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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

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Section

SEC FILE NUMBER
8-46708

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 thereunder**

NOV 30 2009
Washington, DC
110

REPORT FOR THE PERIOD BEGINNING 10/01/08 AND ENDING 09/30/09
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Strongtower Financial, Inc.**

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

7120 N. Whitney Ave., Suite 105

(No. and Street)

Fresno

California

93720

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Raymond Jones (559) 322-1001

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Windes & McClaughry Accountancy Corporation

(Name - if individual, state last, first, middle name)

111 West Ocean Blvd., 22nd Floor Long Beach

California

90802

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, James Overholt, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Strongtower Financial, Inc., as of September 30, 2009, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature
President
Title

Notary Public

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

Jurat

State of California

County of Fresno

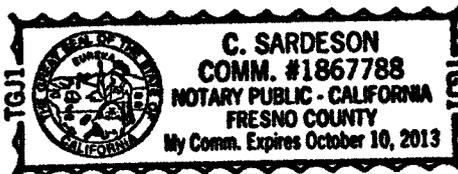
Subscribed and sworn to (or affirmed) before me on this 25 day of November,
2009 by James Overholt

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

C. Sardeson

Signature

(Notary seal)



OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

Annual Audited Report

(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages 2 Document Date 10-1-08 to 09-30-09

(Additional information)

INSTRUCTIONS FOR COMPLETING THIS FORM

The wording of all Jurats completed in California after January 1, 2008 must be in the form as set forth within this Jurat. There are no exceptions. If a Jurat to be completed does not follow this form, the notary must correct the verbiage by using a jurat stamp containing the correct wording or attaching a separate jurat form such as this one which does contain proper wording. In addition, the notary must require an oath or affirmation from the document signer regarding the truthfulness of the contents of the document. The document must be signed AFTER the oath or affirmation. If the document was previously signed, it must be re-signed in front of the notary public during the jurat process.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the jurat process is completed.
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Signature of the notary public must match the signature on file with the office of the county clerk.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different jurat form.
 - ❖ Additional information is not required but could help to ensure this jurat is not misused or attached to a different document.
 - ❖ Indicate title or type of attached document, number of pages and date.
- Securely attach this document to the signed document

STRONGTOWER FINANCIAL, INC.
(A WHOLLY OWNED SUBSIDIARY OF CALIFORNIA BAPTIST FOUNDATION)

FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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**WINDES & McCLAUGHRY
ACCOUNTANCY CORPORATION**

*Certified Public Accountants
& Consultants*

Established 1926

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Strongtower Financial, Inc.

We have audited the accompanying statement of financial condition of Strongtower Financial, Inc. (a wholly owned subsidiary of California Baptist Foundation) (the Company) as of September 30, 2009, and the related statements of operations, changes in equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Strongtower Financial, Inc. (a wholly owned subsidiary of California Baptist Foundation) as of September 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. 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.

Long Beach, California
November 23, 2009

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

STATEMENT OF FINANCIAL CONDITION
SEPTEMBER 30, 2009

ASSETS

ASSETS	
Cash and cash equivalents	\$ 1,009,512
Certificates of deposit	561,269
Mortgage bond inventory	463,682
Receivables related to broker transactions	160,945
Other receivables	323,258
Income taxes receivable	711,000
Other assets	197,153
Investments in securities	33,614
Property and equipment, net	1,870,265
Deposits - P.A.I.B.	<u>100,000</u>
TOTAL ASSETS	<u>\$ 5,430,698</u>

LIABILITIES AND EQUITY

LIABILITIES	
Accounts payable	\$ 130,515
Accrued commissions	386,384
Accrued expenses and other liabilities	354,838
Income taxes payable	2,474
Note payable	1,820,555
Deferred income taxes	<u>1,100</u>
	<u>2,695,866</u>
 COMMITMENTS AND CONTINGENCIES (Note 10)	
 EQUITY	
Paid-in capital	368,000
Retained earnings	<u>2,366,832</u>
	<u>2,734,832</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 5,430,698</u>

The accompanying notes are an integral part of these financial statements.

