



Rural Community Assistance Corporation



Consolidated Financial Statements

with Supplementary Information Including Federal Government Reports and Findings

September 30, 2020 and 2019

The cover picture captures the hard work of a family building their home in Williams, CA under USDA's mutual self-help housing program. In this program, families who qualify construct their own home along with help from their family members and neighbors from their community. Picture was taken by Dustin Love, RCAC's Graphic Design Specialist.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Community Assistance Corporation
West Sacramento, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Rural Community Assistance Corporation (a nonprofit organization), as of September 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the 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 consolidated 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 *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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rural Community Assistance Corporation as of September 30, 2020 and 2019, 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as well as the accompanying 15-Year History of Unrestricted and Temporarily Restricted Revenue, Gains, Expenses,

and Net Asset Changes and Year-End Balances, are presented for purposes of additional analysis and are 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 information 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 16, 2020, on our consideration of Rural Community Assistance Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Rural Community Assistance 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 Rural Community Assistance Corporation's internal control over financial reporting and compliance.



Sacramento, California

December 16, 2020



**RURAL COMMUNITY ASSISTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2020 AND 2019**

ASSETS	2020	2019
<u>Current assets:</u>		
Cash and cash equivalents unrestricted (<i>Notes 2 & 3</i>)	\$ 11,670,526	\$ 7,457,323
Cash and cash equivalents restricted (<i>Notes 2 & 3</i>)	21,376,576	15,469,668
Investments unrestricted (<i>Note 3</i>)	323,895	318,601
Investments restricted (<i>Note 3</i>)	1,068,085	884,761
Receivables, prepaids & deposits (<i>Note 7</i>)	5,836,418	8,993,656
Loans receivable - current portion (<i>Note 5</i>)	33,986,245	28,032,294
Allowance for loan loss - current (<i>Note 6</i>)	(2,268,000)	(1,435,000)
Land & property held for sale (<i>Note 8</i>)	<u>225,000</u>	<u>225,000</u>
Total current assets	<u>72,218,745</u>	<u>59,946,303</u>
<u>Non-current assets:</u>		
Loans receivable - non current portion (<i>Note 5</i>)	82,800,566	58,027,010
Allowance for loan loss - non current (<i>Note 6</i>)	(4,272,000)	(3,905,000)
Loans receivable - forgivable (<i>Note 5</i>)	1,374,545	1,223,824
Other non-current assets (<i>Notes 11 & 12</i>)	1,132,644	749,331
Land held for investment (<i>Note 8</i>)	1,900,000	1,900,000
Land, building, & equipment, net accumulated depreciation (<i>Note 8</i>)	<u>2,036,668</u>	<u>2,230,228</u>
Total non-current assets	<u>84,972,423</u>	<u>60,225,393</u>
Total assets	<u>\$157,191,168</u>	<u>\$120,171,696</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.



RURAL COMMUNITY ASSISTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS (continued)
SEPTEMBER 30, 2020 AND 2019

LIABILITIES AND NET ASSETS	2020	2019
<u>Current liabilities:</u>		
Accounts payable and accrued expenses	\$ 5,294,611	\$ 3,141,157
Grants payable (Note 2)	720,753	1,586,350
Notes payable - current portion (Note 9)	<u>9,450,859</u>	<u>6,490,541</u>
Total current liabilities	<u>15,466,223</u>	<u>11,218,048</u>
Notes payable - less current portion (Note 9)	86,464,103	60,529,479
Bonds payable (Note 12)	2,030,000	2,030,000
Deferred Loans - forgivable (Note 5)	1,374,545	1,223,824
Other long-term liabilities (Notes 10 & 11)	<u>361,764</u>	<u>362,101</u>
Total long-term liabilities	<u>90,230,412</u>	<u>64,145,404</u>
Total liabilities	<u>105,696,635</u>	<u>75,363,452</u>
<u>Net assets:</u>		
<u>Without donor restrictions:</u>		
General unrestricted net assets	3,718,069	3,428,577
Board designated fund (Note 13)	<u>29,100,000</u>	<u>26,600,000</u>
Total net assets without donor restrictions	<u>32,818,069</u>	<u>30,028,577</u>
<u>With donor restrictions:</u>		
Time restricted-lending capital (Note 13)	11,589,507	8,586,510
Purpose restricted-other (Note 13)	<u>7,086,957</u>	<u>6,193,157</u>
Total net assets with donor restrictions	<u>18,676,464</u>	<u>14,779,667</u>
Total net assets	<u>51,494,533</u>	<u>44,808,244</u>
Total liabilities and net assets	<u>\$157,191,168</u>	<u>\$120,171,696</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.



