

**CALIFORNIA COASTAL RURAL  
DEVELOPMENT CORPORATION**

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

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**ANNUAL FINANCIAL STATEMENTS  
AND**

**SUPPLEMENTARY INFORMATION  
WITH**

**INDEPENDENT AUDITORS' REPORTS**

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**JUNE 30, 2013 AND 2012**

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

**June 30, 2013 and 2012**

**TABLE OF CONTENTS**

<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards	21
Note to Supplementary Information	22
<b>ADDITIONAL SUPPLEMENTARY INFORMATION (UNAUDITED)</b>	
Guarantee Loan Portfolio Accountability Report	24
Loan Guarantee Trust Fund - Fund Activity Report	25
Schedule of Loan Guarantee Balances	26
Schedule of Loans Originated	27
Note to Additional Supplementary Information	28
<b>INDEPENDENT AUDITORS' REPORTS</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	30
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	32
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	
Summary of Auditors' Results	35
Federal Awards Findings and Questioned Costs	36
Summary Schedule of Prior Audit Findings	37



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
California Coastal Rural Development Corporation  
Salinas, California

### Report on the Financial Statements

We have audited the accompanying financial statements of California Coastal Rural Development Corporation (a California non-profit public benefit corporation) which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Coastal Rural Development Corporation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements of California Coastal Rural Development Corporation. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The additional supplementary information (unaudited) listed in the table of contents is presented at the request of management 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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013, 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, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California Coastal Rural Development Corporation's internal control over financial reporting and compliance.



Rancho Cucamonga, California  
September 18, 2013

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

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND 2012**

	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents - undesignated	\$ 4,184,041	\$ 3,859,405
Cash and cash equivalents - designated	2,444,999	2,627,908
Accounts receivable	89,424	117,361
Interest receivable	98,241	280,707
Investments	174,878	171,754
Loans receivable, net	6,082,918	5,798,364
Fixed assets, net	26,485	27,415
Other real estate owned	176,277	735,238
Other assets	60,190	84,115
<b>TOTAL ASSETS</b>	<b>\$ 13,337,453</b>	<b>\$ 13,702,267</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and other accrued expenses	\$ 4,791	\$ 5,619
Other liabilities	24,960	24,410
Accrued compensation and benefits	173,673	214,421
Interest payable	195,473	195,244
Trust funded loans	583,403	833,995
Resold commercial loans payable	3,340,386	2,926,411
Line of credit	595,000	595,000
Notes payable	4,906,340	5,443,556
<b>TOTAL LIABILITIES</b>	<b>9,824,026</b>	<b>10,238,656</b>
<b>NET ASSETS</b>		
Unrestricted Net Assets		
Undesignated	4,155,339	3,727,466
Designated	(641,912)	(263,855)
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>3,513,427</b>	<b>3,463,611</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,337,453</b>	<b>\$ 13,702,267</b>

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, 2013 AND 2012**

	2013	2012
<b>REVENUES</b>		
Contract support State OSB	\$ 124,377	\$ 221,428
Technical assistance contract income	284,849	266,069
Grant income	-	405,500
Loan origination and guarantee fees	817,607	812,086
Loan late fees	13,625	20,462
Loan interest income	1,856,361	1,869,977
Interest on deposit accounts	6,604	328
CDC income	155,617	71,099
Other income	17,972	18,995
<b>TOTAL REVENUES</b>	<b>3,277,012</b>	<b>3,685,944</b>
<b>EXPENSES</b>		
Salaries and wages	1,103,216	1,112,806
Payroll taxes and employee benefits	281,282	263,101
Interest expense	783,278	758,903
Provision for loan losses	170,763	158,996
California Capital Access Program contribution	10,600	21,160
Advertising and promotion	14,220	5,360
Meetings, education, and travel	72,771	64,352
Communication	54,500	61,037
Occupancy	165,204	163,227
Professional services	216,767	187,567
Office	50,069	58,246
Equipment repair and maintenance	21,090	27,210
Depreciation	11,365	6,480
Miscellaneous expenses/(recoveries)	(50,762)	70,446
Loan expenses	322,833	308,085
<b>TOTAL EXPENSES</b>	<b>3,227,196</b>	<b>3,266,976</b>
 Change in Net Assets	 49,816	 418,968
 NET ASSETS, Beginning of Year	 3,463,611	 3,044,643
NET ASSETS, End of Year	<b>\$ 3,513,427</b>	<b>\$ 3,463,611</b>

