Annual Financial Statements
June 30, 2021 and 2020

California Coastal Rural Development Corporation

(A California Non-Profit Public Benefit Corporation)

Independent Auditor's 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 statements of financial position as of June 30, 2021 and 2020, 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.

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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, 2021 and 2020, 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 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 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 or assurance on the information.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021, 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 solely 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 effectiveness of California Coastal Rural Development Corporation's 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.

Eide Bailly LLP

Rancho Cucamonga, California
November 12, 2021

	2021	2020
Assets		
Cash and cash equivalents - undesignated	$ 3,185,947	$ 4,218,725
Cash and cash equivalents - designated	3,233,747	2,368,163
Total cash and cash equivalents	6,419,694	6,586,888
Accounts receivable	182,636	134,781
Interest receivable	91,267	178,136
Investments	40,720	26,812
Loans receivable, net	6,301,321	6,478,262
Other assets	96,942	60,442
Total assets	$ 13,132,580	$ 13,465,321
Liabilities and Net Assets		
Liabilities		
Accounts payable and other accrued expenses	$ 2,000	$ 12,260
Other liabilities	248,178	689,837
Accrued compensation and benefits	186,340	182,208
Unearned revenue	240,000	-
Interest payable	146,271	279,583
Resold commercial loans payable	697,719	1,786,279
Subordinated notes payable	4,880,000	5,000,000
Paycheck Protection Program loan	255,250	255,250
Notes payable	1,340,803	1,326,606
Total liabilities	7,996,561	9,532,023
Net Assets		
Without donor restrictions		
Undesignated	6,677,802	5,624,303
Designated	(1,637,783)	(1,691,005)
	5,040,019	3,933,298
With donor restrictions		
Time-restricted for future periods	96,000	-
Total net assets	5,136,019	3,933,298
Total liabilities and net assets	$ 13,132,580	$ 13,465,321

	2021	2020
Activities Without Donor Restrictions:		
Revenue		
Loan interest income	$ 1,856,858	$ 2,384,588
State contract income	123,000	203,303
Technical assistance contract income	161,129	128,080
Grant income	1,383,269	305,237
Loan origination and guarantee fees	446,612	558,959
Loan late fees	29,002	29,321
Interest on deposit accounts	289	697
CDC income	77,163	68,236
Other income	47,730	8,361
Net assets released from restrictions	6,896	-
Total revenues	4,131,948	3,686,782
Expenses		
Salaries and wages	1,120,198	1,033,155
Payroll taxes and employee benefits	488,000	465,701
Interest expense	613,809	967,567
Provision for loan losses	7,463	154,360
Loan expenses	126,842	174,802
Advertising and promotion	5,648	12,406
Meetings, education, and travel	9,171	48,601
Communication	35,498	33,592
Occupancy	225,370	209,309
Professional services	262,519	219,154
Office	57,530	51,700
Equipment repair and maintenance	21,399	15,691
Depreciation	6,400	12,344
Miscellaneous expenses	45,380	50,694
Total expenses	3,025,227	3,449,076
Change in Net Assets Without Donor Restrictions	1,106,721	237,706
Activities With Donor Restrictions:		
Grant income	102,896	-
Net assets released from restrictions	(6,896)	-
Change in Net Assets With Donor Restrictions	96,000	-
Change in Net Assets	1,202,721	237,706
Net Assets, Beginning of Year	3,933,298	3,695,592
Net Assets, End of Year	$ 5,136,019	$ 3,933,298

	2021	2020
Reconciliation of Change in Net Assets to Net Cash from Operating Activities		
Change in net assets	$ 1,202,721	$ 237,706
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	6,400	12,344
Provision for loan losses	7,463	154,360
Changes in operating assets and liabilities		
Restricted contributions	(96,000)	-
Accounts receivable	(47,855)	(54,200)
Interest receivable	86,869	(60,168)
Other assets	(42,900)	(29,818)
Accounts payable and other accrued expenses	(10,260)	10,260
Accrued compensation and benefits	4,132	64,332
Unearned revenue	240,000	-
Interest payable	(133,312)	(47,475)
Other liabilities	(441,659)	465,637
Net Cash from Operating Activities	775,599	752,978
Investing Activities		
Disbursements on loans receivable	(4,473,675)	(8,408,553)
Collections on loans receivable	4,643,153	9,993,713
Collections on investments	(13,908)	169,013
Net Cash from Investing Activities	155,570	1,754,173
Financing Activities		
Resold commercial loans payable	(1,088,560)	310,874
Payments on subordinated notes payable	(120,000)	(870,000)
Receipts on Paycheck Protection Program loan	-	255,250
Payments on notes payable	(235,803)	(387,209)
Receipts on notes payable	250,000	-
Collections of time-restricted grant contribution	96,000	-
Net Cash used for Financing Activities	(1,098,363)	(691,085)