RURAL COMMUNITY ASSISTANCE CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue:			
Grants and contracts	\$ 15,713,223	\$ 7,099,686	\$ 22,812,909
Loan fees revenue	1,244,372	-	1,244,372
Loan servicing fees revenue	346,509	-	346,509
Interest on loans	3,465,631	1,289,778	4,755,409
Revenue from partnership	135,878	-	135,878
Investment income (<i>Note 3</i>)	45,708	229,719	275,427
Premium/(discount) on sale of loans	122,874	-	122,874
Rental and other income	113,760	-	113,760
Net assets released from restrictions	<u>4,722,386</u>	<u>(4,722,386)</u>	<u>-</u>
Total revenue	<u>25,910,341</u>	<u>3,896,797</u>	<u>29,807,138</u>
Expenses:			
Program expenses:			
Loan fund	4,724,256	-	4,724,256
Housing	3,242,460	-	3,242,460
Community & Environmental	9,699,872	-	9,699,872
Other	<u>1,330,857</u>	<u>-</u>	<u>1,330,857</u>
Total program expenses	18,997,445	-	18,997,445
Fundraising	294,240	-	294,240
Management & General	3,689,790	-	3,689,790
Rental operations	<u>139,374</u>	<u>-</u>	<u>139,374</u>
Total expenses	<u>23,120,849</u>	<u>-</u>	<u>23,120,849</u>
Increase in net assets	2,789,492	3,896,797	6,686,289
Net assets at September 30, 2019	<u>30,028,577</u>	<u>14,779,667</u>	<u>44,808,244</u>
Net assets at September 30, 2020	<u><u>\$ 32,818,069</u></u>	<u><u>\$ 18,676,464</u></u>	<u><u>\$ 51,494,533</u></u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.



RURAL COMMUNITY ASSISTANCE CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue:			
Grants and contracts	\$ 16,654,043	\$ 2,036,569	\$ 18,690,612
Loan fees revenue	740,274	-	740,274
Loan servicing fees revenue	292,946	-	292,946
Interest on loans	2,667,064	1,052,517	3,719,581
Guarantee fees revenue	36,836	-	36,836
Revenue from partnership	110,441	-	110,441
Investment income (<i>Note 3</i>)	105,923	338,297	444,220
Gain on sale of assets	75,000	-	75,000
Rental and other income	119,494	-	119,494
Net assets released from restrictions	<u>2,173,554</u>	<u>(2,173,554)</u>	<u>-</u>
Total revenue	<u>22,975,575</u>	<u>1,253,829</u>	<u>24,229,404</u>
Expenses:			
Program expenses:			
Loan fund	3,903,907	-	3,903,907
Housing	3,349,179	-	3,349,179
Community & Environmental	10,305,600	-	10,305,600
Other	<u>728,672</u>	<u>-</u>	<u>728,672</u>
Total program expenses	18,287,358	-	18,287,358
Fundraising	254,908	-	254,908
Management & General	3,323,232	-	3,323,232
Rental operations	<u>152,673</u>	<u>-</u>	<u>152,673</u>
Total expenses	<u>22,018,171</u>	<u>-</u>	<u>22,018,171</u>
Increase in net assets	957,404	1,253,829	2,211,233
Net assets at September 30, 2018	<u>29,071,173</u>	<u>13,525,838</u>	<u>42,597,011</u>
Net assets at September 30, 2019	<u>\$ 30,028,577</u>	<u>\$ 14,779,667</u>	<u>\$ 44,808,244</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.