See the accompanying notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 49,816	\$ 418,968
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Depreciation	11,365	6,480
Provision for loan losses	170,762	158,996
(Increase) Decrease in Assets		
Accounts receivable	27,937	225,113
Interest receivable	182,466	(37,749)
Other assets	23,925	(40,267)
Increase (Decrease) in Liabilities		
Accounts payable and other accrued expenses	(828)	(12,381)
Resold commercial loans payable	413,975	561,308
Accrued compensation and benefits	(40,748)	40,534
Interest payable	229	(56,824)
Other liabilities	550	(38,735)
Net Cash Flows from Operating Activities	839,449	1,225,443
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(10,435)	(9,985)
Net increase (decrease) in loans receivable	103,645	(851,200)
Net purchases of investments	(3,124)	(715)
Net Cash Flows from Investing Activities	90,086	(861,900)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net decrease in trust funded loans payable	(250,592)	(278,399)
Net increase in lines of credit	-	595,000
Net increase (decrease) in CEDLI payable	-	(716,820)
Net increase (decrease) in notes payable	(537,216)	896,588
Net Cash Flows from Financing Activities	(787,808)	496,369
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	141,727	859,912
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	6,487,313	5,627,401
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	\$ 6,629,040	\$ 6,487,313
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 783,049	\$ 815,727
<b>NON CASH TRANSACTIONS</b>		
Other real estate acquired in the settlement of loans	\$ -	\$ 200,247

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, 2013 and 2012**

***NOTE 1 - NATURE OF ORGANIZATION***

California Coastal Rural Development Corporation (Cal Coastal or the Corporation) is a non-profit public benefit corporation serving the financial needs of small businesses and farmers. The Corporation was chartered in 1982 by the California Technology, Trade, and Commerce Agency (as of June 30, 2013, the program was with the California Business, Transportation, and Housing Agency (the BTHA); effective July 1, 2013, the program was moved to the California Governor's Office of Business and Economic Development (GoBiz)) to provide direct loans and loan guarantees to rural businesses located on the Central California Coast. Cal Coastal provides additional loan services to farmers and public jurisdictions in rural areas from offices in Salinas, Santa Barbara, Ventura, Monterey, and Santa Maria. Cal Coastal is not a Voluntary Health and Welfare Organization (VHWO).

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

***NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Basis of Presentation**

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

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

**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.

**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.



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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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 BTHA; 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).

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

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

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

**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.

**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, 2013 and 2012, there were no deferred loan fees.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

***NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued***

**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.

Cal Coastal has adopted accounting guidance that generally requires those loans identified as "impaired" to be measured at the present value of expected future cash flows discounted at the loans' effective interest rate, except that as a practical expedient, a creditor may measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. A loan is impaired when it is probable the creditor will not be able to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement.

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

**Allowance for Loan Losses**

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

***NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued***

**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.

**Other Real Estate Owned**

Other real estate owned includes real estate and other property acquired in full or partial settlement of loan obligations. When property is acquired, any excess of the recorded investment in the loan balance and accrued interest income over the appraised fair market value of the property, net of estimated selling costs, is charged against the allowance for loan and lease losses. Subsequent gains or losses on sales or writedowns resulting from permanent impairments are recorded in other income or expense as incurred.

**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, 2013 and 2012, the accrued vacation balance was \$97,790 and \$104,750, respectively, and is recorded as accrued compensation and benefits. Sick leave is not vested and, therefore, is not paid nor is it accrued.

**Revenues**

Cal Coastal's principle sources of revenue are interest income, loan origination and guarantee fees, and a technical assistance grant from the United States Small Business Administration for the Microloan Program. The grant provides for the Corporation to be reimbursed for authorized expenditures; contract revenue is recorded when a contract is awarded or when earned under the terms and conditions of the contract.

**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.

**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, as well as Forms 990T and 109, when applicable. The Corporation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a).

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

***NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued***

Cal Coastal has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken, or expected to be taken, on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements. Interest and penalties related to uncertain tax positions are recorded as part of income tax expense.

Cal Coastal's Federal informational tax returns for the years ended June 30, 2010, 2011, 2012, and 2013, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2010, 2011, 2012, and 2013, are open to audit by State authorities.

