2009

2009

annual report

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CoastHills™
FEDERAL CREDIT UNION

In our 51st year of serving our members,

CoastHills was faced with an unprecedented set of economic challenges. The hardships, triggered by a combination of steep declines in housing values and sharp increases in unemployment, resulted in negative earnings for 2009.

Working in tandem with your volunteer Board of Directors, we met these challenges head on. Our proactive plan of action in 2009 kept our members in their homes, kept our employees in their jobs, and kept your Credit Union safe and well capitalized.

We set the pace in loan modifications.
Working closely with our members to find solutions, CoastHills proactively modified nearly $20 million of our existing home loan portfolio in 2009.

We provided the deposit and loan support our members needed.
We achieved preferred SBA Lender status in 2009, which streamlined our ability to provide key support for our business community. Through our array of products and services, we saw steady growth in business membership.

Despite a downturn in consumer spending, we further established ourselves as the market share leader in auto loans. Additionally, our SuperReady checking account members, now more than 10,000 strong, received the benefits from a high dividend checking account.

Through strategic branch consolidation and other operating efficiencies, we significantly lowered our operating costs without forfeiting member service, and without incurring a single employee lay-off.

We led the charge in community service.
In 2009, the CoastHills Community Foundation reached a significant milestone in September, cresting the $100,000 mark in donations to the local area Food Banks as a result of the proceeds from our "Rancho Vino" and "Blue Jean Bash" fundraising events. Thanks to the hard work of our foundation members and the support of our community partners, we achieved this milestone in only three years.

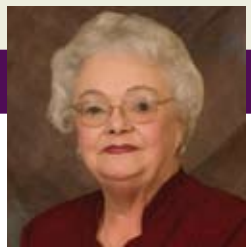
Our branch managers and education staff expanded our High School Financial Planning classes into every high school in our field of membership during the 2008-2009 school year. We are second to none in providing financial education to tomorrow's leaders here on the Central Coast.

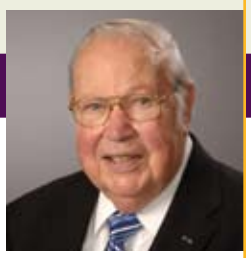
We were grateful for their strength and guidance
2009 gave us an opportunity to reflect on the tremendous contributions of four volunteers, who combined, gave more than 130 years of service to your Credit Union. Georgia "Peggy" Kizziah and Roy Stovall transitioned from Board member status to Emeritus status in March. Pat Osbourne, a Supervisory Committee member for 27 years, also transitioned to emeritus status in March. These dedicated individuals provided the backbone for our growth and evolution, and we will continue to call upon their experience and expertise as we frame our future growth.

president's & chairman's report

Georgia "Peggy" Kizziah

Roy Stovall


Pat Osbourne


Wray Stitch

In August, Wray Stitch passed away at the age of 88. His nickname of "Mr. Credit Union" was achieved through his countless contributions during more than 40 years of serving your board. We are deeply saddened by his passing, but Wray Stitch will always be a part of this Credit Union.

We look ahead with optimism.
It is prudent for us to look at our immediate future with guarded optimism. The strength and strategy that navigated us through the troubled waters of 2009 will set the framework for CoastHills to be the type of financial institution that will thrive in 2010 and beyond.

We will continue to expand our support of the business communities throughout our field of membership. As a preferred SBA lender, we are the ones making business loans, not making promises.

With the addition of VA home loans for veterans and military personnel, we make it even easier for you to choose CoastHills when the time is right to buy a home. Our expertise in the auto loan process and competitive rates will further position us as the pace setter throughout the central coast.

We thank you for your trust.
We assure you that the confidence and trust you have given us as the leaders of your Credit Union will be the guiding light into the future. On behalf of all of our volunteers and employees, it is an honor to serve you. To the 65,000 of you who have put your trust in us, we thank you for choosing CoastHills.

Jeff York President/CEO and **Hugh Rafferty** Chairman/Board of Directors

condensed financial statements 2009

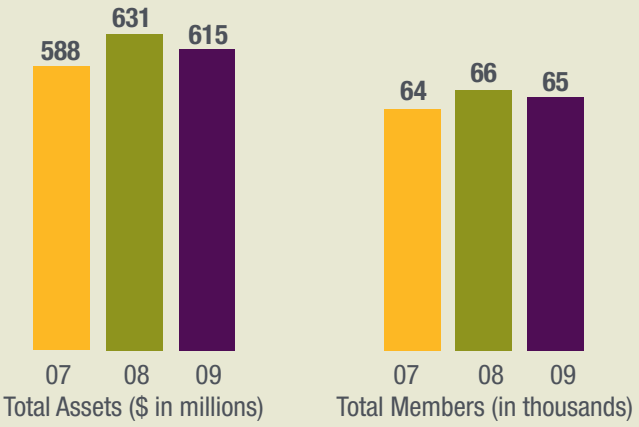
Assets	
Loans to Members, Net	$ 490,273,619
Cash & Cash Equivalents	61,276,831
Investments	32,531,650
Property & Equipment	14,942,799
Accrued Interest Receivable	2,019,618
Share Insurance Deposits	5,906,911
Other Assets	8,170,293
Total Assets	**$ 615,121,721**

