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**CALIFORNIA COASTAL RURAL  
DEVELOPMENT CORPORATION**

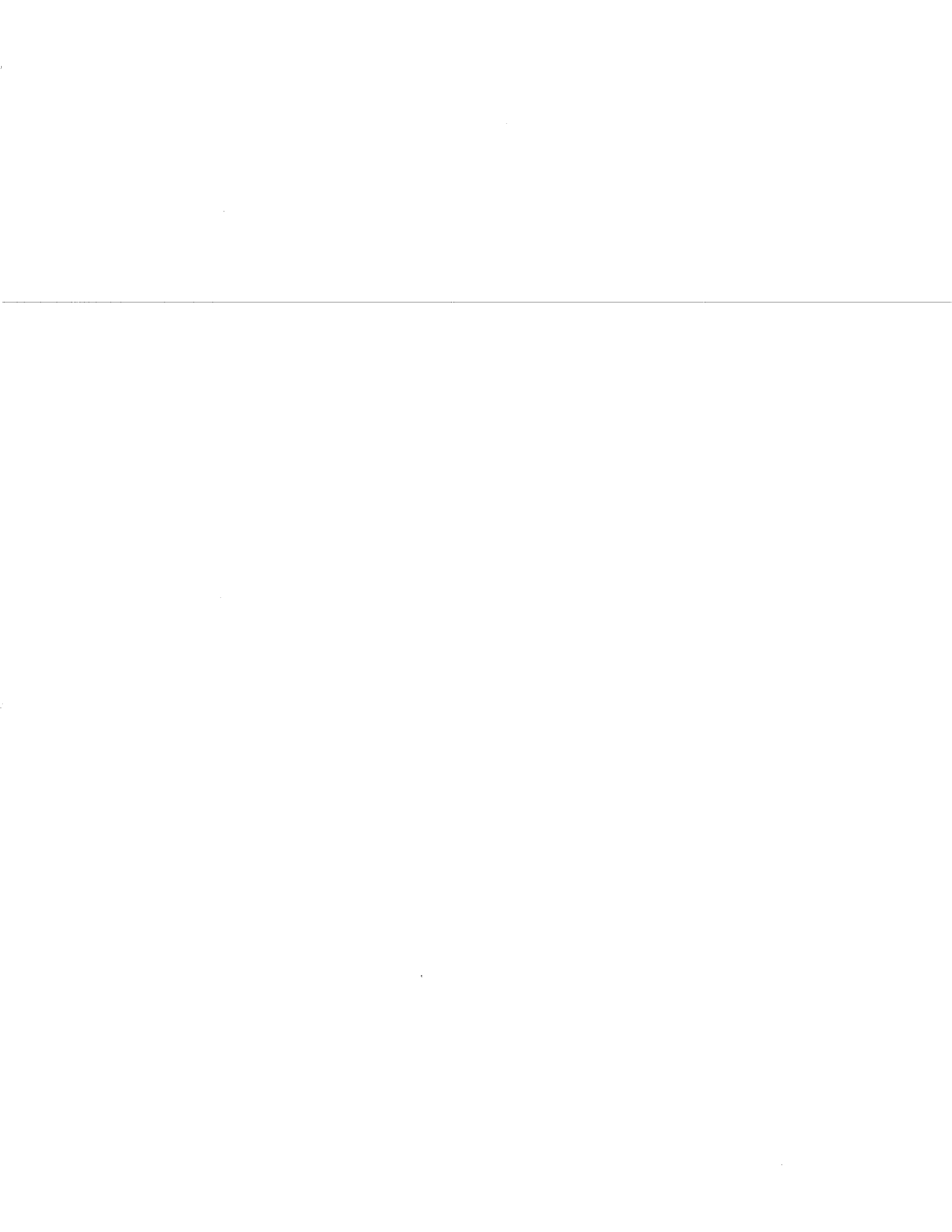
**(A CALIFORNIA NON-PROFIT  
PUBLIC BENEFIT CORPORATION)**

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

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**JUNE 30, 2012 AND 2011**

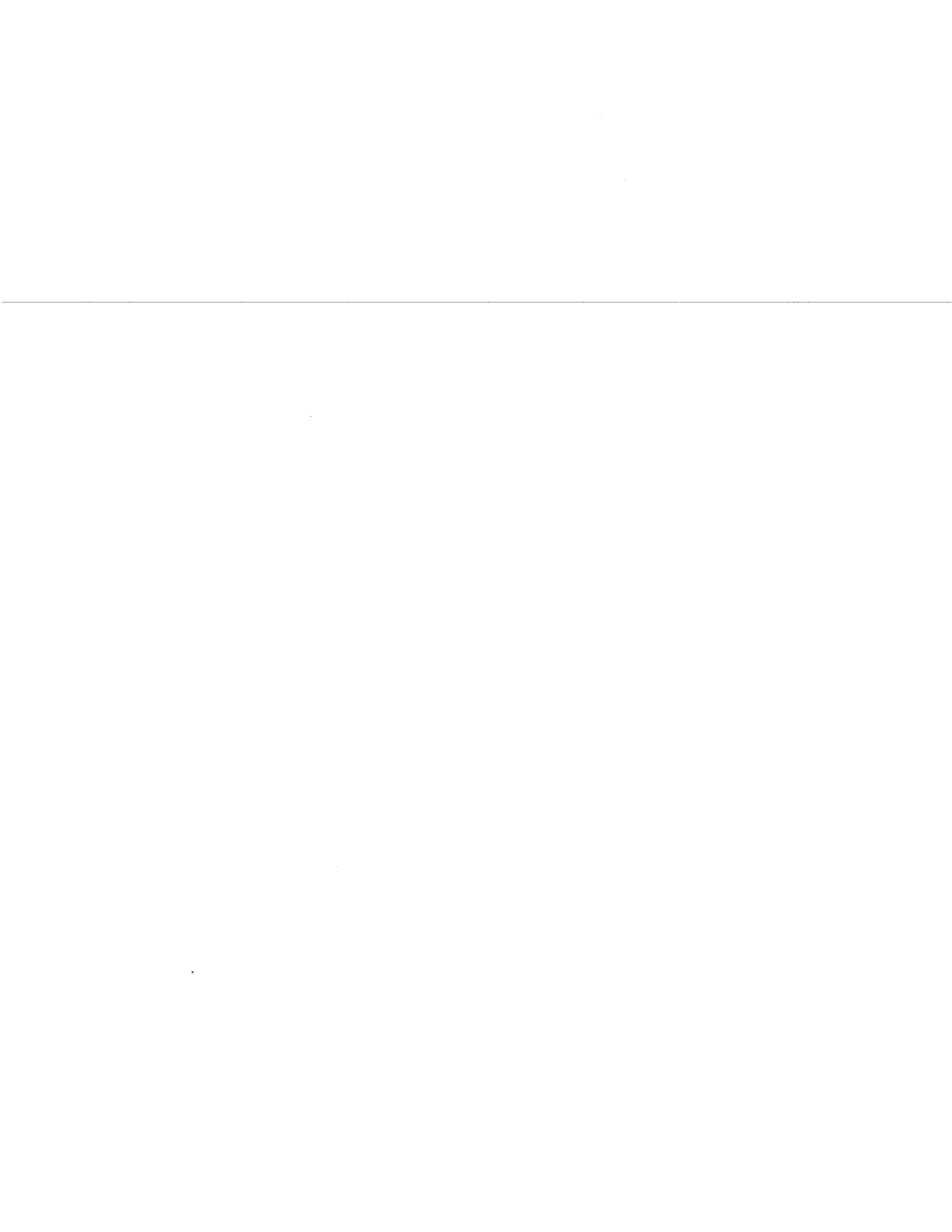


**CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION**  
**(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**June 30, 2012 and 2011**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
California Coastal Rural Development Corporation  
Salinas, California

We have audited the accompanying statements of financial position of California Coastal Rural Development Corporation (Cal Coastal or the Corporation), a California non-profit public benefit corporation, as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Cal Coastal's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2012, on our consideration of California Coastal Rural Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The unaudited supplementary information 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.

