

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION**

**CONSOLIDATED  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**YEARS ENDED  
SEPTEMBER 30, 2013 AND 2012**

**SKMC, LLP**

CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION

CONSOLIDATED  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
California Community Reinvestment Corporation  
Glendale, California

We have audited the accompanying financial statements of the California Community Reinvestment Corporation and subsidiaries (the "Company") which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the two years then ended, and the related notes to the consolidated 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 audit. 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. Those standards require that we plan and perform the audit 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.

(Continued)

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of California Community Reinvestment Corporation and subsidiaries as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

### Other Matters

The accompanying supplemental information on pages 18 to 25 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. Such 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 accompanying supplemental information on pages 18 to 25 is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2013 on our consideration of California Community Reinvestment Corporation's internal control over financial reporting and 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 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 Community Reinvestment Corporation's internal control over financial reporting and compliance.



SKMC, LLP

Los Angeles, CA  
December 9, 2013

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,128,730	\$ 2,702,201
Real estate loans:		
Loans	122,513,272	193,960,971
Loans held for sale	96,328,095	-
Allowance for loan losses	( 5,129,536)	( 5,074,654)
Deferred loan fees	( 2,090,062)	( 1,965,171)
Real estate loans, net	211,621,769	186,921,146
Interest receivable	1,217,831	1,093,489
Equipment and improvements, net	103,189	76,112
Other assets	154,077	576,475
Total assets	<u>\$ 214,225,596</u>	<u>\$ 191,369,423</u>

**Liabilities and Net Assets**

Accounts payable and accrued expenses	\$ 501,304	\$ 451,095
Interest payable, member banks	966,216	872,088
Deferred revenue	1,818,500	1,892,262
Notes payable, member banks	194,884,286	173,226,541
Total liabilities	198,170,306	176,441,986
Commitments and contingencies (Notes 5, 7 and 8)		
Net assets:		
Unrestricted	15,991,867	14,873,560
Temporarily restricted	63,423	53,877
Total net assets	<u>16,055,290</u>	<u>14,927,437</u>
Total liabilities and net assets	<u>\$ 214,225,596</u>	<u>\$ 191,369,423</u>

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Interest income, loans	\$ 13,348,527	\$ 12,917,882
Loan, commitment, rate lock and prepayment fees	1,160,914	713,429
Loan sale premium	240,788	474,235
Developer, broker fees and other income	198,141	136,296
Loan servicing income	<u>497,989</u>	<u>543,162</u>
Total revenues and gains	15,446,359	14,785,004
Net assets released from restrictions:		
Satisfaction of program restrictions	<u>21,454</u>	<u>37,573</u>
Total revenues, gains and other support	<u>15,467,813</u>	<u>14,822,577</u>
Expenses:		
Interest, member banks	11,039,172	10,880,569
Salaries and employee benefits	2,582,202	2,207,584
Occupancy	170,773	174,632
Professional services	151,693	130,364
Provision for loan losses	54,882	15,706
Marketing and business development	23,799	15,778
Utilities and maintenance	80,616	63,714
Professional conferences and meetings	36,034	38,244
Depreciation	37,930	44,116
Insurance	61,079	71,032
Miscellaneous	<u>111,326</u>	<u>127,190</u>
Total expenses	<u>14,349,506</u>	<u>13,768,929</u>
Increase in unrestricted net assets	<u>1,118,307</u>	<u>1,053,648</u>
Changes in temporarily restricted net assets:		
Contributions	31,000	38,250
Net assets released from restrictions	<u>( 21,454)</u>	<u>( 37,573)</u>
Increase in temporarily restricted net assets	<u>9,546</u>	<u>677</u>
Increase in net assets	1,127,853	1,054,325
Net assets, beginning of year	<u>14,927,437</u>	<u>13,873,112</u>
Net assets, end of year	<u>\$ 16,055,290</u>	<u>\$ 14,927,437</u>