**RURAL COMMUNITY ASSISTANCE CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Program Expenses				Fundraising	Management & General	Rental Operations	Total
	Loan Fund	Housing	Community & Environmental	Other				
Direct salaries (Note 2)	\$ 1,225,290	\$ 1,428,265	\$ 4,746,946	\$ 376,261	\$ 187,128	\$ 1,948,669	\$ 26,602	\$ 9,939,161
Fringe benefits	531,630	619,495	2,064,922	161,060	82,842	847,446	11,327	4,318,722
Project specific expense-fringe benefits	-	-	-	374,523	-	-	-	374,523
Consultants	104,481	154,036	160,173	129,169	-	319,950	-	867,809
Consumable supplies	21,556	26,081	86,601	6,503	4,603	33,692	457	179,493
Project specific expense-supplies	155	1,170	55,179	(501)	-	2,899	338	59,240
Telephone	24,603	28,187	93,577	7,686	3,443	39,076	567	197,139
Project specific expense - telephone	1,295	6,186	7,808	1,408	-	589	-	17,286
Postage	2,110	2,629	8,637	721	374	3,728	60	18,259
Project specific expense-postage	5,151	4,596	26,893	121	-	568	-	37,329
Office space (Note 2)	66,099	77,350	259,543	20,168	12,032	106,861	1,448	543,501
Equipment rental/maintenance	20,939	24,802	82,014	6,702	3,818	33,694	488	172,457
Printing & copying	433	12,627	36,245	-	-	1,383	-	50,688
Training costs	1,459	10,631	76,046	29,075	-	73,917	-	191,128
Travel	31,927	147,881	399,287	43,153	-	73,762	-	696,010
Interest & bond expense (Note 12)	1,408,832	-	-	-	-	-	67,827	1,476,659
Depreciation	-	20,683	-	-	-	63,232	248,216	332,131
Insurance	4,516	-	-	-	-	77,617	44,499	126,632
Dues & subscriptions	13,353	6,468	19,108	98,075	-	22,112	-	159,116
Conference registration & staff training	11,865	3,807	16,341	6,016	-	8,511	-	46,540
Provision for loan loss (Note 5)	1,200,000	-	-	-	-	-	-	1,200,000
Taxes, licenses, fees, and other	31,867	2,564	-	-	-	6,651	4,414	45,496
Bank service charges	15,695	758	-	21,583	-	-	-	38,036
Recruitment and advertising	-	-	120	-	-	25,433	-	25,553
Grants and pass-through awards	-	789,831	1,549,509	6,135	-	-	-	2,345,475
Contributions	1,000	1,500	-	42,999	-	-	-	45,499
Scholarship	-	113,443	10,923	-	-	-	-	124,366
Capitalization of eligible development costs	-	(240,530)	-	-	-	-	-	(240,530)
Other building management	-	-	-	-	-	-	123,700	123,700
Owner occupancy allocated to office space	-	-	-	-	-	-	(390,569)	(390,569)
Total direct expenses	4,724,256	3,242,460	9,699,872	1,330,857	294,240	3,689,790	139,374	23,120,849
Indirect expenses allocated to programs	<u>526,298</u>	<u>793,031</u>	<u>2,085,284</u>	<u>314,941</u>	<u>73,178</u>	<u>(3,792,732)</u>	<u>-</u>	<u>-</u>
Total expenses	\$ <u>5,250,554</u>	\$ <u>4,035,491</u>	\$ <u>11,785,156</u>	\$ <u>1,645,798</u>	\$ <u>367,418</u>	\$ <u>(102,942)</u>	\$ <u>139,374</u>	\$ <u>23,120,849</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.



