

**CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION**

**CONSOLIDATED
FINANCIAL STATEMENTS**

**YEARS ENDED
SEPTEMBER 30, 2014 AND 2013**

SKMC, LLP

**CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION**

**CONSOLIDATED
FINANCIAL STATEMENTS**

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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SKMC, LLP

Certified Public Accountants and Advisors

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, 2014 and 2013, 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 consolidated 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, 2014 and 2013, 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2014 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.

Los Angeles, CA
December 1, 2014

SKMC, LLP
SKMC, LLP

**CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 3,187,948	\$ 1,128,730
Real estate loans:		
Loans	153,420,809	122,513,272
Loans held for sale	15,717,986	96,328,095
Allowance for loan losses	(5,296,440)	(5,129,536)
Deferred loan fees	(1,495,956)	(2,090,062)
Real estate loans, net	162,346,399	211,621,769
Interest receivable	1,055,834	1,217,831
Equipment and improvements, net	105,907	103,189
Other assets	<u>146,652</u>	<u>154,077</u>
Total assets	<u>\$ 166,842,740</u>	<u>\$ 214,225,596</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 707,593	\$ 501,304
Interest payable, member banks	772,465	966,216
Deferred revenue	1,525,034	1,818,500
Notes payable, member banks	<u>144,776,501</u>	<u>194,884,286</u>
Total liabilities	147,781,593	198,170,306
Commitments and contingencies (Notes 5, 7 and 8)		
Net assets:		
Unrestricted	18,972,183	15,991,867
Temporarily restricted	<u>88,964</u>	<u>63,423</u>
Total net assets	<u>19,061,147</u>	<u>16,055,290</u>
Total liabilities and net assets	<u>\$ 166,842,740</u>	<u>\$ 214,225,596</u>

**CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Interest income, loans	\$ 13,869,800	\$ 13,348,527
Loan, commitment, rate lock and prepayment fees	1,735,567	1,160,914
Loan sale premium, net	1,633,433	240,788
Developer, broker fees and other income	280,749	198,141
Loan servicing income, net	<u>710,188</u>	<u>497,989</u>
Total revenues and gains	18,229,737	15,446,359
Net assets released from restrictions:		
Satisfaction of program restrictions	<u>16,309</u>	<u>21,454</u>
Total revenues, gains and other support	<u>18,246,046</u>	<u>15,467,813</u>
Expenses:		
Interest, member banks	11,597,974	11,039,172
Salaries and employee benefits	2,664,622	2,582,202
Occupancy	188,404	170,773
Professional services	240,967	151,693
Provision for loan losses	166,904	54,882
Marketing and business development	21,217	23,799
Utilities and maintenance	66,393	80,616
Professional conferences and meetings	78,549	36,034
Depreciation	46,190	37,930
Insurance	71,025	61,079
Miscellaneous	<u>123,485</u>	<u>111,326</u>
Total expenses	<u>15,265,730</u>	<u>14,349,506</u>
Increase in unrestricted net assets	<u>2,980,316</u>	<u>1,118,307</u>
Changes in temporarily restricted net assets:		
Contributions	41,850	31,000
Net assets released from restrictions	<u>(16,309)</u>	<u>(21,454)</u>
Increase in temporarily restricted net assets	<u>25,541</u>	<u>9,546</u>
Increase in net assets	3,005,857	1,127,853
Net assets, beginning of year	<u>16,055,290</u>	<u>14,927,437</u>
Net assets, end of year	<u>\$ 19,061,147</u>	<u>\$ 16,055,290</u>

See notes to consolidated financial statements

**CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from:		
Loan, commitment, rate lock and prepayment fees	\$ 1,085,065	\$ 1,359,431
Service fees and other income	1,016,478	705,676
Interest income	14,031,797	13,224,185
Loan sale premium	<u>1,633,433</u>	<u>240,788</u>
Cash received from operations	<u>17,766,773</u>	<u>15,530,080</u>
Cash paid to:		
Employees	(2,794,527)	(2,660,334)
Member banks for interest on notes payable	(11,791,725)	(10,945,044)
Vendors	<u>(667,182)</u>	<u>(710,515)</u>
Cash paid for operations	<u>(15,253,434)</u>	<u>(14,315,893)</u>
Net cash provided by operating activities	<u>2,513,339</u>	<u>1,214,187</u>
Cash flows from investing activities:		
Loans originated	(36,001,272)	(46,617,639)
Loan repayments	4,598,264	13,195,852
Proceeds from sale of loans	81,105,580	8,541,391
Purchases of property and equipment	(48,908)	(65,007)
Refundable deposit	<u>-</u>	<u>500,000</u>
Net cash provided by (used in) investing activities	<u>49,653,664</u>	<u>(24,445,403)</u>
Cash flows from financing activities:		
Proceeds from notes payable - member banks	32,508,256	38,422,106
Payments on notes payable - member banks	(3,608,652)	(12,251,898)
Repayments from sale of loans - member banks	<u>(79,007,389)</u>	<u>(4,512,463)</u>
Net cash provided by (used in) financing activities	<u>(50,107,785)</u>	<u>21,657,745</u>
Net increase (decrease) in cash and cash equivalents	2,059,218	(1,573,471)
Cash and cash equivalents, beginning of year	<u>1,128,730</u>	<u>2,702,201</u>
Cash and cash equivalents, end of year	<u>\$ 3,187,948</u>	<u>\$ 1,128,730</u>

Continued

CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of increase (decrease) in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 3,005,857	\$ 1,127,853
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,190	37,930
Provision for loan losses	166,904	54,882
Changes in operating assets and liabilities:		
Deferred loan fees	(594,106)	124,891
Interest receivable	161,997	(124,342)
Other assets	7,425	(77,602)
Accounts payable and accrued expenses	206,289	50,209
Interest payable, member banks	(193,751)	94,128
Deferred revenue	(293,466)	(73,762)
 Net cash provided by operating activities	 <u>\$ 2,513,339</u>	 <u>\$ 1,214,187</u>

**CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

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, 2014 and 2013, CCRC was servicing loans totaling \$125,975,080 and \$95,676,847, respectively, under this program.

**CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**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, 2014 and 2013 was \$21,532,274 and \$15,204,225, respectively; such amounts are not reflected on the Company's statements of financial position at September 30, 2014 and 2013.

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, 2014 AND 2013**

**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, 2014 AND 2013**

**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, 2014 and 2013, 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, 2014 and 2013, the credit enhancement fee income totaled \$257,079 and \$135,613, 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, 2014 AND 2013**

2. REAL ESTATE LOANS (CONTINUED)

The Company's loan portfolio at September 30, 2014 and 2013 is shown in the following table:

	2014	2013
Affordable Housing Multifamily	<u>\$ 153,420,809</u>	<u>\$ 122,513,272</u>
Loans held for sale	<u>\$ 15,717,986</u>	<u>\$ 96,328,095</u>

During the years ended September 30, 2014 and 2013, the Company transferred \$6,921,308 and \$104,869,486 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:

	2014	2013
Pass	\$ 111,643,551	\$ 80,202,484
Special mention	30,168,991	31,882,295
Substandard	11,608,267	10,428,493
Specific reserve	<u>-</u>	<u>-</u>
Total	<u>\$ 153,420,809</u>	<u>\$ 122,513,272</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, 2014 AND 2013**

2. REAL ESTATE LOANS (CONTINUED)

Activity in the allowance for loan losses for the years ended September 30, 2014 and 2013 is shown in the following table:

	2014	2013
Allowance for loan losses:		
Balance, beginning of year	\$ 5,129,536	\$ 5,074,654
Charge-offs	-	-
Recoveries	-	-
Provision	<u>166,904</u>	<u>54,882</u>
Balance, end of year	<u>\$ 5,296,440</u>	<u>\$ 5,129,536</u>
Ending balance:		
Individually evaluated for impairment	\$ -	\$ -
Collectively evaluated for impairment	\$ 5,296,440	\$ 5,129,536
Loans receivable:		
Ending balance:		
Individually evaluated for impairment	\$ -	\$ -
Collectively evaluated for impairment	\$ 153,420,809	\$ 122,513,272

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, 2014 or 2013.

An age analysis of loans receivable as of September 30, 2014 and 2013 is as follows:

	2014	2013
Past due:		
30-59 days	\$ -	\$ -
60-89 days	-	-
Greater than 90 days	-	-
Total past due	<u>-</u>	<u>-</u>
Current	<u>153,420,809</u>	<u>122,513,272</u>
Total loans receivable	<u>\$ 153,420,809</u>	<u>\$ 122,513,272</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, 2014 AND 2013**

3. EQUIPMENT AND IMPROVEMENTS

A summary of the equipment and improvements at September 30, 2014 and 2013 are as follows:

	2014	2013
Office equipment	\$ 821,940	\$ 773,032
Leasehold improvements	250,148	250,148
Accumulated depreciation	(966,181)	(919,991)
Equipment and improvements, net	<u>\$ 105,907</u>	<u>\$ 103,189</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 aggregate scheduled principal payments based on each loan's respective amortization schedule at September 30, 2014, are as follows:

Years ending <u>September 30,</u>	
2015	\$ 3,439,888
2016	3,668,874
2017	3,875,407
2018	4,171,628
2019	5,426,686
Thereafter	<u>124,194,018</u>
	<u>\$ 144,776,501</u>

**CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

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, 2014 and 2013, the summary of deferred fees and commitments are as follows:

	2014	2013
Loan commitments unfunded	<u>\$ 96,609,538</u>	<u>\$ 96,277,126</u>
Deferred revenue on loan commitments unfunded:		
Nonrefundable loan application and commitment fees	<u>\$ 1,525,034</u>	<u>\$ 1,818,500</u>
	2014	2013
Loan fees recognized due to:		
Expiration of commitments	\$ -	\$ 69,204
Amortization of deferred fees	129,611	201,904
Fees earned - bond deals	543,514	369,801
Loan prepayment fees	-	257,241
Financing and placement fees	289,166	167,850
Loan sales	702,801	67,934
Other	<u>70,475</u>	<u>26,980</u>
Total loan, commitment and rate lock fees	<u>\$ 1,735,567</u>	<u>\$ 1,160,914</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>	
2015	\$ 166,162
2016	170,134
2017	<u>101,286</u>
	<u>\$ 437,582</u>

**CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

6. TRANSACTIONS WITH MEMBER BANKS

At September 30, 2014 and 2013, the Company had \$3,187,948 and \$1,128,730, 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.

As of September 30, 2014 and 2013, CCRC-funded loans totaled \$24,087,287 and \$23,637,260, respectively. Interest expense related to the loans financed by member banks amounted to \$11,597,974 and \$11,039,172 for the years ended September 30, 2014 and 2013, 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, 2014 and 2013, are covered by the indemnification agreement.

**CALIFORNIA COMMUNITY
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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, 2014 and 2013, the Company matched contributions of \$102,629 and \$99,083, respectively, into the 401(k) plan.

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, 2014 and 2013, 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.

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11. SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is December 1, 2014, which is the date on which the financial statements were available to be issued.