See notes to consolidated financial statements

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Cash received from:		
Loan, commitment, rate lock and prepayment fees	\$ 1,359,431	\$ 614,217
Service fees and other income	705,676	680,135
Interest income	13,224,185	13,016,246
Loan sale premium	<u>240,788</u>	<u>474,235</u>
Cash received from operations	<u>15,530,080</u>	<u>14,784,833</u>
Cash paid to:		
Employees	( 2,660,334)	( 2,301,900)
Member banks for interest on notes payable	( 10,945,044)	( 10,989,639)
Vendors	<u>( 710,515)</u>	<u>( 568,739)</u>
Cash paid for operations	<u>( 14,315,893)</u>	<u>( 13,860,278)</u>
Net cash provided by operating activities	<u>1,214,187</u>	<u>924,555</u>
<b>Cash flows from investing activities:</b>		
Loans originated	( 46,617,639)	( 32,212,379)
Loan repayments	13,195,852	4,057,906
Proceeds from sale of loans	8,541,391	40,960,600
Purchases of property and equipment	( 65,007)	( 12,166)
Refundable deposit	<u>500,000</u>	<u>( 500,000)</u>
Net cash (used in) provided by investing activities	<u>( 24,445,403)</u>	<u>12,293,961</u>
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable - member banks	38,422,106	34,641,482
Payments on notes payable - member banks	( 12,251,898)	( 5,755,714)
Repayments from sale of loans - member banks	<u>( 4,512,463)</u>	<u>( 40,960,600)</u>
Net cash provided by (used in) financing activities	<u>21,657,745</u>	<u>( 12,074,832)</u>
Net (decrease) increase in cash and cash equivalents	( 1,573,471)	1,143,684
Cash and cash equivalents, beginning of year	<u>2,702,201</u>	<u>1,558,517</u>
Cash and cash equivalents, end of year	<u>\$ 1,128,730</u>	<u>\$ 2,702,201</u>

Continued

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Reconciliation of increase (decrease) in net assets to net cash provided by operating activities:</b>		
Increase in net assets	\$ 1,127,853	\$ 1,054,325
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,930	44,116
Provision for loan losses	54,882	15,706
Changes in operating assets and liabilities:		
Deferred loan fees	124,891	( 345,153)
Interest receivable	( 124,342)	98,364
Other assets	( 77,602)	297
Accounts payable and accrued expenses	50,209	59,029
Interest payable, member banks	94,128	( 109,070)
Deferred revenue	( 73,762)	106,941
Net cash provided by operating activities	<u>\$ 1,214,187</u>	<u>\$ 924,555</u>



**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and nature of business**

California Community Reinvestment Corporation ("CCRC" or the "Company") is a private, not-for-profit organization established for the purpose of providing financing and technical assistance to facilitate the development of affordable housing in the state of California. Loan funding is primarily provided by a consortium of member banks that contribute funding through a credit and security agreement or participation agreement (the "Agreement"). CCRC is also approved as a HUD Title II FHA multifamily lender.

CCRC/PSP, LLC ("CCRC/PSP") was formed in February 2012 for the purpose of designing and implementing other financial or economic models, plans, programs or strategies which would facilitate the development of, and/or enhance the availability of affordable housing in the State of California. The Company is the sole member of CCRC/PSP. The accounts of CCRC/PSP have been consolidated with the Company.

CCRC Affordable Housing Partners, LLC ("Housing Partners") was formed in March 2000 for the purpose of acquiring, or investing in financially troubled multi-residential properties to be rehabilitated and eventually sold to nonprofit or for-profit purchasers willing to ensure long-term affordability of the housing units for low-income families. The Company is the sole member of Housing Partners. The accounts of Housing Partners have been consolidated with the Company.

CCRC also acts in the capacity of a fiscal agent and bondholders' agent for the tax-exempt bond program, the objective of which is to provide financing to developers for the development and/or rehabilitation of multifamily housing to low-income households. The program provides access to 4% tax credit equity and permanent financing at competitive tax-exempt rates. This program results in additional Community Reinvestment Act investment/lending opportunities for the member banks. Under this program, the member banks purchase revenue bonds from a bond issuer. Using the proceeds from the issuance of the bonds, the bond issuer then provides permanent financing to the borrower. The fiscal agent originates the loan to the borrower on behalf of the bond issuer and services the loan on behalf of the bond issuer and the bondholders. CCRC, as the bondholders' agent, also performs bond registrar and paying agent functions.

Bond program loans and related borrowings have not been reflected in the accompanying financial statements as CCRC is acting in the capacity of agent for the member banks and provides only paying agent functions. CCRC retains a servicing fee for its services, which is recorded in the statements of activities. At September 30, 2013 and 2012, CCRC was servicing loans totaling \$95,676,847 and \$111,647,829, respectively, under this program.

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Summary of significant accounting policies**

**Principles of consolidation**

The consolidated financial statements include the accounts of CCRC and its wholly owned subsidiaries. All significant inter-company transactions and accounts have been eliminated.

**Cash and equivalents**

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Impound account**

The Company holds certain borrower reserve balances to be remitted to third parties on behalf of the borrowers or returned to the borrowers. The balance in the account at September 30, 2013 and 2012 was \$15,204,225 and \$11,927,501, respectively; such amounts are not reflected on the Company's statements of financial position at September 30, 2013 and 2012.

**Real estate loans**

Real estate loans are reported at the principal amount outstanding, net of an allowance for loan losses and deferred loan fees. Interest income is recognized on the accrual basis according to the contractual terms of the loans. Interest income is not recognized on loans past due 90 days or if collection of interest is deemed by management to be unlikely.