**Concentrations of Credit and Market Risk**

Financial instruments that potentially expose the Corporation to concentrations of credit and market risk consist 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, 2013 and 2012, the total amount of cash and cash equivalents in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits at all financial institutions totaled approximately \$1,316,973 and \$3,604,905, respectively. The Corporation has not experienced any losses on its cash equivalents. The funds held at financial institutions are closely monitored.

**Fair Value of Financial Instruments**

Cal Coastal determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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 2013 and January 2012. These deposits are made to satisfy regulatory requirements to maintain a certain percentage of loan balances.

**Reclassifications**

Certain prior year financial statement balances may have been reclassified to conform to the current year presentation.

**NOTE 3 - CASH IN BANKS**

	June 30, 2013
Cash - undesignated	\$ 4,184,041
Cash - designated	2,444,999
Total Cash and Cash Equivalents	\$ 6,629,040
	June 30, 2012
Cash - undesignated	\$ 3,859,405
Cash - designated	2,627,908
Total Cash and Cash Equivalents	\$ 6,487,313

**NOTE 4 - INVESTMENTS**

Investments are carried at fair market value as follows:

	June 30, 2013		
	Adjusted Cost	Fair Value	Unrealized Gain (Loss)
Certificates of Deposit	\$ 163,964	\$ 163,964	\$ -
FmAc Equity Securities	10,914	10,914	-
	\$ 174,878	\$ 174,878	\$ -

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

**NOTE 4 - INVESTMENTS, continued**

Investments are carried at fair market value as follows:

	June 30, 2012		
	Adjusted Cost	Fair Value	Unrealized Gain (Loss)
Certificates of Deposit	\$ 163,630	\$ 163,630	\$ -
FmAc Equity Securities	8,124	8,124	-
	\$ 171,754	\$ 171,754	\$ -

**NOTE 5 - LOANS RECEIVABLE**

Loans receivable at June 30, 2013 and 2012, consist of the following:

	June 30, 2013				
	Direct Loan Program	IRP-1, IRP-2, and IRP-3 Relending Programs	SBA-1 and SBA-2 Loan Programs	NADBank Loan Program	Total
Commercial loans, gross	\$ 30,286,452	\$ 1,703,232	\$ 1,162,666	\$ 860,771	\$ 34,013,121
Resold commercial loans	(26,105,885)	-	-	(776,059)	(26,881,944)
Commercial loans, net	4,180,567	1,703,232	1,162,666	84,712	7,131,177
Allowance for loan losses	(610,097)	(170,202)	(251,246)	(16,714)	(1,048,259)
	\$ 3,570,470	\$ 1,533,030	\$ 911,420	\$ 67,998	\$ 6,082,918
	June 30, 2012				
	Direct Loan Program	IRP-1, IRP-2, and IRP-3 Relending Programs	SBA-1 and SBA-2 Loan Programs	NADBank Loan Program	Total
Commercial loans, gross	\$ 30,286,932	\$ 1,750,643	\$ 1,332,815	\$ 878,767	\$ 34,249,157
Resold commercial loans	(26,661,841)	-	-	(790,890)	(27,452,731)
Commercial loans, net	3,625,091	1,750,643	1,332,815	87,877	6,796,426
Allowance for loan losses	(577,351)	(189,657)	(224,336)	(6,718)	(998,062)
	\$ 3,047,740	\$ 1,560,986	\$ 1,108,479	\$ 81,159	\$ 5,798,364

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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

**NOTE 5 - LOANS RECEIVABLE, continued**

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, 2013, the Corporation had supervised loans, in gross, in the Direct Loan Program, the IRP-1, IRP-2, and IRP-3 Relending Programs, and SBA of \$7,192,849, \$165,648, and \$202,441, respectively. At June 30, 2012, the Corporation had supervised loans, in gross, in the Direct Loan Program, the IRP-1, IRP-2, and IRP-3 Relending Programs, and SBA of \$5,409,119, \$181,887, and \$275,305, respectively.

At June 30, 2013 and 2012, the total recorded investment in impaired loans, all of which has allowances determined in accordance with generally accepted accounting principles, amounted to \$7,560,939 and \$5,866,310, respectively. For the years ended June 30, 2013 and 2012, the average recorded investment related to impaired loans totaled approximately \$6,713,624 and \$7,165,438, respectively. The allowance for loan losses totaled approximately \$1,048,000 and \$998,000, respectively. The Corporation has no commitments to lend additional funds to borrowers whose loans have been modified. For the years ended June 30, 2013 and 2012, interest income from loans on non-accrual status would have been \$462,402 and \$430,694, respectively, had those loans been performing in accordance with their original terms and been outstanding throughout the period.