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; effective July 1, 2013, the program was moved to the California Infrastructure and Economic Development Bank (IBank), a part of 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 and Santa Maria. Cal Coastal is not affiliated with a governmental entity.

Cal Coastal has an agreement with Monterey County to provide the above-mentioned services on a pass-through basis for this jurisdiction. 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 accompanying financial statements have been prepared on the accrual basis. The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification (ASC) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Effective July 1, 2018, Cal Coastal adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Accordingly, net assets and revenues, expenses, gains, and losses are classified based on the existence of donor-imposed restrictions. Net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for general use that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of interest income and interest expense, fees for services and related program and operational expenses associated with the core activities of Cal Coastal. This includes grants and contributions without restrictions, including those designated by the Board of Directors, and restricted grants and contributions whose donor-imposed restrictions were met during the fiscal year.

- *With Donor Restrictions* - Net assets whose use by Cal Coastal is subject to either explicit donor-imposed stipulations or operation of law that can be fulfilled by actions of Cal Coastal or that expire by the passage of time. Items that affect this net asset category are grants for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. Negative balances associated with this category represent losses on certain restricted programs in past years.

Cal Coastal has received no donations for the years ended June 30, 2021 and 2020, however did have restricted grants of $96,000 for the year ended June 30, 2021.

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.

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 IBank; 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 Small Business Development Centers (SBDC) Fund accounts for all SBDC resources and activities. These funds are provided to the Corporation for the purpose of providing technical assistance for SBA loans.

The Economic Development Administration Economic Adjustment Assistance Program (EDAEAA) Fund accounts for the receipt and subsequent disbursement of loan proceeds from the EDA. These funds are provided to the Corporation for the purpose of relending in order to alleviate sudden and severe economic dislocation caused by the coronavirus pandemic, to provide permanent resources to support economic resiliency, and to further the long-term adjustment objectives of the region.

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, 2021 and 2020, 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 collectability. 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 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 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 a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. Amounts are charged-off when available information confirms that specific loans or portions thereof, are uncollectible. This methodology for determining charge-offs is consistently applied to each loan.

The allowance consists of specific and general reserves. Specific reserves relate to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that Cal Coastal will be unable to collect all amounts due according to the contractual terms of the loan agreement. Factors considered in determining impairment include payment status, collateral value, and the probability of collecting all amounts when due. 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. Cal

Compensated Absences

Cal Coastal employees are credited nine to thirty days of vacation and twelve days sick leave annually depending on seniority, to a maximum of thirty-six days of vacation. The unused portion of vacation is payable to the employee at termination of employment. As of June 30, 2021 and 2020, the accrued vacation balance was approximately $90,000 and $75,000, respectively, and is recorded as accrued compensation and benefits. Sick leave is not vested and, therefore, is not paid nor is it accrued.

Revenues and Revenue Recognition

The Corporation’s noninterest income within the scope of Topic 606 includes loan origination fees, state contract income, and other Corporation services. Loan origination fees are recognized as the Corporation’s performance obligation is satisfied, at the time the associated transaction occurs, and service is completed. Likewise, state contract income and other income are recognized as the Corporation’s performance obligation is satisfied, generally on a monthly basis. The Corporation’s state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. As of June 30, 2021 and 2020, there were no conditional contributions that have not been recognized in the accompanying financial statements.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, interest, occupancy, professional services, office expenses, insurance, and other, which are allocated based on estimates of time and effort.