Loans for which the accrual of interest has been discontinued are designated nonaccrual loans. All interest previously accrued but uncollected is reversed against current-period interest income. Income on such loans is then recognized only to the extent that cash is received and when the ultimate collection of the carrying amount of the loan is probable. If and when borrowers demonstrate the ability to repay a loan in accordance with the terms of a loan classified as nonaccrual, the loan may be returned to accrual status.

A loan is considered impaired when, based on current information and events, it is probable that CCRC will be unable to collect the scheduled payments of principal or interest when due according to the amortization plan established in the contractual terms of the loan. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Impairment is measured by reference to the present value of expected future cash flows, discounted at the loan's original interest rate or to the estimated fair value of the collateral. If the valuation of the impaired loan is less than the recorded investment in the loan, the Company recognizes the impairment by creating a specific allowance for loan losses with a corresponding charge to the provision for loan losses or by adjusting an existing allowance for the impaired loan with a corresponding charge or credit to the provision.

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Summary of significant accounting policies (continued)**

**Real estate loans (continued)**

Loans for which the borrower is experiencing financial difficulty and the Company has granted an economic concession to the borrower are referred to as troubled debt restructurings. Prior to modifying a borrower's loan terms, the Company performs an evaluation of the borrower's financial condition and ability to service the modified loan terms. The types of concessions granted may include interest rate reductions and/or term extensions.

Nonrefundable fees and direct costs associated with the origination of loans are deferred and netted against the outstanding loan balances. Net deferred loan origination fees are recognized in income over the remaining loan terms using the level yield method. Commitment fees are deferred and recognized as revenue over the life of the loans, if the commitments are exercised, or upon the expiration of the commitments.

The Company also receives fees from potential borrowers to lock in the interest rates on the loans. These fees are deferred and amortized over the rate lock periods. Fees received from the prepayment of loans are recorded as revenue when received.

**Loans held for sale**

Loans are initially classified as held for sale when they are identified as being available for immediate sale and a formal plan exists to sell them.

Gains or losses resulting from loan sales are recognized at the time of sale based on the difference between net sale proceeds and the book value of loans sold. Loans held for sale are valued at the lower of cost or fair market value determined on an aggregate basis for all loans in inventory. Market value is based on commitments from purchasers.

**Allowance for loan losses**

The determination of the balance in the allowance for loan losses is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for probable incurred losses that are inherent in the portfolio after giving consideration to the character of the loan portfolio, current economic conditions, past credit loss experience, and such other factors that deserve current recognition in estimating credit losses. Unanticipated changes in the economy of the Company's primary lending area may affect the balance of the allowance. Because the allowance is based on estimates, ultimate losses may vary from management's estimates. The allowance is increased by provisions charged to expense and reduced by net recoveries.

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Summary of significant accounting policies (continued)**

**Equipment and improvements**

Equipment is recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from three to five years. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

**Restricted net assets**

The Company reports gifts of cash as restricted support if it is received with donor stipulations that limit its use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At September 30, 2013 and 2012, temporarily restricted net assets represented amounts restricted for scholarships.

**Credit enhancement fee**

The Company reports credit enhancement fee income in developer, broker fees, and other income. Credit enhancement fee income on participation interests sold during the year, consists of the Company's subordinated participation interest which is provided to reduce the risk to the buyer of a borrower's default. For the fiscal years ended September 30, 2013 and 2012, the credit enhancement fee income totaled \$135,613 and \$40,135, respectively.

**Use of estimates in the preparation of the financial statements**

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. Significant estimates reflected in the financial statements relate to the allowance for loan losses. Actual results could differ from those estimates.

**2. REAL ESTATE LOANS**

The Company primarily originates real estate loans for affordable housing in California. Loans originated by the Company are primarily funded by advances from member banks and are secured by a first deed of trust on the subject property of each respective loan.

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**2. REAL ESTATE LOANS (CONTINUED)**

The Company's loan portfolio at September 30, 2013 and 2012 is shown in the following table:

	2013	2012
Affordable Housing Multifamily	\$ <u>122,513,272</u>	\$ <u>193,960,971</u>
Loans held for sale	\$ <u>96,328,095</u>	\$ <u>-</u>

During the years ended September 30, 2013 and 2012, the Company transferred \$104,869,486 and \$18,316,531 of loans held for investment to loans held for sale.

The Company, to the extent that it is financially able, will maintain loan loss reserves and has the responsibility for any loan losses suffered. Only after the Company is not able to absorb potential losses will the losses become the financial responsibility of the member banks. In addition, the Company will continue to make monthly payments to its member banks even if it has not received payments from its borrowers.