Resold commercial loan payables at June 30, 2013 and 2012, were \$3,340,386 and \$2,926,411, respectively, and represent principal payments which were collected prior to June 30 and remitted subsequent to year-end.

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

	Direct Loan Program	IRP-1 and IRP-2 Relending Programs	SBA-1 and SBA-2 Loan Programs	NADBank Loan Program	CEDLI Loan Program	Total
Balance, June 30, 2011	\$ 526,742	\$ 295,285	\$ 314,955	\$ 15,222	\$ -	\$ 1,152,204
Loan loss provision	107,000	24,000	18,000	9,996	-	158,996
Charge-offs	(1,539,878)	(61,128)	(108,619)	-	-	(1,709,625)
Recoveries	1,396,487	-	-	-	-	1,396,487
Reclassifications	87,000	(68,500)	-	(18,500)	-	-
Balance, June 30, 2012	577,351	189,657	224,336	6,718	-	998,062
Loan loss provision	113,856	24,000	22,910	9,996	-	170,762
Charge-offs	(743,195)	(43,455)	(46,595)	-	-	(833,245)
Recoveries	662,085	-	50,595	-	-	712,680
Balance, June 30, 2013	<u>\$ 610,097</u>	<u>\$ 170,202</u>	<u>\$ 251,246</u>	<u>\$ 16,714</u>	<u>\$ -</u>	<u>\$ 1,048,259</u>

At June 30, 2013, Cal Coastal maintained restricted cash and investment accounts at financial institutions in the amount of \$92,770 for the SBA Loan Program and \$163,964 for NADBank. Such reserves are in addition to the above reserves for loan loss.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

***NOTE 5 - LOANS RECEIVABLE, continued***

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 Deutsche Bank. For the first \$500,000 of enrolled loans, Cal Cap matched Cal Coastal's contribution 150 percent; contributions for enrolled loans are matched 100 percent. Losses on enrolled loans are paid by the Trust, with Cal Cap's approval. Cal Coastal recorded contribution expenses of \$10,600 in the fiscal year ended June 30, 2013. At June 30, 2013, the principal balance of enrolled loans aggregated \$1,043,183 and reserves of \$86,562 were held by the Trust. Cal Coastal recorded contribution expenses of \$21,160 in the fiscal year ended June 30, 2012. At June 30, 2012, the principal balance of enrolled loans aggregated \$1,332,814 and reserves of \$116,912 were held by the Trust.

***NOTE 6 - FIXED ASSETS***

Fixed assets and related depreciation consists of the following:

	2013	2012
Furniture, fixtures, and equipment	\$ 702,997	\$ 692,562
Leasehold improvements	67,353	67,353
	770,350	759,915
Less: accumulated depreciation	(743,865)	(732,500)
	\$ 26,485	\$ 27,415

Depreciation expenses of \$11,365 and \$6,480 were recorded in the fiscal years ended June 30, 2013 and 2012, respectively.

***NOTE 7 - EMPLOYEE BENEFIT PLAN***

Cal Coastal has adopted a Simplified Employee Pension Plan (SEP-IRA) which covers all eligible employees age 21 and over. The Board of Directors determines annual fringe benefits at the beginning of each year. The SEP-IRA contribution is based on employee salaries, with quarterly payment. Included in employee benefits for the fiscal years ended June 30, 2013 and 2012, was \$41,147 and \$29,589, respectively, which was contributed to the Cal Coastal SEP-IRA plan.



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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

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

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

At June 30, 2013, the Trust net assets were \$3,236,946. The balance, which approximated fair value, with outstanding Cal Coastal loan guarantee liabilities of \$4,681,478, and farm loan liabilities of \$902,409, resulted in an encumbrance level of 1.73 percent of trust balance. Direct farm loans sold to the Trust at June 30, 2013, were \$687,347. The direct farm loans were approximately 90 percent guaranteed by the FSA. Cal Coastal's liability at June 30, 2013, was \$583,403.