Paycheck Protection Program (PPP) Loan

The Corporation was granted a $255,250 loan under the PPP administered by an SBA approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Corporation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Corporation has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended June 30, 2021. The Corporation will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

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.

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. 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.

Cal Coastal's investments in securities as are considered to be Level 1 investments. Investments in CDs with maturities in excess of three months are deemed to be Level 2, the fair value of which is based on interest rates and time to maturity.

Cash and Cash Equivalents

For purposes of presentation in the statements of cash flows, the Corporation considers all highly liquid financial instruments, with initial maturities of three months or less, to be cash equivalents for the fiscal years of 2021 and 2020. These deposits are made to satisfy regulatory requirements to maintain a certain percentage of loan balances.

Change in Accounting Policy

The Corporation has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions and grants received. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Corporation in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Corporation has implemented the provisions of ASU 2018-08 applicable to grants received on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Corporation's financial statements.

Effective July 1, 2019, the Corporation adopted the provisions of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606*). Results for reporting periods beginning after December 31, 2018, are presented in accordance with Topic 606, and prior periods have not been adjusted but rather continue to be presented in accordance with the prior standards. The Corporation noted no impact to its revenue recognition policies as a result of the adoption of the new standard because the revenue within the scope of Topic 606 is from customers and recognized as it is earned, upon completion of the Corporation's performance obligation for its services, within noninterest income.

Recent Accounting Guidance

On February 25, 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases, which is generally defined as a lease term of less than 12 months. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under current lease accounting guidance. The amendments in this update are effective for interim and annual periods beginning after December 15, 2021. The Corporation is currently evaluating the effects of ASU 2016-02 on its financial statements and disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which introduces new guidance for the accounting for credit losses on certain types of financial instruments. It also provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The new model, referred to as the current expected credit losses (CECL) model, will apply to financial assets subject to credit losses, measured at amortized cost, and certain off-balance sheet credit exposures. Upon initial recognition of the exposure, the CECL model requires an entity to estimate the credit losses expected over the life of an exposure. This update is effective for the Organization for annual periods beginning after December 15, 2022. The Corporation is currently evaluating the effects of ASU 2016-13 on its financial statements and disclosures.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, comprise the following.

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 3,185,947	$ 4,218,725
Investments	40,720	26,812
Accounts and interest receivables	273,903	312,917
	$ 3,500,570	$ 4,558,454
Liquidity resources:		
Bank lines of credit	$ 4,500,000	$ 4,500,000

Cal Coastal uses these sources to meet its ongoing obligations with respect to general expenditures, liabilities, and other obligations as they become due. Cal Coastal has a policy to maintain available cash and short-term investments to meet 90 days of normal operating expenses, which are, on average, approximately $675,000. Cash in excess of daily requirements is invested in various short-term investments with maturities designed to meet obligations as they come due.

Note 4 - Investments

Investments are carried at fair market value as follows:

	Fair Value Measurements			
	June 30, 2021			
	Total	Level 1	Level 2	Level 3
FmAc Equity Securities	$ 40,720	$ 40,720	$ -	$ -
	$ 40,720	$ 40,720	$ -	$ -

	Fair Value Measurements			
	June 30, 2020			
	Total	Level 1	Level 2	Level 3
FmAc Equity Securities	$ 26,812	$ 26,812	$ -	$ -
	$ 26,812	$ 26,812	$ -	$ -

Note 5 - Loans Receivable

Loans receivable at June 30, 2021 and 2020, consist of the following:

	June 30, 2021						
	Direct Loan Program	IRP-1, IRP-2, and IRP-3 Relending Programs	SBA-1 and SBA-2 Loan Programs	NADBank Loan Program	Community Advantage Program	EDA Economic Adjustment Assistance Progam	Total
Commercial loans, gross	$18,139,783	$ 852,047	$ 907,978	$ 618,372	$ 1,874,364	$ 119,216	$22,511,760
Resold commercial loans	(14,376,341)	-	-	(559,540)	-	-	(14,935,881)
Commercial loans, net	3,763,442	852,047	907,978	58,832	1,874,364	119,216	7,575,879
Allowance for loan losses	(776,769)	(313,601)	(107,800)	(5,380)	(71,008)	-	(1,274,558)
	$ 2,986,673	$ 538,446	$ 800,178	$ 53,452	$ 1,803,356	$ 119,216	$ 6,301,321