*Warrick Fine, Day & Co. LLP*

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Rancho Cucamonga, California  
October 1, 2012

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

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents - undesignated	\$ 3,859,405	\$ 3,762,388
Cash and cash equivalents - designated	2,627,908	1,865,013
Accounts receivable	117,361	342,474
Interest receivable	280,707	242,958
Investments	171,754	171,039
Loans receivable, net	5,798,364	5,306,407
Fixed assets, net	27,415	23,910
Other real estate owned	735,238	534,991
Other assets	84,115	43,848
<b>TOTAL ASSETS</b>	<b>\$ 13,702,267</b>	<b>\$ 12,293,028</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and other accrued expenses	\$ 5,619	\$ 18,000
Other liabilities	24,410	63,145
Accrued compensation and benefits	214,421	173,887
Interest payable	195,244	252,068
Trust funded loans	833,995	1,112,394
CEDLI payable	-	716,820
Resold commercial loans payable	2,926,411	2,365,103
Line of credit	595,000	-
Notes payable	5,443,556	4,546,968
<b>TOTAL LIABILITIES</b>	<b>10,238,656</b>	<b>9,248,385</b>
<b>NET ASSETS</b>		
Unrestricted Net Assets		
Undesignated	3,727,466	3,427,098
Designated	(263,855)	(382,455)
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>3,463,611</b>	<b>3,044,643</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,702,267</b>	<b>\$ 12,293,028</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, 2012 AND 2011**

	2012	2011
<b>REVENUES</b>		
Contract support State OSB	\$ 221,428	\$ 324,232
Technical assistance contract income	266,069	356,501
Grant income	405,500	752,000
Loan origination and guarantee fees	812,086	412,171
Loan late fees	20,462	25,092
Loan interest income	1,869,977	1,771,279
Interest on deposit accounts	328	19,298
CDC income	71,099	73,871
Other income	18,995	32,787
<b>TOTAL REVENUES</b>	<b>3,685,944</b>	<b>3,767,231</b>
<b>EXPENSES</b>		
Salaries and wages	1,112,806	1,093,540
Payroll taxes and employee benefits	263,101	267,537
Interest expense	758,903	927,485
Provision for loan losses	158,996	284,500
California Capital Access Program contribution	21,160	15,372
Advertising and promotion	5,360	6,246
Meetings, education, and travel	64,352	80,395
Communication	61,037	58,873
Occupancy	163,227	164,775
Professional services	187,567	192,161
Office	58,246	64,454
Equipment repair and maintenance	27,210	25,723
Depreciation	6,480	4,860
Miscellaneous expenses	70,446	181,183
Loan expenses	308,085	85,990
<b>TOTAL EXPENSES</b>	<b>3,266,976</b>	<b>3,453,094</b>
Change in Net Assets	418,968	314,137
NET ASSETS, Beginning of Year	3,044,643	2,730,506
NET ASSETS, End of Year	<b>\$ 3,463,611</b>	<b>\$ 3,044,643</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 418,968	\$ 314,137
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Depreciation	6,480	4,860
Provision for loan losses	158,996	284,500
(Increase) Decrease in Assets		
Accounts receivable	225,113	(141,963)
Interest receivable	(37,749)	74,580
Other assets	(40,267)	(4,352)
Increase (Decrease) in Liabilities		
Accounts payable and other accrued expenses	(12,381)	5,155
Resold commercial loans payable	561,308	(512,552)
Accrued compensation and benefits	40,534	(14,868)
Interest payable	(56,824)	(46,490)
Other liabilities	(38,735)	(184,259)
Net Cash Flows from Operating Activities	<u>1,225,443</u>	<u>(221,252)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(9,985)	(9,299)
Net increase (decrease) in loans receivable	(851,200)	921,542
Net sales (purchases) of investments	(715)	152,442
Net Cash Flows from Investing Activities	<u>(861,900)</u>	<u>1,064,685</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net decrease in trust funded loans payable	(278,399)	(488,259)
Net decrease in FSA/USDA payables	-	(388,204)
Net increase in lines of credit	595,000	-
Net increase (decrease) in CEDLI payable	(716,820)	716,820
Net increase (decrease) in notes payable	896,588	(2,053,005)
Net Cash Flows from Financing Activities	<u>496,369</u>	<u>(2,212,648)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	859,912	(1,369,215)
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	5,627,401	6,996,616
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 6,487,313</u>	<u>\$ 5,627,401</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	<u>\$ 815,727</u>	<u>\$ 973,975</u>
<b>NON CASH TRANSACTIONS</b>		
Other real estate acquired in the settlement of loans	<u>\$ 200,247</u>	<u>\$ 534,991</u>