The Company evaluates the credit quality of its loan portfolio based on internal credit risk ratings using numerous factors, including debt coverage and loan to value ratios, collateral, collection experience, and other internal factors. Internal credit risk ratings include pass, special mention, substandard and specific reserve.

Loans held for investment by credit quality category are as follows:

	2013	2012
Pass	\$ 80,202,484	\$ 149,188,470
Special mention	31,882,295	33,158,128
Substandard	10,428,493	11,614,373
Specific reserve	<u>-</u>	<u>-</u>
Total	\$ <u>122,513,272</u>	\$ <u>193,960,971</u>

The allowance for loan losses is composed of specific allowances for certain loans and general allowances grouped into loan pools based upon similar credit quality characteristics.

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**2. REAL ESTATE LOANS (CONTINUED)**

Activity in the allowance for loan losses for the years ended September 30, 2013 and 2012 is shown in the following table:

	<b>2013</b>	<b>2012</b>
Allowance for loan losses:		
Balance, beginning of year	\$ 5,074,654	\$ 5,058,948
Charge-offs	-	-
Recoveries	-	-
Provision	<u>54,882</u>	<u>15,706</u>
Balance, end of year	<u>\$ 5,129,536</u>	<u>\$ 5,074,654</u>
Ending balance:		
Individually evaluated for impairment	\$ -	\$ -
Collectively evaluated for impairment	\$ 5,129,536	\$ 5,074,654
Loans receivable:		
Ending balance:		
Individually evaluated for impairment	\$ -	\$ -
Collectively evaluated for impairment	\$ 122,513,272	\$ 193,960,971

A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the related agreement. No loans were considered to be impaired at September 30, 2013 or 2012.

An age analysis of loans receivable as of September 30, 2013 and 2012 is as follows:

	<b>2013</b>	<b>2012</b>
Past due:		
30-59 days	\$ -	\$ -
60-89 days	-	-
Greater than 90 days	<u>-</u>	<u>-</u>
Total past due	-	-
Current	<u>122,513,272</u>	<u>193,960,971</u>
Total loans receivable	<u>\$ 122,513,272</u>	<u>\$ 193,960,971</u>
Total loans past due greater than 90 days, accruing	<u>\$ -</u>	<u>\$ -</u>

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**3. EQUIPMENT AND IMPROVEMENTS**

A summary of the equipment and improvements at September 30, 2013 and 2012 are as follows:

	2013	2012
Office equipment	\$ 773,032	\$ 708,026
Leasehold improvements	250,148	250,148
Accumulated depreciation	( 919,991)	( 882,062)
Equipment and improvements, net	<u>\$ 103,189</u>	<u>\$ 76,112</u>

**4. NOTES PAYABLE**

Funding for loans originated by the Company is primarily provided by borrowings from member banks under the Agreement. As stated in the Agreement, the terms of the Company's borrowings from member banks are substantially the same as the terms of the loans the Company originates. The member banks receive an assignment of the collateral for the loans originated equal to their respective equity percentage interest in the loans. A nominal interest rate spread is retained by the Company.

Based on the terms of the Agreement, such participations by member banks are accounted for as secured borrowings with a pledge of collateral, and accordingly, the real estate loans and notes payable are included in the Company's statements of financial position. The Agreement was revised in September 2007 to reflect updated operating policies.

On September 1, 2011 and as revised on June 11, 2012, the Company made a negative pledge to the member banks of \$10,000,000 of the CCRC-funded loans and the member banks' right to receive an assignment of \$10,000,000 of CCRC-funded loans if member banks holding a 51% interest in the specified loans vote to exercise this right. The CCRC-funded loans earmarked for this pledge must meet certain criteria which are tested semi-annually. As of September 30, 2013, the Company was in compliance with this negative pledge.

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**4. NOTES PAYABLE (CONTINUED)**

The aggregate scheduled principal payments based on each loan's respective amortization schedule at September 30, 2013, are as follows:

<u>Years ending September 30,</u>	
2014	\$ 3,567,494
2015	3,828,738
2016	4,092,954
2017	4,337,712
2018	4,442,232
Thereafter	<u>174,615,156</u>
	<u>\$ 194,884,286</u>

**5. COMMITMENTS AND CONTINGENCIES**

The Company is a party to loan commitments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each borrower's creditworthiness on a case-by-case basis. The value of collateral obtained upon extension of credit is based upon management's real estate evaluation and only includes income-producing property.