**RURAL COMMUNITY ASSISTANCE CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Program Expenses				Fundraising	Management & General	Rental Operations	Total
	Loan Fund	Housing	Community & Environmental	Other				
Direct salaries (Note 2)	\$ 1,080,756	\$ 1,279,987	\$ 4,236,006	\$ 225,109	\$ 159,318	\$ 1,640,786	\$ 25,323	\$ 8,647,285
Fringe benefits	502,761	594,600	1,957,841	104,843	73,158	755,817	11,601	4,000,621
Project specific expense-fringe benefits	900	-	-	109	-	-	-	1,009
Consultants	97,426	62,969	217,813	107,402	-	175,287	-	660,897
Consumable supplies	25,571	31,053	105,426	5,680	4,875	39,388	790	212,783
Project specific expense-supplies	1,007	1,450	77,792	9,840	-	3,404	237	93,730
Telephone	19,609	23,357	78,254	3,956	3,792	29,981	477	159,426
Project specific expense - telephone	996	2,565	7,242	723	-	562	-	12,088
Postage	2,070	2,420	8,227	399	414	3,112	51	16,693
Project specific expense-postage	7,304	7,834	25,456	86	-	585	-	41,265
Office space (Note 2)	69,742	82,269	272,446	14,651	9,973	105,535	1,622	556,238
Equipment rental/maintenance	21,942	26,069	86,558	4,578	3,378	33,534	520	176,579
Printing & copying	1,326	12,222	60,796	1,695	-	2,633	-	78,672
Training costs	5,320	32,892	130,647	61,959	-	121,153	-	351,971
Travel	60,610	330,096	1,002,827	62,077	-	204,336	-	1,659,946
Interest & bond expense (Note 12)	958,747	-	-	-	-	-	81,426	1,040,173
Depreciation	-	-	-	-	-	89,774	242,080	331,854
Insurance	750	-	-	-	-	67,360	37,674	105,784
Dues & subscriptions	12,750	1,615	40,513	58,000	-	7,703	-	120,581
Conference registration & staff training	12,345	20,949	25,386	8,360	-	16,079	-	83,119
Provision for loan loss (Note 5)	941,786	-	-	-	-	-	-	941,786
Taxes, licenses, fees, and other	63,463	3,721	6,118	7,890	-	4,164	3,860	89,216
Bank service charges	12,476	770	-	15,190	-	-	-	28,436
Recruitment and advertising	-	-	2,850	-	-	22,039	-	24,889
Grants and pass-through awards	-	755,604	1,947,742	7,396	-	-	-	2,710,742
Contributions	4,250	2,500	775	28,729	-	-	-	36,254
Scholarship	-	277,724	14,885	-	-	-	-	292,609
Capitalization of eligible development costs	-	(203,487)	-	-	-	-	-	(203,487)
Other building management	-	-	-	-	-	-	150,369	150,369
Owner occupancy allocated to office space	-	-	-	-	-	-	(403,357)	(403,357)
Total direct expenses	3,903,907	3,349,179	10,305,600	728,672	254,908	3,323,232	152,673	22,018,171
Indirect expenses allocated to programs	<u>494,008</u>	<u>738,706</u>	<u>2,139,728</u>	<u>170,387</u>	<u>63,396</u>	<u>(3,606,225)</u>	<u>-</u>	<u>-</u>
Total expenses	\$ <u>4,397,915</u>	\$ <u>4,087,885</u>	\$ <u>12,445,328</u>	\$ <u>899,059</u>	\$ <u>318,304</u>	\$ <u>(282,993)</u>	\$ <u>152,673</u>	\$ <u>22,018,171</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.