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, 2012 and 2011**

***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 (the program is now with the California Business, Transportation, and Housing Agency (the BTHA)) 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, 2012 and 2011**

*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.

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

**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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 and 2011**

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

**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, 2012 and 2011, there were no deferred loan fees.

**Non-Accrual Loans**

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

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.

**CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 and 2011**

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

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.

**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, 2012 and 2011, the accrued vacation balance was \$104,750 and \$95,630, 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 contract between the Corporation and the BTHA. The contract provides for the Corporation to be reimbursed for authorized expenditures from interest earned by the California Small Business Financial Development Corporation Loan Guarantee Fund (the Trust Fund) and also from State General Fund. Cal Coastal further earns service fees for making loan guarantees. Contract revenue is recorded when a contract is awarded or when earned under the terms and conditions of the contract.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 and 2011**

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

**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).

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, 2009, 2010, 2011, and 2012, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2009, 2010, 2011, and 2012, 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, 2012 and 2011, 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 \$3,604,905 and \$4,896,741, 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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 and 2011**

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

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.

**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 2012 and January 2011. 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**

	<u>June 30, 2012</u>
Cash - undesignated	\$ 3,859,405
Cash - designated	<u>2,627,908</u>
Total Cash and Cash Equivalents	<u>\$ 6,487,313</u>
	<u>June 30, 2011</u>
Cash - undesignated	\$ 3,762,388
Cash - designated	<u>1,865,013</u>
Total Cash and Cash Equivalents	<u>\$ 5,627,401</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 and 2011**

**NOTE 4 - INVESTMENTS**

Investments are carried at fair market value as follows:

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

Investment return is summarized as follows:

Interest income on certificates of deposit	\$ 328
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Investments are restricted to fund activities for loan loss reserves for NADBank of \$163,630.

Investments are carried at fair market value as follows:

	June 30, 2011		
	Adjusted Cost	Fair Value	Unrealized Appreciation (Depreciation)
Certificates of Deposit	\$ 162,915	\$ 162,915	\$ -
FmAc Equity Securities	8,124	8,124	-
	\$ 171,039	\$ 171,039	\$ -

Investment return is summarized as follows:

Interest income on certificates of deposit	\$ 2,853
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Investments are restricted to fund activities for loan loss reserves for NADBank of \$162,915.



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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 and 2011**

**NOTE 5 - LOANS RECEIVABLE**

Loans receivable at June 30, 2012 and 2011, consist of the following:

	June 30, 2012				Total
	Direct Loan Program	IRP-1, IRP-2, and IRP-3 Relending Programs	SBA-1 and SBA-2 Loan Programs	NADBank Loan Program	
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)
	<u>\$ 3,047,740</u>	<u>\$ 1,560,986</u>	<u>\$ 1,108,479</u>	<u>\$ 81,159</u>	<u>\$ 5,798,364</u>