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

REVENUES	
Underwriter fees	\$ 1,114,557
Broker fees and commissions	3,053,049
CLF management fee	1,078,844
Capital stewardship fees	125,385
Marketing fees	290,940
Interest	77,256
Other	193,753
	<u>5,933,784</u>
EXPENSES	
Advertising	10,686
Assessment fee	63,585
Bad debt expense	41,174
Commissions	1,449,750
Consulting	255,244
Contributions	5,080
Data processing	145,656
Depreciation	153,599
Dues and subscriptions	15,607
Filing fees	8,206
Human resource	44,828
Insurance	110,095
Interest	145,352
Lease expense	346,036
Legal and accounting	205,017
Marketing	69,236
Miscellaneous	46,747
Office	115,776
Payroll expenses	3,384,170
Payroll taxes and benefits	959,192
Postage and shipping	42,970
Property maintenance	54,257
Securitization fees	151,203
Storage	7,708
Telephone	64,179
Training and education	29,262
Travel	227,351
Utilities	38,968
Loss on disposition of equipment	8,185
	<u>8,199,119</u>
LOSS BEFORE BENEFIT FOR INCOME TAXES	(2,265,335)
BENEFIT FOR INCOME TAXES	<u>750,464</u>
NET LOSS	<u>(\$ 1,514,871)</u>

The accompanying notes are an integral part of these financial statements.

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
BALANCE, OCTOBER 1, 2008, AS RESTATED (SEE NOTE 13)	\$ 368,000	\$ 3,881,703	\$ 4,249,703
NET LOSS	_____	(1,514,871)	(1,514,871)
BALANCE, SEPTEMBER 30, 2009	<u>\$ 368,000</u>	<u>\$ 2,366,832</u>	<u>\$ 2,734,832</u>

The accompanying notes are an integral part of these financial statements.

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	(\$ 1,514,871)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	153,599
Unrealized loss on investments	7,347
Loss on forgiveness of demand note	35,762
Loss on disposition of equipment	8,185
Noncash employee compensation	18,089
Change in deferred income taxes	(80,300)
Noncash interest income	(14,787)
Changes in operating assets and liabilities:	
Certificates of deposit	721,518
Mortgage bond inventory	270,318
Receivables related to broker transactions	103,822
Other receivables	(81,862)
Prepaid income taxes	45,338
Income taxes receivable	(711,000)
Other assets	248,854
Investments in securities	(24,233)
Accounts payable	(250,722)
Accrued commissions	(628,986)
Accrued expenses and other liabilities	(121,091)
Income taxes payable	(15,056)
Net Cash Used In Operating Activities	<u>(1,830,076)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	(71,424)
Proceeds from sale of equipment	1,916
Collection on demand notes	874
Net Cash Used In Investing Activities	<u>(68,634)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on notes payable	(73,516)
Net Cash Used In Financing Activities	<u>(73,516)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,972,226)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,981,738</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,009,512</u>

The accompanying notes are an integral part of these financial statements.

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – Organization

Strongtower Financial, Inc. was incorporated under the laws of the State of California in October 1993 as a nonprofit religious corporation. The Company is a broker-dealer registered with the Securities and Exchange Commission and specializes in church and nonprofit financing, as well as values-based financial services, for clients across the country.

Strongtower Financial, Inc. is a wholly owned subsidiary of California Baptist Foundation. The board of directors of Strongtower Financial, Inc. is comprised of board members who serve on the California Baptist Foundation board and at-large members

NOTE 2 – Significant Accounting Policies

Securities Transactions

All securities transactions are executed and cleared through another broker-dealer on a fully disclosed basis. Broker fees and commission income and related expenses are recorded on a settlement date basis as securities transactions occur. The financial statement effect of recording these transactions at settlement date rather than trade date is not significant. Underwriter fees are recognized upon release of escrow fees.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles 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. Significant items subject to such estimates and assumptions, among others, include the carrying amount of mortgage bond inventory, property and equipment, and the provision for current and deferred income taxes. Actual results could differ from those estimates. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2 – Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

On October 1, 2008, the Company adopted the provisions required by the *Fair Value Measurements and Disclosures* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. This Topic defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The Company's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

In February 2008, the FASB released additional guidance which provides for delayed application of certain guidance related to nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis until fiscal years beginning after November 15, 2008. The Company is in the process of evaluating the impact, if any, of applying these provisions on its financial position, results of operations, and cash flows.