**RURAL COMMUNITY ASSISTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from grants and contracts	\$ 26,173,087	\$ 14,736,222
Interest and fees received	6,302,052	5,146,267
Cash received from partnership	135,878	110,441
Cash premium received on sale of loan	122,874	-
Cash received from rental and other activities	113,760	119,494
Cash paid for operating expenses	(19,275,678)	(18,160,218)
Interest paid	<u>(1,408,832)</u>	<u>(958,747)</u>
Net cash provided by (used for) operating activities	<u>12,163,141</u>	<u>993,459</u>
Cash flows from investing activities:		
Loans made to borrowers	(70,583,055)	(54,568,635)
Principal receipts on loans receivable	39,855,548	36,850,648
Proceeds from sale of land held for sale	-	495,000
Purchases of investments	(35,946,027)	(16,422,522)
Proceeds from sale of investments	35,874,134	17,756,432
Purchases of property and equipment	<u>(138,571)</u>	<u>(106,358)</u>
Net cash provided by (used for) investing activities	<u>(30,937,971)</u>	<u>(15,995,435)</u>
Cash flows from financing activities:		
Proceeds from notes payable	40,243,901	18,999,067
Principal payments on notes payable	<u>(11,348,960)</u>	<u>(6,707,092)</u>
Net cash provided by (used for) financing activities	<u>28,894,941</u>	<u>12,291,975</u>
Increase (decrease) in cash and cash equivalents	10,120,111	(2,710,001)
Cash and cash equivalents, September 30, 2019	<u>22,926,991</u>	<u>25,636,992</u>
Cash and cash equivalents, September 30, 2020	<u>\$ 33,047,102</u>	<u>\$ 22,926,991</u>
Supplemental disclosure of cash flow information		
Cash and cash equivalents, without donor restrictions	\$ 11,670,526	\$ 7,457,323
Cash and cash equivalents, with donor restrictions	<u>21,376,576</u>	<u>15,469,668</u>
	<u>\$ 33,047,102</u>	<u>\$ 22,926,991</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1: ORGANIZATION

Rural Community Assistance Corporation (RCAC) is a nonprofit organization founded in 1978. RCAC is a tax-exempt organization formed under 501(c)(3) of the Internal Revenue Code and registered with the California Franchise Tax Board under Section 23701(d). RCAC has been classified as a public supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The U.S. Treasury has certified RCAC as a Community Development Financial Institution (CDFI).

RCAC's Mission Statement:

RCAC provides training, technical and financial resources and advocacy so rural communities can achieve their goals and visions.

Core Values:

- *Leadership*: identifies innovative strategies to further rural community and economic development and inspires partners to achieve great outcomes.
- *Collaboration*: achieves superior results by respectfully and inclusively identifying partners.
- *Commitment*: works with passion and dedication to improve rural communities and the lives of their low-income residents.
- *Quality*: produces exceptional work products to help our partners meet their goals.
- *Integrity*: practices the highest professional standards and cultural competency in our work.

RCAC's Strategic Directions:

To support our local partners, RCAC will pursue the following strategic directions:

- Form regional collaborations to achieve economies of scale and take advantage of new opportunities.
- Ensure communities, and especially schools, have access to and increase consumption of safe drinking water.
- Expand the quantity and types of training available to rural communities and organizations.
- Diversify local nonprofit services to build more sustainable organizations.
- Enhance the skills of organizations that provide infrastructure, housing and other essential services in Indian Country.
- Provide development services to increase housing opportunities in rural communities.
- Increase access to affordable mortgages for rural organizations and residents.
- Build partnerships with local economic development organizations to expand small business lending.

Our work builds rural community organizations' capacity; strengthens rural communities; expands affordable housing and community facility availability; protects rural community health and environment through improved infrastructure (water, wastewater and solid waste); promotes economic opportunity and job creation through our economic development and leadership activities; and provides financing for community and economic development projects.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1: ORGANIZATION (Continued)

RCAC's major program areas are affordable housing, environmental infrastructure, and lending. RCAC also offers programs in leadership development training and economic development. Core services are technical, managerial and financial assistance; development assistance; financial packaging; training; advocacy; and information exchange.

RCAC is a financial resource for rural communities. We work with rural water, wastewater and solid waste systems to make them sustainable. RCAC supports organizations that develop affordable single- and multifamily homes and operate programs that prepare rural residents for homeownership. RCAC also offers cross-cutting programs in leadership development training and economic development. Nearly all RCAC services are available to and have a priority to work with Tribes and Native communities. In addition, there are three programs designed specifically for Tribes.

RCAC serves rural communities in 13 western states and certain Pacific islands including Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming.