	June 30, 2011				Total
	Direct Loan Program	IRP-1, IRP-2, and IRP-3 Relending Programs	SBA-1 and SBA-2 Loan Programs	NADBank Loan Program	
Commercial loans, gross	\$ 22,463,443	\$ 2,342,791	\$ 1,211,567	\$ 893,102	\$ 26,910,903
Resold commercial loans	(19,647,063)	-	-	(805,229)	(20,452,292)
Commercial loans, net	2,816,380	2,342,791	1,211,567	87,873	6,458,611
Allowance for loan losses	(526,742)	(295,285)	(314,955)	(15,222)	(1,152,204)
	<u>\$ 2,289,638</u>	<u>\$ 2,047,506</u>	<u>\$ 896,612</u>	<u>\$ 72,651</u>	<u>\$ 5,306,407</u>

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

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

At June 30, 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, 2011, the Corporation had supervised loans, in gross, in the Direct Loan Program, the IRP-1, IRP-2, and IRP-3 Relending Programs, and SBA Loan Program of \$6,518,864, \$252,456, and \$199,610, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 and 2011**

**NOTE 5 - LOANS RECEIVABLE, continued**

At June 30, 2012 and 2011, the total recorded investment in impaired loans, all of which has allowances determined in accordance with generally accepted accounting principles, amounted to \$5,866,310 and \$6,970,930, respectively. For the years ended June 30, 2012 and 2011, the average recorded investment related to impaired loans totaled approximately \$7,165,438 and \$7,323,485, respectively. The allowance for loan losses totaled approximately \$998,000 and \$1,152,000, respectively. The Corporation has no commitments to lend additional funds to borrowers whose loans have been modified. For the years ended June 30, 2012 and 2011, interest income from loans on non-accrual status would have been \$430,694 and \$561,569, 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, 2012 and 2011, were \$2,926,411 and \$2,365,103, 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, 2010	\$ 538,394	\$ 225,459	\$ 386,275	\$ 37,000	\$ 165,000	\$ 1,352,128
Loan loss provision	60,000	24,000	175,500	10,000	15,000	284,500
Charge-offs	(622,225)	(4,577)	(247,620)	(395,564)	(666,868)	(1,936,854)
Recoveries	524,285	4,403	800	375,786	547,156	1,452,430
Reclassifications	26,288	46,000	-	(12,000)	(60,288)	-
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

At June 30, 2012, Cal Coastal maintained restricted cash and investment accounts at financial institutions in the amount of \$300,187 for the SBA Loan Program and \$163,630 for NADBank. Such reserves are in addition to the above reserves for loan loss.

**CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 and 2011**

**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 \$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. Cal Coastal recorded contribution expenses of \$15,372 in the fiscal year ended June 30, 2011. At June 30, 2011, the principal balance of enrolled loans aggregated \$936,388 and reserves of \$74,549 were held by the Trust.

**NOTE 6 - FIXED ASSETS**

Fixed assets and related depreciation consists of the following:

	2012	2011
Furniture, fixtures, and equipment	\$ 692,562	\$ 682,577
Leasehold improvements	67,353	67,353
	759,915	749,930
Less: accumulated depreciation	(732,500)	(726,020)
	\$ 27,415	\$ 23,910

Depreciation expenses of \$6,480 and \$4,860 were recorded in the fiscal years ended June 30, 2012 and 2011, 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, 2012 and 2011, was \$29,589 and \$32,572, 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, 2012 and 2011**

***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, 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.

At June 30, 2011, the Trust net assets were \$4,614,814. The balance, which approximated fair value, with outstanding Cal Coastal loan guarantee liabilities of \$11,710,738, and farm loan liabilities of \$3,053,929, resulted in an encumbrance level of 3.20 percent of trust balance. Direct farm loans sold to the Trust at June 30, 2011, were \$1,417,582. The direct farm loans were approximately 90 percent guaranteed by the FSA. Cal Coastal's liability at June 30, 2011, was \$1,112,394.