At June 30, 2012, the Trust net assets were \$3,547,445. The balance, which approximated fair value, with outstanding Cal Coastal loan guarantee liabilities of \$7,142,676, and farm loan liabilities of \$1,203,703, resulted in an encumbrance level of 2.35 percent of trust balance. Direct farm loans sold to the Trust at June 30, 2012, were \$1,041,030. The direct farm loans were approximately 90 percent guaranteed by the FSA. Cal Coastal's liability at June 30, 2012, was \$833,955.

A schedule of the Loan Guarantee Trust Fund – Fund Activity is included in the Additional Supplementary Information (Unaudited) section.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

**NOTE 9 - NOTES PAYABLE**

	2013	2012
Note payable to Opportunity Finance Network, unsecured, maturing on December 15, 2015. Principal payments of \$25,000 are due monthly so that the note is fully paid by its maturity date. Interest accrues at a rate of 4.00% per annum and is payable in arrears on a quarterly basis.	\$ 750,000	\$ 1,000,000
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, 2013, Cal Coastal had drawn all of the available funds under this note.	599,711	672,820
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 June 2025. The maximum amount available to borrow under the note is \$2,000,000, and as of June 30, 2013, Cal Coastal had drawn all of the available funds under this note.	890,372	960,514
Note payable to the United States Department of Agriculture, Rural Economic and Community Development Service (RECDS), secured by the Intermediary Relending Program Fund and all collateral obtained as a result of such relending activity. Annual payments for the first three years consist of interest only payments, following year and, thereafter, principal and interest payments in an to fully amortize the loan 30 years from the date of the note until principle and interest are fully paid, 1.0% per annum, maturing March 2035. The maximum amount available to borrow under the note is \$750,000, and as of June 30, 2013, Cal Coastal had drawn all available funds under this note.	512,336	355,626
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 \$5,691 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, 2013, Cal Coastal had drawn all of the available funds under this note.	22,001	84,731
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 \$2,858 including interest of 2.375% 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, 2013, Cal Coastal had drawn all of the funds available under this note.	63,085	94,605

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

**NOTE 9 - NOTES PAYABLE, continued**

	2013	2012
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 \$5,325 including interest of 3.375% per annum, maturing July 2016. The maximum amount available to borrow under the note is \$500,000, and as of June 30, 2013, Cal Coastal had drawn all of the available funds.	\$ 185,923	\$ 245,492
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 \$5,062 including interest of .375% per annum, maturing April 2019. The maximum amount available to borrow under the note is \$500,000, and as of June 30, 2013, Cal Coastal had drawn all of the available funds.	350,454	409,768
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 \$5,062 including interest of 2.125% per annum, maturing May 2021. The maximum amount available to borrow under the note is \$750,000, and as of June 30, 2013, Cal Coastal had drawn down all of the available funds.	662,458	750,000
Note payable to U.S. Treasury which is unsecured and maturing on September 21, 2019. Principal is due and payable upon maturity. Interest accrues at a rate of 2.0% per annum and is payable in arrears on a quarterly basis.	870,000	870,000
	\$ 4,906,340	\$ 5,443,556

Maturities as of June 30, 2013, on the notes payable are as follows:

Fiscal Year Ended		
June 30,		
2014		\$ 725,723
2015		701,955
2016		527,515
2017		329,610
2018		322,383
Thereafter		2,299,154
		\$ 4,906,340

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

***NOTE 10 - LINES OF CREDIT***

As of June 30, 2013, Cal Coastal has two separate lines of credit with a bank. The first line of credit totaling \$6 million to be drawn down upon as needed and expires on April 15, 2014, with an interest rate of prime (3.25 percent at June 30, 2013) plus ½ percent with a floor of 3.75 percent. As of June 30, 2013 and 2012, this line of credit had no amounts outstanding. The second line of credit totaling \$5 million to be drawn upon as needed expires on January 1, 2018, with interest rates at 3 or 4 percent, depending on the region of California in which the monies are invested. As of June 30, 2013, Cal Coastal had \$595,000 outstanding on the line. See Note 12 for further discussion.

***NOTE 11 - COMMITMENTS AND CONTINGENCIES***

**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.

At June 30, 2013 and 2012, 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.