As of and for the years ended September 30, 2013 and 2012, the summary of deferred fees and commitments are as follows:

	<b>2013</b>	<b>2012</b>
Loan commitments unfunded	<u>\$ 96,277,126</u>	<u>\$ 65,058,279</u>
Deferred revenue on loan commitments unfunded:		
Nonrefundable loan application and commitment fees	<u>\$ 1,818,500</u>	<u>\$ 1,892,262</u>



**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**5. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

	2013	2012
Loan fees recognized due to:		
Expiration of commitments	\$ 69,204	\$ 83,865
Amortization of deferred fees	201,904	146,251
Fees earned - bond deals	369,801	130,161
Loan prepayment fees	257,241	-
Financing and placement fees	167,850	-
Loan sales	67,934	349,898
Other	<u>26,980</u>	<u>3,254</u>
Total loan, commitment and rate lock fees	<u>\$ 1,160,914</u>	<u>\$ 713,429</u>

The Company has a seven year and five month operating lease agreement for office facilities which commenced in December 2010. Under the terms of this lease, the Company pays monthly rental commencing December 2010 through April 2017. A summary of the future minimum lease payments follows:

Years ending <u>September 30,</u>	
2014	\$ 162,190
2015	166,162
2016	170,134
2017	<u>101,286</u>
	<u>\$ 599,772</u>

**6. TRANSACTIONS WITH MEMBER BANKS**

At September 30, 2013 and 2012, the Company had \$1,128,730 and \$2,702,201, respectively, on deposit with a member bank. In lieu of interest, CCRC received an earnings credit against fees at 0.5%. Such amounts were in excess of the amount insured by the Federal Deposit Insurance Corporation.

Substantially all of the Company's loans are financed by member bank participation. Based on excess reserves and the low interest rate investment market, CCRC's board authorized the liquidation of the managed investment portfolio and CCRC-funding of loans up to a level whereby \$1,000,000 in reserves would be maintained in a liquid investment account. All CCRC-funded loans are approved by the loan committee in the same manner as all member bank-funded loans. If additional liquidity is required, CCRC would participate these Company loans to member banks.

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**6. TRANSACTIONS WITH MEMBER BANKS (CONTINUED)**

As of September 30, 2013 and 2012, CCRC-funded loans totaled \$23,637,260 and \$20,385,428, respectively. At September 30, 2013, \$10,000,000 of CCRC-funded loans were subject to a negative pledge to member banks. Interest expense related to the loans financed by member banks amounted to \$11,039,172 and \$10,880,569 for the years ended September 30, 2013 and 2012, respectively.

**7. CONTINGENT LIABILITY**

CCRC began offering nonprofit affordable housing developers access to the Federal Home Loan Bank ("FHLB") Affordable Housing Program ("AHP") in 1997. These grants are subject to certain restrictions, and if the developers become noncompliant with the terms of the grants, they will be asked to pay the grants back on a pro rata share based on how long the developers have been in compliance with the terms of the projects. To offer this program, CCRC established a strategic relationship with one of the member banks, which is also an FHLB shareholder. This relationship allows CCRC to market AHP to developers, with the member bank accessing the funds through the FHLB. Since the developers are not direct customers of the member bank, CCRC has entered into a hold-harmless agreement with the member bank. Should the developer be unable to comply with the terms under which the grant was awarded and be unable to repay or come back into compliance, CCRC agreed to be responsible for any recapture of the grant called for by the FHLB. Effective September 30, 2007, CCRC and the member bank agreed to change the hold-harmless agreement. Under the new agreement, CCRC is responsible for one percent (1.00%) of any recapture of the grant called for by the FHLB. The FHLB can inform the member bank and CCRC of the developers' noncompliance. Outstanding grants totaling \$7,823,665 as of September 30, 2013 and 2012, are covered by the indemnification agreement.

**8. DEFERRED COMPENSATION PLAN**

The Company has established a 403(b) deferred compensation plan (the "Plan") for its employees. The Plan is offered to all full-time employees who are 21 years or older and have been with the Company for more than one year. Effective January 1, 2000, the Plan was converted to a 401(k) deferred compensation plan, which allows for employer matching. Eligibility requirements and vesting did not change from the conversion. For the years ended September 30, 2013 and 2012, the Company matched contributions of \$99,083 and \$92,018, respectively, into the 401(k) plan.

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**9. TAX STATUS**

The Company, based on its Internal Revenue Service determination letter dated June 2, 1989, is currently a publicly supported organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**10. FAIR VALUES OF FINANCIAL INSTRUMENTS**

The estimated fair value amounts as of September 30, 2013 and 2012, have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop estimates of fair value. Accordingly, the estimates described below are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The methods and assumptions used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value are explained below:

Cash and Cash Equivalents - The carrying amounts approximate fair values due to the short-term nature of these instruments.

Real Estate Loans - Based on sales to third parties, current interest rates offered by the Company and the interest rates related to the loan portfolio, the carrying amounts of loans are estimated to approximate fair value. It is the Company's opinion that the allowance for estimated loan losses results in a fair valuation of such loans.

Notes Payable Member Banks - Based on the current interest rates on notes payable to member banks and the interest rates related to the existing borrowings, the carrying amounts of such borrowings are estimated to approximate fair values.