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

**CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 and 2011**

**NOTE 9 - NOTES PAYABLE**

	2012	2011
Note payable to Opportunity Finance Network (formerly National Community Capital Association), unsecured, maturing on December 15, 2015. Principal is due and payable upon maturity. Interest accrues at a rate of 4.75% per annum and is payable in arrears on a quarterly basis.	\$ 1,000,000	\$ 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, 2012, Cal Coastal had drawn all of the available funds under this note.	672,820	745,087
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, 2012, Cal Coastal had drawn all of the available funds under this note.	960,514	1,029,986
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, 2012, Cal Coastal had not drawn all available funds under this note.	355,626	383,597
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, 2012, Cal Coastal had drawn all of the available funds under this note.	84,731	151,002
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, 2012, Cal Coastal had drawn all of the funds available under this note.	94,605	125,386

**CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 and 2011**

**NOTE 9 - NOTES PAYABLE, continued**

<p>Note payable to the United States Small Business Administration (SBA), secured by the SBA Fund and all collateral obtained as a result of related relending activity. Monthly payments of \$5,325 including interest of 2.375% per annum, maturing July 2016. The maximum amount available to borrow under the note is \$500,000, and as of June 30, 2012, Cal Coastal had drawn all of the available funds.</p>	<p>\$ 245,492    \$ 303,086</p>
<p>Note payable to the United States Small Business Administration (SBA), secured by the SBA Fund and all collateral obtained as a result of related relending activity. Monthly payments of \$5,062 including interest of 1.625% per annum, maturing April 2019. The maximum amount available to borrow under the note is \$500,000.</p>	<p>409,768            468,948</p>
<p>Line of credit to North American Development Bank, secured by all collateral obtained as a result of related relending activity. The line was originally approved on December 31, 1999. The agreement has been amended to extend the terms. The terms call for payments of principal and interest in arrears. Interest is due in an amount equal to 50% of the interest received per program loan up to a maximum of 5% for any one loan. The maximum amount available is \$1,250,000.</p>	<p>-                    339,876</p>
<p>Note payable to the United States Small Business Administration (SBA), secured by the SBA Fund and all collateral obtained as a result of related relending activity. Monthly payments of \$5,062 including interest of .875% per annum, maturing May 2021. The maximum amount available to borrow under the note is \$750,000, and as of June 30, 2012, Cal Coastal had drawn down \$750,000.</p>	<p>750,000            -</p>
<p>Note payable to U.S. Treasury which is unsecured and maturing on February 28, 2014. 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.</p>	<p style="text-align: center;">870,000</p> <p style="text-align: center;"><u>\$ 5,443,556</u>    <u>\$ 4,546,968</u></p>

Maturities as of June 30, 2012, on the notes payable are as follows:

Fiscal Year Ended	
<u>June 30,</u>	
2013	\$ 455,526
2014	407,287
2015	391,247
2016	1,365,676
2017	322,367
Thereafter	2,501,453
	<u>\$ 5,443,556</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 and 2011**

**NOTE 10 - LINES OF CREDIT**

As of June 30, 2012, 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 January 15, 2013, with an interest rate of prime (3.25 percent at June 30, 2012) plus ½ percent with a floor of four percent. As of June 30, 2012 and 2011, 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 of three or four percent, depending on the region of California in which monies are invested. As of June 30, 2012, Cal Coastal had \$595,000 outstanding on the line.

**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, 2012 and 2011, 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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>	<u>Total</u>
Facilities	<u>\$ 109,488</u>	<u>\$ 112,674</u>	<u>\$ 115,956</u>	<u>\$ 116,048</u>	<u>\$ 119,529</u>	<u>\$ 179,294</u>	<u>\$ 752,989</u>

Rental expense for the years ended June 30, 2012 and 2011, was \$122,180 and \$120,263, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 and 2011**

***NOTE 12 - SUBSEQUENT EVENTS***

Cal Coastal has evaluated subsequent events for recognition and disclosure through October 1, 2012, which is the date the financial statements were available to be issued.