	June 30, 2020					
	Direct Loan Program	IRP-1, IRP-2, and IRP-3 Relending Programs	SBA-1 and SBA-2 Loan Programs	NADBank Loan Program	Community Advantage Program	Total
Commercial loans, gross	$28,346,066	$ 1,169,912	$ 983,397	$ 653,665	$ 1,388,042	$32,541,082
Resold commercial loans	(24,157,836)	-	-	(590,958)	-	(24,748,794)
Commercial loans, net	4,188,230	1,169,912	983,397	62,707	1,388,042	7,792,288
Allowance for loan losses	(811,793)	(309,482)	(127,123)	(5,380)	(60,248)	(1,314,026)
	$ 3,376,437	$ 860,430	$ 856,274	$ 57,327	$ 1,327,794	$ 6,478,262

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 categorizes its loans receivables into risk categories based on relevant information about the ability of borrowers to service the debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends among other factors. The Corporation analyzes loans individually by classifying the loans as to credit risk periodically throughout the year. The following definitions are used for the risk ratings:

> Pass: Loans that are current in payments and in general compliance with all debt covenants. Management considers the likelihood of loss on these credits to be low.
>
> Deficient Quality: Loans reflecting a lack of primary and secondary sources of repayment.
>
> Watch: Loan exhibits evidence of weakness normally of a temporary nature which, if not corrected within a reasonable period of time, could result in continued financial deterioration and a possible loss.
>
> Substandard: A loan which may or may not be current, but requires special attention. May be inadequately protected by the current net worth and paying capacity of the obligor, or of the collateral pledged, if any.
>
> Doubtful: Loans have all the elements of a substandard loan, with the added characteristic that the weakness makes collection or liquidation in full highly questionable and improbable.
>
> Pending Default/Loss: Loans are considered uncollectible, or the chances for any recovery are long term and highly doubtful.

At June 30, 2021, the Corporation has supervised loans which are those put on non-accrual from various categories noted above based on parameters deemed by management. 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 $3,604,119, $145,120, and $73,845, respectively. At June 30, 2020, the Corporation has supervised loans which are those put on non-accrual from various categories noted above based on parameters deemed by management. 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 $4,525,297, $188,233, and $72,267, respectively.

At June 30, 2021 and 2020, the total recorded investment in impaired loans, all of which have allowances determined in accordance with generally accepted accounting principles, amounted to $5,098,052 and $4,566,364, respectively. For the years ended June 30, 2021 and 2020, the average recorded investment related to impaired loans totaled $3,101,761 and $3,186,814, respectively. The allowance for loan losses totaled $1,274,558 and $1,314,026, respectively. The Corporation has no commitments to lend additional funds to borrowers whose loans have been modified. For the years ended June 30, 2021 and 2020, interest income from loans on non-accrual status would have been $171,992 and $107,764, respectively, had those loans been performing in accordance with their original terms and been outstanding throughout the period.

There were no loans receivable that were modified in troubled debt restructuring as of June 30, 2021 and 2020.

Resold commercial loan payables at June 30, 2021 and 2020, were $697,719 and $1,786,279, 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, 2, & 3 Relending Programs	SBA-2 and SBA-3 Loan Programs	NADBank Loan Program	Community Advantage Program	Total
Balance, June 30, 2019	$ 798,250	$ 291,482	$ 92,623	$ 5,380	$ 30,130	$ 1,217,865
Loan loss provision	52,742	18,000	53,500	-	30,118	154,360
Charge-offs	(534,113)	-	(19,000)	-	-	(553,113)
Recoveries	494,914	-	-	-	-	494,914
Balance, June 30, 2020	811,793	309,482	127,123	5,380	60,248	1,314,026
Loan loss provision	240	4,119	3,104	-	-	7,463
Charge-offs	(55,594)	-	(22,427)	-	-	(78,021)
Recoveries	31,090	-	-	-	-	31,090
Reclassifications	(10,760)	-	-	-	10,760	-
Balance, June 30, 2021	$ 776,769	$ 313,601	$ 107,800	$ 5,380	$ 71,008	$ 1,274,558

At June 30, 2021, Cal Coastal maintained restricted cash and investment accounts at financial institutions in the amount of $595,813 for the SBA Loan Program and $6,427 for NADBank. Such reserves are in addition to the above reserves for loan loss.