Liabilities & Members' Equity	
Accounts Payable & Other Liabilities	$ 10,472,366
Members' Shares and Savings	555,421,740
Retained Earnings & Reserve	49,227,615
Total Liabilities & Equity	**$ 615,121,721**

Income	
Interest on Loans to Members	$ 28,756,726
Investment Income	1,122,830
Other Income	9,260,695
Total Income	**$ 39,140,251**

Expenses	
Dividends on Members' Shares & Savings	$ 8,677,440
Salaries & Benefits	10,381,031
Operations	8,478,276
Occupancy	2,296,723
Interest on Borrowed Funds	14,901
Loss on Disposition of Assets	287,614
Corporate Credit Union Investment Loss	2,422,683
Share Insurance Fund Assessment	1,267,037
Provision for Loan Losses	15,253,284
Total Expenses	**$ 49,078,989**
Net Income (Loss)	**$ (9,938,738)**

Note: The amounts reported above for assets, liabilities and equity have been audited.



Financial statements as of December 31, 2009.

treasurer's report

The 2009 financial statement accompanying this annual report reflects the period of January 1st, 2009 through December 31st, 2009. With the increase in foreclosures and loan charge-offs brought about by the trying economic times, and due to the corporate credit union impairment and subsequent impact on our insurance fund, we experienced negative earnings in 2009 of $9.9 million.

The 2009 audit results from Clifton Gunderson LLP, Certified Public Accountants and from the National Credit Union Administration, our federal regulator, found no material weaknesses in the manner in which we operate your Credit Union.

Like many of our peer credit unions, we tightened our balance sheet in 2009. We ended the calendar year with $615 million in assets, which indicates an annual decrease of $11.6 million. We saw a decrease in loans of $36.4 million. Our net worth ratio, a key measure of financial security, was at 7.98 percent, which indicates that we are well capitalized as we move into 2010.

We continued our growth in business member loans and deposits in 2009, providing further diversification to our loan portfolio. This sector also provides us with an excellent foundation for further growth. As a shareholder and member-owner of CoastHills, you can feel confident and secure about your Credit Union's future viability and ability to make a difference in our neighbors' lives.

Arthur "Chuck" Scheithauer Treasurer/Board of Directors

supervisory committee report

The CoastHills Supervisory Committee consists of five credit union members who volunteer their time and services to help make your Credit Union a safe and viable place for members to manage their financial affairs.

The committee has two primary responsibilities:

1) Ensure that management's financial reporting is accurate and complete.

2) Ensure management practices and procedures safeguard members' assets.

Several actions were taken in 2009 to meet these responsibilities. The committee employed Clifton-Gunderson, LLP, Certified Public Accountants, to perform an audit covering the period of 9/30/08 through 12/31/09. The audit considered the Credit Union's internal controls and verified the accuracy of the Credit Union's records.

To remain abreast of Credit Union activities, all committee members attend monthly board meetings, our annual strategic planning session, seminars, and monthly meetings with the CEO.

This year's financial report covers the calendar year of January 1, 2009 through December 31, 2009. On behalf of the Supervisory Committee, I am pleased to report to the members that all audits confirm the safety and soundness of the Credit Union's financial position.

David Richardson Chairman/Supervisory Committee

board of directors

Paso Robles
1402 Spring Street

Atascadero
8900 Pueblo Avenue

San Luis Obispo
1106 Walnut Street

Five Cities
1580 West Branch St.

Nipomo
532 W. Tefft Street

Santa Maria
1203 South Broadway

Crossroads
2364 S. Bradley, Suite F1

Orcutt
1157 E. Clark Avenue

Vandenberg AFB
Building #10375

Vandenberg Village
3880 Constellation Road

Lompoc
1320 North H Street

Hugh Rafferty
Chairman

Robert McIntire
1st Vice Chairman

Bill Anders
2nd Vice Chariman

Chuck Scheithauer
Treasurer

Ted Eckert
Secretary

Bruce Coggin
Director

Pete Reed
Director

Shirleen Sladek
Director

Rick Velasco
Director

supervisory committee

David Richardson
Chairman

Pete Moeller
Secretary

Larry Gooch
Member

Darrell Gabel
Member

leadership team

Jeff York President/CEO
Bruce Altheide VP Wealth Management
Marty Chatham SVP Chief Financial Officer
Scott Coe SVP Marketing
Robert Goebel VP Business Services
Linda Jarrett VP Support Operations
Diane Lawrence VP Human Resources
Dave Upham SVP Branch Operations
Linda Van Dyke Executive Assistant
Dal Widick SVP Lending & Collections