***SUPPLEMENTARY INFORMATION***

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

<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	\$ 50,000
<u>U.S. Small Business Administration</u>		
Microloan Demonstration Program	59.046	<u>642,000</u>
Total Federal Programs		<u>\$ 692,000</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, 2012**

***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)***

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

**GUARANTEE LOAN PORTFOLIO ACCOUNTABILITY REPORT**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Balance of Loan Guarantee, Beginning of Year	\$ 11,422,995	\$ 16,414,285
Loans Guaranteed	2,850,861	247,236
Loan Payoffs	<u>(7,131,180)</u>	<u>(5,238,526)</u>
Balance of Loan Guarantee, End of Year	<u>\$ 7,142,676</u>	<u>\$ 11,422,995</u>

Unaudited - see accompanying note to additional supplementary information.

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

**LOAN GUARANTEE TRUST FUND – FUND ACTIVITY REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Managed Account		Total
	Cash and Securities	Farm Loans	
<b>Balance at July 1, 2011</b>	\$ 3,169,308	\$ 1,417,583	\$ 4,586,891
<b>Receipts</b>			
Interest - investments	36,621	-	36,621
Interest on farm loans	15,553	-	15,553
Principal farm loan repayments	321,298	(321,298)	-
Repayment of state receivables	-	-	-
Total Receipts	<u>373,472</u>	<u>(321,298)</u>	<u>52,174</u>
<b>Disbursements</b>			
Capital gains (losses)	(95)	-	(95)
Fixed contract payment	-	-	-
Trustee and bank fees	-	-	-
Loss payouts	(1,074,521)	-	(1,074,521)
Other adjustments	-	-	-
Total Disbursements	<u>(1,074,616)</u>	<u>-</u>	<u>(1,074,616)</u>
Intrafund transfers	(53,806)	-	(53,806)
	<u>(53,806)</u>	<u>-</u>	<u>(53,806)</u>
<b>Ending Balance at June 30, 2012</b>	<u>\$ 2,414,358</u>	<u>\$ 1,096,285</u>	<u>\$ 3,510,643</u>

Unaudited - see accompanying note to additional supplementary information.



<u>Income Account</u>	<u>Total</u>
<u>\$ 27,923</u>	<u>\$ 4,614,814</u>
3	36,624
-	15,553
-	-
-	-
<u>3</u>	<u>52,177</u>
-	(95)
(33,572)	(33,572)
(11,358)	(11,358)
-	(1,074,521)
-	-
<u>(44,930)</u>	<u>(1,119,546)</u>
<u>53,806</u>	<u>-</u>
<u>53,806</u>	<u>-</u>
<u>\$ 36,802</u>	<u>\$ 3,547,445</u>