Cal Coastal is required to maintain adequate loan loss reserves associated with the SBA Community Advantage program to cover potential losses arisings from defaulted Community Advantage loans. Cal Coastal was in compliance with the loan loss reserve requirements as of June 30, 2021.

Based on the most recent analysis performed, the risk category of the loans receivable, including loans sold, as of June 30 is as follows:

	Pass	Deficient Quality	Watch	Substandard	Doubtful/ Loss	Total
June 30, 2021						
Direct Loan Program	$ 6,742,936	$ 2,232,855	$ 3,361,194	$ 3,368,164	$ 2,434,634	$ 18,139,783
IRP Loan Programs	643,698	63,229	28,400	116,720	-	852,047
SBA Loan Programs	57,692	459,936	209,161	43,015	138,174	907,978
NADBank Loan Program	618,372	-	-	-	-	618,372
Community Advantage Program	306,117	1,244,186	-	111,769	212,292	1,874,364
EDA Program	119,216	-	-	-	-	119,216
	$ 8,488,031	$ 4,000,206	$ 3,598,755	$ 3,639,668	$ 2,785,100	$ 22,511,760
June 30, 2020						
Direct Loan Program	$ 8,754,443	$ 3,081,922	$ 9,945,456	$ 3,071,481	$ 3,492,764	$ 28,346,066
IRP Loan Programs	157,644	451,936	312,525	185,794	62,013	1,169,912
SBA Loan Programs	-	218,755	591,543	97,162	75,937	983,397
NADBank Loan Program	653,665	-	-	-	-	653,665
Community Advantage Program	-	855,362	295,751	236,929	-	1,388,042
	$ 9,565,752	$ 4,607,975	$ 11,145,275	$ 3,591,366	$ 3,630,714	$ 32,541,082

Past due and nonaccrual loans receivable were as follows as of June 30:

		Still Accruing				
	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Nonaccrual	Total
June 30, 2021						
Direct Loan Program	$ 12,428,380	$ 10,300	$ 901,879	$ -	$ 4,799,224	$ 18,139,783
IRP Loan Programs	735,327	-	-	-	116,720	852,047
SBA Loan Programs	598,588	44,552	86,011	108,488	70,339	907,978
NADBank Loan Program	618,372	-	-	-	-	618,372
Community Advantage Program	1,431,087	119,216		212,292	111,769	1,874,364
EDA Program	119,216	-	-	-	-	119,216
	$ 15,930,970	$ 174,068	$ 987,890	$ 320,780	$ 5,098,052	$ 22,511,760
June 30, 2020						
Direct Loan Program	$ 19,780,978	$ -	$ 1,965,053	$ 2,087,218	$ 4,512,817	$ 28,346,066
IRP Loan Programs	896,763	-	273,149	-	-	1,169,912
SBA Loan Programs	858,761	71,089	-	-	53,547	983,397
NADBank Loan Program	653,665	-	-	-	-	653,665
Community Advantage Program	1,151,113	236,929	-	-	-	1,388,042
	$ 22,190,167	$ 308,018	$ 2,238,202	$ 2,087,218	$ 4,566,364	$ 32,541,082

Information relating to individually impaired loans receivable presented by class of loans was as follows as of June 30:

	Impaired Loans					
	Unpaid Principal Balance	Recorded Investment	With Specific Allowance	Without Specific Allowance	Average Recorded Investment	Interest Income Recognized
June 30, 2021						
Direct Loan Program	$ 2,434,634	$ 2,434,634	$ 243,463	$ 2,191,171	$ 2,963,699	$ -
IRP Loan Programs	-	-	-	-	31,007	-
SBA Loan Programs	138,174	138,174	138,174	-	107,056	-
	$ 2,572,808	$ 2,572,808	$ 381,637	$ 2,191,171	$ 3,101,761	$ -
June 30, 2020						
Direct Loan Program	$ 3,492,764	$ 3,492,764	$ 349,276	$ 3,143,488	$ 3,109,096	$ -
IRP Loan Programs	62,013	62,013	62,013	-	31,007	-
SBA Loan Programs	75,937	75,937	75,937	-	46,712	-
	$ 3,630,714	$ 3,630,714	$ 487,226	$ 3,143,488	$ 3,186,815	$ -