Interest Receivable and Interest Payable - The carrying amounts of these items are a reasonable estimate of their fair values due to their short-term nature.

**11. SUBSEQUENT EVENTS**

The date to which events occurring after September 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is December 9, 2013, which is the date on which the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION**  
(a California Not-for-profit Organization)

**BALANCE SHEET DATA  
SEPTEMBER 30, 2013**

**ASSETS**

**CURRENT ASSETS**

111	Cash and Cash Equivalents	\$ 1,128,730
134	Accounts Receivable, Net of Allowance for Doubtful Accounts	1,217,831
134	Loans Held for Sale, at Lower of Cost or Market	96,328,095
135	Other Current Assets	<u>139,512</u>
150	Total Current Assets	<u>98,814,168</u>

**NON-CURRENT ASSETS**

165	Property, Equipment and Leasehold Improvements, Net of Accumulated Depreciation	103,189
174	Loans Held for Investment	115,293,675
176	Other Non-Current Assets	<u>14,564</u>
170	Total Non-Current Assets	<u>115,411,428</u>

**UNACCEPTABLE ASSETS**

181	Pledged Assets	-
182	Due from an Officer, Stockholder, or Related Entity	-
189	Other Unacceptable Assets	<u>-</u>
180	Total Unacceptable Assets	<u>-</u>
200	<b>TOTAL ASSETS</b>	<u><b>\$ 214,225,596</b></u>

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION**  
(a California Not-for-profit Organization)

**BALANCE SHEET DATA (CONTINUED)**  
**SEPTEMBER 30, 2013**

**LIABILITIES, NET ASSETS AND TRUST FUNDS**

**CURRENT LIABILITIES**

311	Accounts Payable and Accrued Expenses	\$ 501,304
313	Interest Payable	<u>966,216</u>
310	Total Current Liabilities	<u>1,467,520</u>

**NON-CURRENT LIABILITIES**

322	Other Non-Current Liabilities	<u>196,702,786</u>
320	Total Non-Current Liabilities	<u>196,702,786</u>
300	<b>TOTAL LIABILITIES</b>	<u>198,170,306</u>

**EQUITY**

506	Retained Earnings	<u>16,055,290</u>
500	<b>TOTAL EQUITY</b>	<u>16,055,290</u>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 214,225,596</u>

**TRUST FUNDS: MEMO ACCOUNTS**

1101	Escrow Funds	\$ 15,204,225
1102	Liability for Escrow Funds	(\$ 15,204,225)

**DETAILS PAGE**

135-010	Prepaid Expenses	\$ 92,770
135-030	Receivables	<u>46,742</u>
135	Total Other Current Assets	<u>\$ 139,512</u>
176-020	Lease Deposit	<u>\$ 14,564</u>
176	Total Other Non-Current Assets	<u>\$ 14,564</u>
322-010	Deferred Revenue	\$ 1,818,500
322-020	Notes Payable, Member Banks	<u>194,884,286</u>
322	Total Other Non-Current Liabilities	<u>\$ 196,702,786</u>

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION**  
(a California Not-for-profit Organization)

**INCOME STATEMENT DATA  
SEPTEMBER 30, 2013**

**REVENUE AND EXPENSES**

**REVENUE**

701	Net Loan Administration Income	\$ 497,989
702	Gross Interest Income	13,348,527
703	Net Marketing Gain (Loss) on Loans and MBS Sold with Servicing Retained	240,788
709	Retail Origination Fees	1,160,914
714	Other Income (Loss) Not Related to Lending Activities	<u>229,141</u>
700	TOTAL REVENUE	<u>15,477,359</u>

**EXPENSES**

**PERSONNEL EXPENSES**

901	Personnel Expenses - Wages	2,132,146
902	Personnel Expenses - Payroll Taxes and Benefits	<u>450,056</u>
910	Total Personnel Expenses	<u>2,582,202</u>

**INTEREST EXPENSE**

912	Interest Expense - Other	<u>11,039,172</u>
920	Total Interest Expense	<u>11,039,172</u>

**OPERATING EXPENSE**

931	Occupancy Expense	251,389
933	Depreciation Expense	37,930
934	Loan Administration Processing Expenses	7,544
937	Provision for Loan Losses	54,882
939	General and Administrative Expenses	<u>203,240</u>
950	Total Operating Expenses	<u>554,985</u>

**PROFESSIONAL EXPENSES**

961	Audit Fees	66,918
962	Legal Fees	25,715
963	Other Professional Expenses	<u>59,060</u>
964	Total Professional Expenses	<u>\$ 151,693</u>

(Continued)

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION**  
(a California Not-for-profit Organization)