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

**SCHEDULE OF LOAN GUARANTEE BALANCES**  
**JUNE 30, 2012**

<u>Loan Number</u>	<u>Guarantee Liability</u>	<u>Loan Number</u>	<u>Guarantee Liability</u>	<u>Loan Number</u>	<u>Guarantee Liability</u>	<u>Loan Number</u>	<u>Guarantee Liability</u>
CC1230	\$ -	CC1450	\$ 20,633	CC1555	\$ 23,683	CC1633	\$ 11,340
CC1241	-	CC1451	-	CC1557	-	CC1634	22,561
CC1248	-	CC1453	-	CC1559	-	CC1635	32,088
CC1280	215,511	CC1456	22,663	CC1560	83,394	CC1636	50,000
CC1283	4,689	CC1457	23,646	CC1564	4,903	CC1639	177,085
CC1290	-	CC1460	-	CC1568	102,220	CC1654	20,000
CC1296	-	CC1465	9,467	CC1569	-		<u>\$ 7,142,676</u>
CC1297	5	CC1466	-	CC1570	38,499		
CC1316	394,007	CC1469	253,293	CC1571	-		
CC1320	964	CC1472	94,121	CC1572	-		
CC1322	116,805	CC1473	60,547	CC1575	16,078		
CC1323	-	CC1477	18,811	CC1576	10,553		
CC1329	-	CC1482	92,114	CC1578	141,251		
CC1330	-	CC1490	-	CC1579	-		
CC1333	130,361	CC1492	25,640	CC1580	136,103		
CC1335	60,459	CC1493	39,049	CC1583	22,264		
CC1351	46,834	CC1496	17,167	CC1585	-		
CC1353	29,595	CC1499	-	CC1586	288,369		
CC1361	29,139	CC1500	61,575	CC1587	-		
CC1362	37,679	CC1501	5,470	CC1588	390,621		
CC1363	34,857	CC1504	-	CC1589	-		
CC1372	-	CC1507	7,778	CC1592	30,285		
CC1378	68,960	CC1509	38,683	CC1596	200,000		
CC1383	63,635	CC1511	62,920	CC1598	50,301		
CC1392	134,480	CC1512	456,371	CC1599	103,165		
CC1396	-	CC1517	262,227	CC1602	137,608		
CC1407	5,235	CC1523	64,794	CC1603	12,970		
CC1412	-	CC1526	13,439	CC1609	-		
CC1414	36,205	CC1529	-	CC1610	-		
CC1418	-	CC1530	84,412	CC1611	16,242		
CC1424	-	CC1533	80,729	CC1612	17,119		
CC1427	222,699	CC1534	45,677	CC1616	-		
CC1430	-	CC1539	-	CC1618	28,313		
CC1432	-	CC1540	45,017	CC1621	8,730		
CC1433	13,943	CC1545	-	CC1625	28,396		
CC1437	302,182	CC1548	10,463	CC1626	68,652		
CC1439	455,206	CC1549	10,911	CC1628	-		
CC1442	42,286	CC1551	27,661	CC1631	-		
CC1448	17,845	CC1554	451,024	CC1632	-		

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

**SCHEDULE OF LOANS ORIGINATED**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

<u>2012</u>	<u>Gross Loans Originated</u>	<u>Number of Loans</u>	<u>Net Loans Originated</u>
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
Monterey County EDA	-	-	-
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>
	<u>Gross Loans Originated</u>	<u>Number of Loans</u>	<u>Net Loans Originated</u>
<u>2011</u>			
Direct Farm Loan Program - Farm Ownership	\$ 602,000	3	\$ 602,000
Direct Farm Loan Program - Operating Loans	13,284,000	34	13,284,000
Guaranteed loans	247,236	5	148,869
Intermediary Relending Program - 2	225,000	2	225,000
Intermediary Relending Program - 3	100,000	1	100,000
Monterey County EDA	170,000	4	170,000
Small Business Administration (SBA)	490,611	15	490,611
SBA 504 Loan Program	133,000	1	133,000
Direct Loan Program - Workout Loans	364,698	3	364,698
Total Loans by Product	<u>\$ 15,616,545</u>	<u>68</u>	<u>\$ 15,518,178</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, 2012**

***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***

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

Board of Directors  
California Coastal Rural Development Corporation  
Salinas, California

We have audited the financial statements of California Coastal Rural Development Corporation as of and for the years ended June 30, 2012 and 2011, and issued our report thereon dated October 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

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

*Vaurvik, Irine, Day & Co. LLP*

Rancho Cucamonga, California  
October 1, 2012





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
California Coastal Rural Development Corporation  
Salinas, California

**Compliance**

We have audited California Coastal Rural Development Corporation's compliance with the types of compliance requirements described in the *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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of California Coastal Rural Development Corporation's management. Our responsibility is to express an opinion on California Coastal Rural Development Corporation's compliance based on our audit.

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

In our opinion, California Coastal Rural Development Corporation complied, in all material respects, with the 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, 2012.

## Internal Control Over Compliance

Management of California Coastal Rural Development Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered California Coastal Rural Development Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Warrick Irine, Day & Co. LLP*

Rancho Cucamonga, California  
October 1, 2012

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

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

**SUMMARY OF AUDITORS' RESULTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</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>Unqualified</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>
<u>59.046</u>	<u>Microloan Demonstration Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</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, 2012**

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, 2012**

None reported.