Credit Risk

Cash and cash equivalents include account balances in banks and cash balances at brokers. The Company maintains bank balances which, at times, may exceed federally insured amounts. At various times throughout the year, the Company may also maintain cash and investment balances at brokers which exceed amounts insured by Securities Investor Protection Corporation (SIPC). Amounts not covered by SIPC are insured by supplemental insurance carried by the brokers. Given the current economic environment and risks in the financial institution industry, there is a risk that these deposits may not be readily available.

The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risk on these accounts.

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2 – Significant Accounting Policies (Continued)

Credit Risk (Continued)

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Cash and Cash Equivalents

Investments purchased with an original maturity of three months or less are considered by the Company to be cash and cash equivalents.

Certificates of Deposit

Certificates of deposit totaled \$561,269 at September 30, 2009. The certificates bear interest ranging from 1.00% to 1.39% and have maturities of a year or less. Any penalties for early withdrawal would not have a material effect on the financial statements.

Mortgage Bond Inventory

Mortgage bond inventory consists of mortgage bonds purchased for resale and are stated at fair market value. The fair market value is determined by the Company's management using the recent purchase/sales price or the sinking fund payment history of the issuer. For delinquent issuers, the Company considers expected payment, default/foreclosure probability and timing, as well as the value and expected recovery of the secured property.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to expense and a credit to the receivable. Bad debt expenses related to receivables have not been material to the financial statements. At September 30, 2009, management considers all amounts at year-end to be fully collectible.

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2 – Significant Accounting Policies (Continued)

Investments in Securities

The Company's investments in securities are carried on the financial statements at fair market value. Realized and unrealized gains and losses are presented net on the statement of operations and reported as other revenue.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of each class of depreciable asset, generally three to forty years. Expenditures for repairs and maintenance are expensed as incurred.

Long-Lived Assets

In accordance with FASB Topic 360, *Property, Plant, and Equipment*, long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset.

If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. During the year ended September 30, 2009, management determined that there was no impairment of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's services will continue, which could result in impairment of long-lived assets in the future.

Clearing Broker Agreement

The Company has a clearing agreement with a clearing broker. Under the terms of the agreement, the Company is required to maintain a \$100,000 good-faith deposit. In addition, the Company is contingently liable to the clearing broker in the event of nonperformance by its introduced customers. It is the Company's policy to continuously monitor its exposure to this risk.

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2 – Significant Accounting Policies (Continued)

Provision for Income Taxes and Deferred Income Taxes

The Company is a nonprofit religious corporation which does not qualify for tax-exempt status. As such, the Company is taxed at the federal and state level on its activities.

Income taxes are provided for the effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of certain assets and liabilities for financial income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Deferred income tax assets or liabilities are attributable to temporary differences resulting from the amount of the current year's California Franchise Tax, other state taxes, unrealized trading gains and losses, state net operating loss (NOL) carryforwards, and temporary differences between book and tax depreciation methods. Valuation allowances are established when necessary to reduce deferred tax assets to amounts, which are more likely than not to be realized.

New Accounting Standards

The FASB guidance contained in the *Income Taxes* Topic addresses accounting for uncertainty in income taxes recognized in an enterprise's financial statements, which will be effective for the Company's fiscal year-end 2010. This Topic prescribes a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Upon adoption of guidance issued in the Topic, the Company will be required to recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being recognized. Additionally, previously recognized tax positions that no longer meet the more-likely-than-not threshold should be derecognized in the first financial reporting period in which that threshold is no longer met. Changes in recognition or measurement will be reflected in the period in which the change in judgment occurs. The Company currently recognizes the effect of income tax positions only if such positions are probable of being sustained. The Company is currently evaluating the effect, if any, of the adoption of FASB's guidance for accounting for uncertainty in income taxes.