**INCOME STATEMENT DATA (CONTINUED)  
SEPTEMBER 30, 2013**

**EXPENSES AND STATEMENT OF EQUITY**

EXPENSES (CONTINUED)

OTHER EXPENSES

965	Other Expenses	\$ 21,454
966	Total Other Expenses	<u>21,454</u>
900	TOTAL EXPENSES	<u>14,349,506</u>
970	Income before Taxes, Non-recurring Items and Minority Interest	<u>1,127,853</u>
1000	NET INCOME (LOSS)	<u>\$ 1,127,853</u>

STATEMENT OF EQUITY

991	Balance at Beginning of the Year, as Reported	\$ 14,927,437
994	Net Income (Loss)	<u>1,127,853</u>
990	Ending Balance	<u>\$ 16,055,290</u>

DETAILS PAGE

714-010	Credit Enhancement Fees	\$ 135,613
714-020	Scholarship Contributions	31,000
714-030	Broker Developer fee	<u>62,528</u>
714	Total Other Income (Loss) Not Related to Lending Activities	<u>\$ 229,141</u>
965-010	Scholarship Expenses	\$ 21,454
965	Total Other Expenses	<u>\$ 21,454</u>



**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION**  
(a California Not-for-profit Organization)

**STATEMENT OF CASH FLOWS DATA  
SEPTEMBER 30, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
401	Net Income (Loss)	\$ 1,127,853
Adjustment to reconcile net income (loss) to cash flows provided by (used in) operating activities		
402	Depreciation and Amortization	37,930
403	Loss (Gain)	( 240,788)
406	Provision for Losses	54,882
(Increase) Decrease		
411	Accounts Receivable	( 124,342)
412	Other Current Assets	422,398
Increase (Decrease)		
421	Accounts Payable and Accrued Expenses	50,209
422	Interest Payable	94,128
424	Other Current Liabilities	( 73,762)
426	Total Adjustments	<u>220,655</u>
430	NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,348,508</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
444	Acquisition of PPE	( 65,007)
445	Other Investing Activities	13,561,531
446a	Acquisition of Loans Held for Investment	( 46,617,639)
446b	Proceeds from the Sale of Loans Held for Investments	<u>8,541,391</u>
440	NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(\$ 24,579,724)</u>

(Continued)

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION**  
(a California Not-for-profit Organization)

**STATEMENT OF CASH FLOWS DATA (CONTINUED)**  
**SEPTEMBER 30, 2013**

CASH FLOWS FROM FINANCING ACTIVITIES

453	Proceeds from Other Non-Current Liabilities	\$ 38,422,106
454	Principal Payments on Other Non-Current Liabilities	( 16,764,361)
450	NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>21,657,745</u>
461	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	( 1,573,471)
462	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,702,201</u>
463	CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,128,730</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

471	Cash Paid for Interest	<u>\$ 10,945,044</u>
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DETAILS PAGE

412-010	Prepaid Expenses	(\$ 54,547)
412-020	Refundable Deposit FNMA	500,000
412-030	Other Receivables	( 23,055)
412	Total Other Current Assets	<u>\$ 422,398</u>
424-010	Deferred Revenue	(\$ 73,762)
424	Total Other Current Liabilities	<u>(\$ 73,762)</u>
445-010	Repayments of Loan Held for Investment	\$ 13,195,852
445-020	Deferred Loan Fees	124,891
445-030	Deferred Loan Fees Amortization	<u>240,788</u>
445	Total Other Investing Activities	<u>\$ 13,561,531</u>

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
(a California Not-for-profit Organization)**

**COMPUTATION OF ADJUSTED NET WORTH  
AND MINIMUM NET WORTH REQUIREMENTS DATA  
SEPTEMBER 30, 2013**

**TITLE II NONSUPERVISED MORTGAGEES  
OTHER THAN LOAN CORRESPONDENTS**

1201	FHA Servicing Portfolio	\$ -
Add FHA Originations and FHA Purchases		
1202	FHA Originations	\$ 7,810,000
1203	FHA Purchases	-
1205	Subtotal 1	<u>\$ 7,810,000</u>
Subtract FHA Servicing Retained		
1221	FHA Originations Retained	-
1222	FHA Purchases Retained	-
1225	Subtotal 2	<u>-</u>
1231	TOTAL	<u>\$ 7,810,000</u>
1232	1% of Total	\$ 78,100
1235	Minimum Net Worth Required	\$ 1,000,000
1240	Net Worth Required	<u>\$ 1,000,000</u>
500	Stockholder's Equity	\$ 16,055,290
180	Less: Unacceptable Assets	-
1270	ADJUSTED NET WORTH	<u>\$ 16,055,290</u>
1280	Adjusted Net Worth ABOVE Amount Required	<u>\$ 15,055,290</u>
1290	Adjusted Net Worth BELOW Amount Required	<u>\$ -</u>