**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.

**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.

**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:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Thereafter</u>	<u>Total</u>
Facilities	<u>\$ 112,674</u>	<u>\$ 115,956</u>	<u>\$ 116,048</u>	<u>\$ 119,529</u>	<u>\$ 123,115</u>	<u>\$ 61,558</u>	<u>\$ 648,880</u>

Rental expense for the years ended June 30, 2013 and 2012, was \$130,648 and \$122,180, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

***NOTE 12 - SUBSEQUENT EVENTS***

Effective July 18, 2018, the \$5 million line of credit (as discussed in Note 10) was converted into an EQ2 investment by the bank as evidenced by a \$5 million promissory note with an initial maturity date of July 18, 2018. Interest at 2.50 percent is due quarterly. The note may be extended for two additional five-year periods provided the Corporation satisfies the conditions for extension.

Cal Coastal has evaluated subsequent events for recognition and disclosure through September 18, 2013, which is the date the financial statements were available to be issued.

***SUPPLEMENTARY INFORMATION***

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Intermediary Relending Program	10.767	\$ 265,000
<u>U.S. Small Business Administration</u>		
Microloan Demonstration Program	59.046	<u>320,000</u>
Total Federal Programs		<u>\$ 585,000</u>

See accompanying note to supplementary information.

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

**NOTE TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2013**

***NOTE 1 - PURPOSE OF SCHEDULE***

**Schedule of Expenditures of Federal Awards**

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



***ADDITIONAL SUPPLEMENTARY INFORMATION  
(UNAUDITED)***

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

**GUARANTEE LOAN PORTFOLIO ACCOUNTABILITY REPORT (UNAUDITED)**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Balance of Loan Guarantee, Beginning of Year	\$ 7,142,676	\$ 11,422,995
Loans Guaranteed	2,954,595	2,850,861
Loan Payoffs	<u>(5,415,793)</u>	<u>(7,131,180)</u>
Balance of Loan Guarantee, End of Year	<u>\$ 4,681,478</u>	<u>\$ 7,142,676</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 (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Managed Account		Total
	Cash and Securities	Farm Loans	
<b>Balance at July 1, 2012</b>	\$ 2,414,358	\$ 1,096,285	\$ 3,510,643
<b>Receipts</b>			
Interest - investments	31,719	-	31,719
Interest on farm loans	10,646	-	10,646
Recoveries received	114,255	-	114,255
Principal farm loan repayments	397,272	(397,272)	-
Total Receipts	<u>553,892</u>	<u>(397,272)</u>	<u>156,620</u>
<b>Disbursements</b>			
Capital gains (losses)	(934)	-	(934)
Trustee and bank fees	-	-	-
Loss payouts	(420,621)	-	(420,621)
Total Disbursements	<u>(421,555)</u>	<u>-</u>	<u>(421,555)</u>
Intrafund transfers	(43,240)	-	(43,240)
	<u>(43,240)</u>	<u>-</u>	<u>(43,240)</u>
<b>Ending Balance at June 30, 2013</b>	<u>\$ 2,503,455</u>	<u>\$ 699,013</u>	<u>\$ 3,202,468</u>

Unaudited - see accompanying note to additional supplementary information.

<u>Income Account</u>	<u>Total</u>
<u>\$ 36,802</u>	<u>\$ 3,547,445</u>
14	31,733
-	10,646
-	114,255
-	-
<u>14</u>	<u>156,634</u>
-	(934)
(45,578)	(45,578)
-	(420,621)
<u>(45,578)</u>	<u>(467,133)</u>
43,240	-
<u>43,240</u>	<u>-</u>
<u>\$ 34,478</u>	<u>\$ 3,236,946</u>