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 3 – Related Party Transactions

As of and for the year ended September 30, 2009, related party transactions with California Baptist Foundation consist of the following:

Accounts receivable	\$	16,036
Rental income	\$	11,340
Church Loan Fund (CLF) management fee income	\$	1,078,844
Reimbursement of expenses to California Baptist Foundation	\$	261,399
Lease expense	\$	79,200
Bond collateralized loan interest deficit	\$	13,027
Repayment of note payable (principal and interest)	\$	47,877
Purchase of office furniture	\$	14,158
Commission income from CLF and Church Capital Funding funds	\$	725,940

NOTE 4 – Receivables and Payables Related to Broker Transactions

Amounts receivable and payable related to broker transactions at September 30, 2009, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Trailer fees	\$ 42,462	
Commissions	<u>118,483</u>	<u>\$ 386,384</u>
	<u>\$ 160,945</u>	<u>\$ 386,384</u>

NOTE 5 – Fair Value Hierarchy

As discussed in Note 2, the Company adopted the provisions for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The *Fair Value Measurements and Disclosures* Topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 5 – Fair Value Hierarchy (Continued)

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2009:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Assets at</u>	<u>Quoted</u>	<u>Significant</u>	<u>Significant</u>
	<u>Fair Value</u>	<u>Prices in</u>	<u>Other</u>	<u>Unobservable</u>
		<u>Active</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Markets for</u>	<u>Inputs</u>	<u>(Level 3)</u>
		<u>Identical</u>	<u>(Level 2)</u>	
		<u>Assets</u>		
		<u>(Level 1)</u>		
Investments:				
Mutual funds	\$ 24,102	\$ 24,102		
Common stock	9,512	9,512		
Certificates of deposit	561,269		\$ 561,269	
Mortgage bond inventory	<u>463,682</u>			<u>\$ 463,682</u>
Total	<u>\$ 1,058,565</u>	<u>\$ 33,614</u>	<u>\$ 561,269</u>	<u>\$ 463,682</u>

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 5 – Fair Value Hierarchy (Continued)

The following table presents the Company’s activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2009:

	<u>Mortgage Bond Inventory</u>
Balance at October 1, 2008	\$ 734,000
Unrealized losses	(7,188)
Purchases, issuance, and settlements (net)	<u>(263,130)</u>
Balance at September 30, 2009	<u>\$ 463,682</u>

NOTE 6 – Property and Equipment

Property and equipment consists of the following:

Property and equipment:	
Building	\$ 1,739,000
Computer hardware	284,437
Computer software	160,904
Building improvements	17,776
Furniture and fixtures	<u>252,973</u>
	2,455,090
Less accumulated depreciation	<u>(845,825)</u>
	1,609,265
Land	<u>261,000</u>
	<u>\$ 1,870,265</u>

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 7 – Note Payable

The note payable is secured by a deed of trust and is payable in monthly installments of \$14,005, including interest at 7.5%. The note matures in August 2017 and has a balance of \$1,820,555 as of September 30, 2009.

Future maturities of the note payable as of September 30, 2009 are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2010	\$ 30,698
2011	33,115
2012	35,346
2013	38,506
2014	41,539
Thereafter	<u>1,641,351</u>
	<u>\$ 1,820,555</u>

NOTE 8 – Retirement Plan

The Company has a 401(k) retirement plan covering all employees who are age 18 or older. The plan allows eligible employees to defer up to 100% of their compensation, pursuant to Section 401(k) of the Internal Revenue Code. The Company matched employee contributions on the first 5% of the employee's eligible wages until January 1, 2009, when the plan was amended to no longer include matching contributions.

The Company may make a discretionary contribution to the plan. The Board of Directors determines each year if such a contribution will be made and, if so, the amount to be contributed. This contribution will be shared by all eligible employees, regardless of whether they make an elective contribution.

Contribution expense for the year ended September 30, 2009 was \$128,004.

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 9 – Benefit for Income Taxes

The benefit for income taxes consists of the following:

Current:		
Federal	\$	673,364
State	(<u>3,200</u>)
		<u>670,164</u>
Deferred:		
Federal		68,400
State		<u>11,900</u>
		<u>80,300</u>
	\$	<u>750,464</u>

The reconciliation of the federal statutory income tax rate to the effective tax rate is as follows:

Computed “expected” federal income taxes	\$	770,214
State income taxes, net of federal		120,837
Nondeductible differences	(5,315)
Valuation allowance	(211,246)
Tax credits		54,077
Other		<u>21,897</u>
	\$	<u>750,464</u>

STRONGTOWER FINANCIAL, INC.
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 9 – Benefit for Income Taxes (Continued)

Deferred income tax assets and liabilities are as follows:

Deferred income tax assets:	
Accrued vacation	\$ 26,400
State income taxes	3,200
State net operating loss carryforwards	206,600
Enterprise zone tax credit carryforwards	<u>143,000</u>
	379,200
Less valuation allowance	<u>(349,700)</u>
	<u>29,500</u>
Deferred income tax liabilities:	
Depreciation	28,800
State income taxes	1,500
Unrealized gain	<u>300</u>
	<u>30,600</u>
Net deferred income tax liabilities	\$ <u>1,100</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable earnings during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable earnings, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, as well as the suspension of California state net operating loss carryforwards, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowances, at September 30, 2009. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

At September 30, 2009, the Company had state net operating loss carryforwards of approximately \$2,556,000 which expire at various dates through 2029, and Enterprise Zone credit carryforwards which are indefinite. The Company has applied a valuation allowance for these deferred assets. The valuation allowance increased by \$211,246 during the year ended September 30, 2009.

STRONGTOWER FINANCIAL, INC.
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 10 – Commitments and Contingencies

Litigation

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to possible actions will not materially affect the financial position of the Company.

Operating Leases

The Company leases various office facilities and equipment under noncancellable operating leases that end at various dates through June 2014. Future minimum lease payments as of September 30, 2009 are as follows:

<u>Year Ended</u> <u>September 30,</u>	
2010	\$ 193,380
2011	198,115
2012	127,290
2013	4,944
2014	<u>3,708</u>
	<u>\$ 527,437</u>

Lease expense for the year ended September 30, 2009 was \$346,036. The Company also subleases a portion of its facility on a month-by-month basis. Sublease income received totaled \$16,313 for the year ended September 30, 2009.

NOTE 11 – Net Capital Requirements

As a registered broker/dealer, the Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At September 30, 2009, under the most restrictive requirement, the Company had net capital of \$597,567, which was \$497,567 in excess of its required net capital of \$100,000. The Company's ratio of aggregate indebtedness to net capital was 1.81 to 1.

STRONGTOWER FINANCIAL, INC.
(A wholly owned subsidiary of California Baptist Foundation)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 12 – Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Interest	\$ 145,352
Taxes	\$ 4,877

NOTE 13 – Restatement of Prior-Year Financial Statements

Subsequent to issuance of the financial statements as of and for the year ended September 30, 2008, it was discovered that the unrealized gain/loss on investments was not properly reported by the Company in the financial statements. As a result, the Company has restated its statement of changes in equity for the nine months ended September 30, 2008. The effect on net income for the nine months ended September 30, 2008 was a decrease of \$5,621 as a result of the reclassification of the unrealized loss reported under comprehensive income.

The effect of the restatement on significant line items on the 2008 financial statements is as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Statement of changes in equity			
Accumulated other comprehensive income	\$ 6,899	(\$ 6,899)	\$ 0
Retained earnings	\$ 3,874,804	\$ 6,899	\$ 3,881,703



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
REQUIRED BY SEC RULE 17a-5(g)(1) FOR A
BROKER-DEALER CLAIMING AN EXEMPTION
FROM SEC RULE 15c3-3**

To the Board of Directors of
Strongtower Financial, Inc.

In planning and performing our audit of the financial statements of Strongtower Financial, Inc. (a wholly owned subsidiary of California Baptist Foundation) (the Company) as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

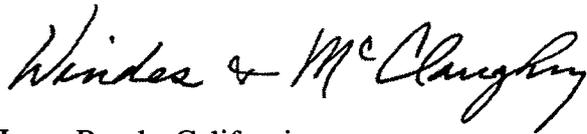
A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at September 30, 2009, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Windes & McCaughey".