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION  
(a California Not-for-profit Organization)**

**COMPUTATION OF LIQUID ASSETS  
AND LIQUIDITY REQUIREMENTS DATA  
SEPTEMBER 30, 2013**

**TITLE II NONSUPERVISED MORTGAGEES  
AND LOAN CORRESPONDENTS**

111	Cash and Cash Equivalents	\$ 1,128,730
132	Securities Available for Sale	-
133	Trading Account Securities	-
1410	Total Liquid Assets	<u>\$ 1,128,730</u>
1270	ADJUSTED NET WORTH	\$ 16,055,290
1420	Liquidity Required	\$ 200,000
1430	Liquidity Above Amount Required	<u>\$ 928,730</u>
1440	Liquidity Below Amount Required	<u>\$ -</u>



SKMC, LLP

Certified Public Accountants and Advisors

**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 Community Reinvestment Corporation  
Glendale, California

We have audited, in accordance with the 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 "Consolidated Audit Guide for Audits of HUD Programs" ("Guide"), issued by the HUD Office of the Inspector General, the financial statements of California Community Reinvestment Corporation and subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the two years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 9, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting with the specific program requirements that could have a direct and material effect on a HUD -assisted program to determine the auditing 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 the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 of the Company's financial statements 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 Company'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 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 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.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
COMBINED REPORT APPLICABLE TO INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
AND INTERNAL CONTROL OVER COMPLIANCE  
FOR HUD-ASSISTED PROGRAMS  
(CONTINUED)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Company'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.

  
SKMC, LLP

Los Angeles, CA  
December 9, 2013



SKMC, LLP

Certified Public Accountants and Advisors

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT  
GUIDE FOR AUDITS OF HUD PROGRAMS**

Board of Directors  
California Community Reinvestment Corporation  
Glendale, California

**Report on Compliance for Major HUD Program**

We have audited California Community Reinvestment Corporation and subsidiaries' (the "Company") compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the audit guide) that could have a direct and material effect on the Company's major U.S. Department of Housing and Urban Development (HUD) program for the year ended September 30, 2013. The Company's major HUD program and the related direct and material compliance requirements are as follows:

<b>Name of Major HUD Program:</b>
FHA Title II Non-supervised Lender
<b>Direct and Material Compliance Requirements:</b>
<ul style="list-style-type: none"> <li>• Quality control plan</li> <li>• Loan origination</li> <li>• Federal financial and activity reports</li> <li>• Lender annual recertification, adjusted net worth, liquidity and licensing</li> <li>• Loan settlement</li> <li>• Kickbacks</li> </ul>

**Management's Responsibility**

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

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT  
GUIDE FOR AUDITS OF HUD PROGRAMS  
(CONTINUED)**

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Company's major HUD program based on our audit of the 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 guide. Those standards and the audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about the Company'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 the major HUD program. However, our audit does not provide a legal determination of the Company's compliance.

**Opinion on Major HUD Program**

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended September 30, 2013.

**Report on Internal Control over Compliance**

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the requirements that could have a direct and material effect on the major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major HUD program and to test and report on internal control over compliance in accordance with the audit guide, 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 Company's internal control over compliance.

(Continued)



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT  
GUIDE FOR AUDITS OF HUD PROGRAMS  
(CONTINUED)**

**Report on Internal Control over Compliance (Continued)**

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 compliance requirement of a HUD 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 compliance requirement of a HUD 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 compliance requirement of a HUD 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 audit guide. Accordingly, this report is not suitable for any other purpose.

*SKMC, LLP*

SKMC, LLP

Los Angeles, CA  
December 9, 2013

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION**

**SCHEDULE OF FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS**

**YEAR ENDED SEPTEMBER 30, 2013**

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION**

**SCHEDULE OF STATUS OF PRIOR YEAR AUDIT FINDINGS,  
QUESTIONED COSTS AND RECOMMENDATIONS**

**YEAR ENDED SEPTEMBER 30, 2013**

1. Audit report dated December 4, 2012, for the period ended September 30, 2012, issued by SKMC, LLP:

Not applicable as there were no findings from the prior audit report.

2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.
3. There were no letters or reports issued by HUD management during the period covered by this audit.

**CALIFORNIA COMMUNITY  
REINVESTMENT CORPORATION**

**CORRECTIVE ACTION PLAN**

**YEAR ENDED SEPTEMBER 30, 2013**

A. Current findings on the schedule of findings, questioned costs, and recommendations:

Not applicable as there were no findings.

B. Status of corrective actions on findings reported in the prior audit schedule of findings, questioned costs and recommendations:

Not applicable as there were no findings.

**IDENTIFICATION OF LEAD AUDITOR**

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