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 Zions 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 no contribution expenses in the fiscal year ended June 30, 2021. At June 30, 2021, the principal balance of enrolled loans aggregated $27,768 and reserves of $139,228 were held by the Trust. Cal Coastal recorded no contribution expenses in the fiscal year ended June 30, 2020. At June 30, 2020, the principal balance of enrolled loans aggregated $64,572 and reserves of $139,477 were held by the Trust.

Note 6 - Employee Benefit Plan

Cal Coastal has adopted a Simplified Employee Pension Plan (SEP-IRA) which covers all eligible employees age 21 and over. The Board of Directors determines annual fringe benefits at the beginning of each year. The SEP-IRA contribution is based on employee salaries, with quarterly payment. Included in employee benefits for the fiscal years ended June 30, 2021 and 2020, was $70,232 and $64,862, respectively, which was contributed to the Cal Coastal SEP-IRA plan.

Note 7 - Line of Credit

As of June 30, 2021, Cal Coastal has a revolving line of credit with Mechanics Bank. The line of credit totaling $4.0 million (warehouse line) can be drawn down as needed and expires April 30, 2022, with an interest rate of Prime Rate plus 0%, with a floor rate of 3.50%. As of June 30, 2021 and 2020, this line of credit had no amounts outstanding.

Note 8 - Subordinated Notes Payable

Effective July 18, 2013, an additional line of credit for $5 million 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, 2023. Interest at 3.76 percent is due quarterly. The note may be extended for an additional five-year period provided the Corporation satisfies the conditions for extension. The balance outstanding at June 30, 2021 and 2020, was $4,880,000 and $5,000,000, respectively.

Effective May 15, 2020, Cal Coastal entered into an unsecured subordinated term loan with Community Foundation of Monterey County. The loan totals $1 million to be drawn in 4 installments as needed and expires on May 14, 2025, with a fixed interest rate of 2.5%. As of June 30, 2021 and 2020, this loan had no amounts outstanding.

Note 9 - Notes Payable

Notes payable consist of the following at December 31:

	2021	2020
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, 2021, Cal Coastal had drawn all of the available funds under this note.	$ 302,933	$ 378,944
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 $31,837 for the first three years consist of interest only payments, and thereafter, principal and interest payments to be paid to fully amortize the loan 30 years from the date of the note until principal 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, 2021, Cal Coastal had drawn all available funds under this note.	393,721	421,345
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 $4,951 including interest of 1.375% per annum, maturing June 2028. The maximum amount available to borrow under the note is $500,000 and, as of June 30, 2021, Cal Coastal had drawn all of the available funds.	394,149	447,428
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 $7,521 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, 2021, Cal Coastal had drawn down all of the available funds.	-	78,889
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 $9,259 including interest of 0.00% per annum, maturing August 2030. The maximum amount available to borrow under the note is $1,000,000 and, as of June 30, 2021, Cal Coastal had drawn down $250,000.	250,000	-
	$ 1,340,803	$ 1,326,606

Maturities as of June 30, 2021, on the notes payable are as follows:

Fiscal Year Ended June 30,		
2022	$	251,273
2023		271,585
2024		208,594
2025		155,341
2026		86,097
Thereafter		367,913
	$	1,340,803

Note 10 - Net Assets with Donor Restrictions

Net assets with donor restrictions is restricted grant income subject to the passage of time totaling $96,000 and $0 as of June 30, 2021 and 2020, respectively. Net assets were released from donor restrictions by incurring administrative expenses totaling $6,896 and $0 for the years ended June 30, 2021 and 2020.

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 IBank and the Corporation. The State retains a residual interest in the Trust Funds held by the Fiduciary Trust International of California. Cal Coastal merely gets paid to administer the State Loan Guarantee Program for IBank.