Long Beach, California
November 23, 2009

**SUPPLEMENTARY INFORMATION
SCHEDULE I
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
AS OF SEPTEMBER 30, 2009**

NET CAPITAL	
Total equity	\$ 2,734,832
DEDUCTIONS AND/OR CHARGES	
Nonallowable assets:	
Securities not allowable	463,682
Receivables from non-customers	468,167
Prepaid expenses	908,153
Equipment - net of depreciation	255,330
Receivable from affiliate	<u>16,036</u>
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITIONS	623,464
HAIRCUTS ON SECURITIES POSITIONS	20,980
UNDUE CONCENTRATION HAIRCUTS ON SECURITIES POSITIONS	<u>4,917</u>
NET CAPITAL	<u>\$ 597,567</u>
AGGREGATE INDEBTEDNESS	
Items included in statement of financial condition:	
Accounts payable, accrued liabilities, expenses and other	\$ 874,211
Note payable	<u>205,620</u>
	<u>\$ 1,079,831</u>
COMPUTATION OF BASIS OF NET CAPITAL REQUIREMENT	
Minimum net capital required based on aggregate indebtedness	<u>\$ 71,988</u>
Minimum dollar requirement	<u>\$ 100,000</u>
Minimum net capital required	<u>\$ 100,000</u>
EXCESS NET CAPITAL	<u>\$ 497,567</u>
EXCESS NET CAPITAL AT 1000%	<u>\$ 489,584</u>
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u>1.81</u>
RECONCILIATION WITH COMPANY'S COMPUTATION (INCLUDED IN PART IIA OF FORM X-17A-5 AS OF SEPTEMBER 30, 2009)	
Net capital, as reported in Company's Part IIA (unaudited) FOCUS Report	\$ 559,414
Net audit adjustments:	
Undue concentration haircuts on securities positions	(4,917)
Accounts payable	(3,671)
Accrued expenses and other liabilities	(31,085)
Income taxes payable	(2,474)
Deferred income taxes	<u>80,300</u>
Net Capital, per above	<u>\$ 597,567</u>

SUPPLEMENTARY INFORMATION
SCHEDULE II
SEPTEMBER 30, 2009

1. Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3:

Not applicable because the Company has complied with the exemptive provisions of Rule 15c3-3 Section (k)(2)(ii)

2. Information Relating to Possession or Control Requirements under Rule 15c3-3:

Not applicable because the Company has complied with the exemptive provisions of Rule 15c3-3 Section (k)(2)(ii)

3. Schedule for Segregation Requirements and Funds in Segregation for Customers' Regulated Commodity Futures and Options Accounts:

Not applicable because the Company has complied with the exemptive provisions of Rule 15c3-3 Section (k)(2)(ii)



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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES RELATED TO
AN ENTITY'S SIPC ASSESSMENT RECONCILIATION**

To the Board of Directors of Strongtower Financial, Inc.
7120 North Whitney Avenue, Suite 105
Fresno, CA 93720

Dear Board Members:

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [Transitional Assessment Reconciliation (Form SIPC-7T)] to the Securities Investor Protection Corporation (SIPC) for the six months ended September 30, 2009, which were agreed to by Strongtower Financial, Inc. (a wholly owned subsidiary of California Baptist Foundation) and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating Strongtower Financial, Inc.'s compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T). Strongtower Financial, Inc.'s management is responsible for the Strongtower Financial, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7T with respective cash disbursement records entries [*check stub; Form SIPC-4*] noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 Part IIA Quarterly 17a-5(a) for the quarters ending June 30, 2009 and September 30, 2009 [reconciled to audit adjustments made subsequent to filing], as applicable, with the amounts reported in Form SIPC-7T for the six months ended September 30, 2009 noting no material differences;
3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers [*Form X-17A-5 Part IIA Quarterly 17a-5(a) for the quarters ending June 30, 2009 and September 30, 2009; Statement of Revenues and Expenditures for the period from April 1, 2009 through September 30, 2009; and General Ledger Detail for the period from April 1, 2009 through September 30, 2009 for respective accounts*] noting no material differences; and

4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working papers [*Form X-17A-5 Part IIA Quarterly 17a-5(a) for the quarters ending June 30, 2009 and September 30, 2009; Statement of Revenues and Expenditures for the period from April 1, 2009 through September 30, 2009; and General Ledger Detail for the period from April 1, 2009 through September 30, 2009 for respective accounts*] supporting the adjustments noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.



Long Beach, California
November 23, 2009

**SCHEDULE OF ASSESSMENT AND PAYMENTS
FOR THE SIX MONTHS ENDING SEPTEMBER 30, 2009**

GENERAL ASSESSMENT:	\$ 6,072
LESS PAYMENT MADE WITH SIPC-4 IN JANUARY 2009:	<u>(150)</u>
ASSESSMENT BALANCE DUE:	<u>5,922</u>
AMOUNT PAID WITH FORM SIPC-7T:	<u><u>\$ 5,922</u></u>