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

**SCHEDULE OF LOAN GUARANTEE BALANCES (UNAUDITED)**  
**JUNE 30, 2013**

<u>Loan Number</u>	<u>Guarantee Liability</u>	<u>Loan Number</u>	<u>Guarantee Liability</u>	<u>Loan Number</u>	<u>Guarantee Liability</u>
CC1280	\$ 215,511	CC1507	\$ -	CC1626	\$ 31,900
CC1283	-	CC1509	24,678	CC1633	4,401
CC1297	-	CC1511	39,824	CC1634	-
CC1316	-	CC1512	441,944	CC1635	-
CC1320	-	CC1517	195,952	CC1636	-
CC1322	-	CC1523	55,366	CC1639	137,101
CC1333	-	CC1526	6,025	CC1647X	294,405
CC1335	8,650	CC1530	56,097	CC1654	20,000
CC1351	3,704	CC1533	56,076	CC1661	157,043
CC1353	30,629	CC1534	29,184		<u>\$ 4,681,478</u>
CC1361	10,200	CC1540	15,719		
CC1362	19,249	CC1548	-		
CC1363	17,775	CC1549	-		
CC1378	-	CC1551	8,400		
CC1383	-	CC1554	437,675		
CC1392	107,828	CC1555	-		
CC1407	-	CC1560	69,074		
CC1414	15,383	CC1564	-		
CC1427	-	CC1568	74,171		
CC1430	-	CC1570	-		
CC1433	6,504	CC1571	-		
CC1437	249,866	CC1575	7,555		
CC1439	451,323	CC1578	136,567		
CC1442	22,597	CC1580	94,695		
CC1448	-	CC1583	6,875		
CC1450	15,699	CC1586	-		
CC1456	12,083	CC1588	381,714		
CC1457	18,633	CC1589	-		
CC1465	-	CC1592	16,228		
CC1469	239,139	CC1596	44,538		
CC1472	-	CC1598	9,284		
CC1473	34,610	CC1599	88,195		
CC1477	11,027	CC1602	131,014		
CC1482	53,013	CC1603	5,256		
CC1492	14,480	CC1611	7,193		
CC1493	-	CC1612	-		
CC1496	-	CC1618	15,327		
CC1500	22,109	CC1621	-		
CC1501	1,990	CC1625	-		

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

**SCHEDULE OF LOANS ORIGINATED (UNAUDITED)**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

<b>2013</b>	Gross Loans Originated	Number of Loans	Net Loans Originated
Direct Farm Loan Program - Farm Ownership	\$ 4,220,000	9	\$ 4,220,000
Direct Farm Loan Program - Operating Loans	18,305,000	40	18,305,000
Guaranteed loans	2,954,595	12	2,094,291
Intermediary Relending Program - 3	265,000	2	265,000
Small Business Administration (SBA)	320,000	10	320,000
SBA 504 Loan Program	5,369,000	9	5,369,000
Direct Loan Program - Workout Loans	494,659	2	494,659
Total Loans by Product	<u>\$ 31,928,254</u>	<u>84</u>	<u>\$ 31,067,950</u>
<b>2012</b>	Gross Loans Originated	Number of Loans	Net Loans Originated
Direct Farm Loan Program - Farm Ownership	\$ 5,742,750	12	\$ 5,742,750
Direct Farm Loan Program - Operating Loans	18,503,000	42	18,503,000
Guaranteed loans	2,850,861	18	2,021,519
Intermediary Relending Program - 1	50,000	1	50,000
Small Business Administration (SBA)	642,000	19	642,000
SBA 504 Loan Program	349,000	1	349,000
Direct Loan Program - Workout Loans	1,025,180	5	1,025,180
Total Loans by Product	<u>\$ 29,162,791</u>	<u>98</u>	<u>\$ 28,333,449</u>

Unaudited - see accompanying note to additional supplementary information.

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

**NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

***NOTE 1 - PURPOSE OF SCHEDULES***

**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.

**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.

**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.

**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.

***INDEPENDENT AUDITORS' REPORTS***





**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, in accordance with the 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, the financial statements of California Coastal Rural Development Corporation (a California non-profit public benefit corporation) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise California Coastal Rural Development Corporation's basic financial statements, and have issued our report thereon dated September 18, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered California Coastal Rural Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California Coastal Rural Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of California Coastal Rural Development Corporation's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether California Coastal Rural Development Corporation's financial statements are free from 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 audits 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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of California Coastal Rural Development Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California Coastal Rural Development Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vaurinik, Irine, Day & Co. LLP

Rancho Cucamonga, California  
September 18, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
California Coastal Rural Development Corporation  
Salinas, California

**Report on Compliance for Each Major Federal Program**

We have audited California Coastal Rural Development Corporation's compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of California Coastal Rural Development Corporation's major Federal programs for the year ended June 30, 2013. California Coastal Rural Development Corporation's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of California Coastal Rural Development Corporation's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 State, 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 consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of California Coastal Rural Development Corporation's compliance.

**Opinion on Each Major Federal Program**

In our opinion, California Coastal Rural Development Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.


## Report on Internal Control Over Compliance

Management of California Coastal Rural Development Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered California Coastal Rural Development Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
September 18, 2013

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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

**SUMMARY OF AUDITORS' RESULTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<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?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u>No</u>

Identification of major programs:

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

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>

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

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

None reported.