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.

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:

Years Ending December 31,	Facility Leases	Equipment Leases
2022	$ 184,125	$ 5,760
2023	174,603	5,760
2024	174,603	1,440
2025	76,264	-
Total minimum lease payments	$ 609,595	$ 12,960

Rental expense for the years ended June 30, 2021 and 2020, was $197,760 and $185,077, respectively.

Note 12 - Functional Allocation of Expenses

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation, are allocated on the basis of estimates of time and effort.

	Program	Operating	Total
Salaries and wages	$ 784,139	$ 336,059	$ 1,120,198
Payroll taxes and employee benefits	341,600	146,400	488,000
Interest expense	429,666	184,143	613,809
Provision for loan losses	5,224	2,239	7,463
Loan expenses	88,789	38,053	126,842
Advertising and promotion	3,954	1,694	5,648
Meetings, education, and travel	6,420	2,751	9,171
Communication	24,849	10,649	35,498
Occupancy	157,759	67,611	225,370
Professional services	183,763	78,756	262,519
Office	40,271	17,259	57,530
Equipment repair and maintenance	14,979	6,420	21,399
Depreciation	4,480	1,920	6,400
Miscellaneous expenses	31,766	13,614	45,380
Total expenses	$ 2,117,659	$ 907,568	$ 3,025,227

The following schedule presents expenses by function as of June 30, 2020:

	Program	Operating	Total
Salaries and wages	$ 754,998	$ 278,157	$ 1,033,155
Payroll taxes and employee benefits	340,320	125,381	465,701
Interest expense	707,068	260,499	967,567
Provision for loan losses	112,802	41,558	154,360
Loan expenses	127,740	47,062	174,802
Advertising and promotion	9,066	3,340	12,406
Meetings, education, and travel	35,516	13,085	48,601
Communication	24,548	9,044	33,592
Occupancy	152,957	56,352	209,309
Professional services	160,151	59,003	219,154
Office	37,781	13,919	51,700
Equipment repair and maintenance	11,467	4,225	15,692
Depreciation	9,021	3,323	12,344
Miscellaneous expenses	37,045	13,648	50,693
Total expenses	$ 2,520,480	$ 928,596	$ 3,449,076

Note 13 - Subsequent Events

On July 30, 2021, the Corporation received a grant award totaling $1,826,265 issued through a Community Development Financial Institutions Fund Assistance Agreement.

Cal Coastal has evaluated subsequent events for recognition and disclosure through November 12, 2021, which is the date the financial statements were available to be issued.

Supplementary Information
June 30, 2021 and 2020

California Coastal Rural Development Corporation

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number		Federal Expenditures
U.S. Department of Agriculture				
Intermediary Relending Program	10.767	N/A	$	937,338
U.S. Department of Commerce				
Economic Development Cluster				
Economic Adjustment Assistance Program	11.307	N/A		301,118
Total Economic Development Cluster				301,118
U.S. Small Business Administration				
Microloan Demonstration Program	59.046	N/A		1,131,468
Total Federal Programs			$	2,369,924

See Notes to Supplementary Information.

Note 1 - Purpose of Schedule

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Corporation has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of uniform guidance.

Note 2 - Loan and Loan Guarantee Programs

The programs noted in the Schedule of Expenditures of Federal Awards represent outstanding loans with their respective awarding agencies with continuing compliance requirements. Expenditures reported in this schedule consist of the beginning of the year outstanding loan balance plus advances made on the loan during the year. The balance on the Intermediary Relending Program outstanding loan at June 30, 2021 was $852,047. The balance on the Microloan Demonstration Program outstanding loan at June 30, 2021 was $907,978. No federal financial assistance has been provided to a subrecipient.

