA 504 Loan Program	2,653,000	4	2,653,000
Direct Loan Program - Workout Loans	1,700,333	16	1,700,333
Other programs	120,000	2	120,000
Rust Program	-	-	-
Total Loans by Product	\$ 41,176,997	212	\$ 36,231,599
<u>2006</u>	<u>Gross Loans Originated</u>	<u>Number of Loans</u>	<u>Net Loans Originated</u>
Business and Industry/North American Development Bank	\$ 1,792,000	1	\$ 1,792,000
California Economic Development Lending Initiative	205,000	3	205,000
Direct Farm Loan Program - Farm Ownership	3,884,399	9	3,884,399
Direct Farm Loan Program - Operating Loans	16,191,200	75	16,191,200
Guaranteed Loans	11,686,784	73	8,944,888
Intermediary Relending Program - 1	210,000	2	210,000
Intermediary Relending Program - 2	250,000	2	250,000
Intermediary Relending Program - 3	80,000	2	80,000
Monterey County Revolving Loan Fund	280,000	5	280,000
Small Business Administration (SBA)	566,500	24	566,500
SBA 504 Loan Program	9,380,000	14	9,380,000
Direct Loan Program - Workout Loans	537,753	7	537,753
Rust Program	93,180	1	93,180
Total Loans by Product	\$ 45,156,816	218	\$ 42,414,920

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 (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007

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 year ended June 30, 2007, and have issued our report thereon dated October 1, 2007. We conducted our audit 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 audit, 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.

Vaurinek, Stone, Day & Co. LLP

Rancho Cucamonga, California
October 1, 2007



**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, 2007. 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, 2007.

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.

Vaurinek, June Day & Co. LLP

Rancho Cucamonga, California
October 1, 2007

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

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2007

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 Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.767</u>	<u>Intermediary Relending Program</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>