Additional Supplementary Information (Unaudited)
June 30, 2021 and 2020

California Coastal Rural Development Corporation

	2021	2020
Balance of Loan Guarantee, Beginning of Year	$ 19,016,888	$ 17,225,945
Loans Guaranteed	6,402,000	6,011,471
Loan Payoffs	(14,407,257)	(4,220,528)
Balance of Loan Guarantee, End of Year	$ 11,011,631	$ 19,016,888

Loan Number	Guarantee Liability	Loan Number	Guarantee Liability	Loan Number	Guarantee Liability
CC1687	2,623	CC1886	191,609	CC1938	360,148
CC1689	119,520	CC1888	-	CC1939	560,000
CC1695	-	CC1890	120,781	CC1940	280,000
CC1698	-	CC1891	-	CC1941	34,000
CC1720	-	CC1893	20,000	CC1942	237,782
CC1721	-	CC1894	-	CC1944	388,558
CC1725	-	CC1895	-	CC1945	146,000
CC1773	328,727	CC1896	61,197	CC1946	80,000
CC1774	3,123	CC1897	-		
CC1775	39,143	CC1898	282,933		$ 11,011,631
CC1778	23,272	CC1899	-		
CC1801	144,984	CC1900	17,973		
CC1822	127,377	CC1901	204,785		
CC1836	1,044,405	CC1902	-		
CC1839	94,337	CC1903	-		
CC1840	-	CC1904	-		
CC1842	-	CC1905	148,262		
CC1843	-	CC1906	277,037		
CC1845	-	CC1911	151,186		
CC1849	-	CC1914	119,999		
CC1850	-	CC1915	607,548		
CC1852	463,347	CC1916	204,255		
CC1853	386,423	CC1917	-		
CC1856	-	CC1918	40,000		
CC1857	94,780	CC1919	40,000		
CC1859	84,540	CC1920	40,000		
CC1860	-	CC1922	51,842		
CC1864	-	CC1923	40,000		
CC1865	-	CC1924	99,718		
CC1871	-	CC1928	190,000		
CC1875	976,003	CC1929	87,130		
CC1876	-	CC1930	13,600		
CC1879	-	CC1931	144,387		
CC1880	50,937	CC1932	40,000		
CC1881	253,041	CC1933	662,599		

2021	Gross Loans Originated	Number of Loans	Net Loans Originated
Community Advantage	$ 875,000	5	$ 875,000
Direct Farm Loan Program - Operating Loans	8,280,000	17	8,280,000
Guaranteed Loans	6,402,000	17	5,226,600
Small Business Administration (SBA)	200,000	4	200,000
SBA 504 Loan Program	1,122,000	1	1,122,000
Monterey County EDA	73,352	3	73,352
Community Foundation	25,000	1	25,000
EDA Economic Adjustment Assistance Program	120,000	1	120,000
Total Loans by Product	$ 17,097,352	49	$ 15,921,952

2020	Gross Loans Originated	Number of Loans	Net Loans Originated
Community Advantage	$ 380,000	3	$ 380,000
Direct Farm Loan Program - Farm Ownership	1,750,000	3	1,750,000
Direct Farm Loan Program - Operating Loans	10,390,000	19	10,390,000
Guaranteed Loans	6,011,471	24	4,809,177
Small Business Administration (SBA)	350,000	8	350,000
SBA 504 Loan Program	412,000	1	412,000
Monterey County EDA	778,000	21	778,000
Jumpstart	20,000	2	20,000
Total Loans by Product	$ 20,743,072	82	$ 19,540,778

Note 1 - Purpose of Schedules

These schedules have been included at the request of management and the State agencies providing funding to the Corporation. This information has not been subjected to the audit procedures applied during the course of the audit.

Schedule of Federal Expenditures

This Organization has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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.

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.

Federal Award Section
June 30, 2021 and 2020

California Coastal Rural Development Corporation

CPAs & BUSINESS ADVISORS

Independent Auditor's 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 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, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered California Coastal Rural Development Corporation's internal control over financial reporting (internal control) as a basis for designing 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 audit 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.

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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 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*.

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
November 12, 2021

Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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 the *OMB Compliance Supplement* that could have a direct and material effect on California Coastal Rural Development Corporation's major federal program for the year ended June 30, 2021. California Coastal Rural Development Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for California Coastal Rural Development Corporation's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of California Coastal Rural Development Corporation's compliance.

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Opinion on Each Major Federal Program
In our opinion, California Coastal Rural Development Corporation's 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, 2021.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the 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 in internal control over compliance* 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. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
November 12, 2021

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
Microloan Demonstration Program	59.046

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

None reported.