Related Organizations:

RCAC is a member of the GSAF, LLC. RCAC formed this consortium in March 2012, with three other nonprofit Community Development Financial Institutions (CDFIs). The State of California established the Golden State Acquisition Fund and will provide money to the fund through the Department of Housing and Community Development (HCD). The Golden State Acquisition Fund (state controlled) will provide \$23.25 million to GSAF, LLC. GSAF, LLC allows its members and other originating lenders to borrow funds for the purpose of making affordable housing loans through their respective loan funds. (*Note 9*). For the years ended September 30, 2020 and 2019, RCAC recognized \$19,257 and \$13,307, respectively, of interest expense to GSAF. No revenues were recognized in those fiscal years.

RCAC is the sole member of Rural Quality, LLC (RQLLC), a limited liability company created in September 2012 to provide affordable housing to low-income communities in Hawaii. The Rural Quality, LLC financial statement balances and activities are incorporated into the RCAC consolidated financial statements. Rural Quality, LLC had no revenue, and had expenses of \$11,649 in the year ended September 30, 2020, and no revenue, and had expenses of \$31,331 in the year ended September 30, 2019.

RCAC is the sole member of Rural Integrity, LLC (RILLC), a limited liability company created in January 2015 to provide affordable housing to low-income communities in Montana. Rural Integrity, LLC had \$113,015 in revenue, and expenses of \$13,629 in the year ended September 30, 2020 and no revenue, and had expenses of \$76,241 in the year ended September 30, 2019.

RCAC and Housing Authority of Southeastern Utah are members of Wingate Village, LLC, a limited liability company created in September 2018 to provide affordable housing to low-income communities in Utah. Wingate Village Development, LLC had \$36,492 in revenue, and \$36,492 in expenses in the year ended September 30, 2020 and no revenue, and no expenses in the year ended September 30, 2019.



**RURAL COMMUNITY ASSISTANCE CORPORATION
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NOTE 1: ORGANIZATION (Continued)

RCAC is the sole member of RCAC Meadow, LLC, a limited liability company created in January 2019 to provide affordable housing to low-income communities in Montana. RCAC Meadow, LLC had no revenue, and no expenses in the year ended September 30, 2020 and no revenue, and no expenses in the year ended September 30, 2019.

RCAC is the sole member of RCAC Maili, LLC a limited liability company created in January 2019 to provide affordable housing to low-income communities in Hawaii. RCAC Maili, LLC has no legal structure at this time and had no revenue, and expenses in the year ended September 30, 2020 and no revenue, and expenses in the year ended September 30, 2019.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of RCAC and the wholly owned entities Rural Quality, LLC, Rural Integrity, LLC, Wingate Village, LLC, RCAC Meadow, LLC, and RCAC Maili, LLC for the years ended September 30, 2020 and 2019. All intercompany accounts and transactions have been eliminated.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method:

The financial statements of RCAC have been prepared using the accrual method of accounting wherein revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents:

RCAC considers all financial instruments purchased with a maturity of three months or less to be cash equivalents.

Investments:

Investments are classified into the following categories:

- Available-for-sale securities, reported at fair value, with unrealized gains and losses included in revenue reported net of taxes.
- Held-to-maturity securities, which management has the positive intent and ability to hold to maturity, reported at amortized cost, adjusted for the accretion of discounts and amortization of premiums.

Management determines the appropriate classification of its investments at the time of purchase and may only change the classification in certain limited circumstances. All transfers between categories are accounted for at fair value in the period which the transfer occurs.

Gains or losses on the sale of investment securities are computed on the specific identification method.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An investment security is impaired when its carrying value is greater than its fair value. Investment securities evaluated for impaired on at least a quarterly basis and more frequently when economic or market conditions warrant an evaluation and determine whether a decline in their fair value is other than temporary. Management utilizes criteria such as the magnitude and duration of the decline and the intent and ability of RCAC to retain its investment in the securities for a period of time sufficient to allow for an anticipated recovery in fair value, in addition to the reasons underlying the decline, to determine whether the loss in value is other than temporary. The term "other than temporary" is not intended to indicate a decline is permanent, but indicates that the prospect for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other than temporary, and management does not intend to sell the security or it is more likely than not that RCAC will not be required to sell the security before recovery, for debt securities, only the portion of the impairment loss representing credit exposure is recognized as a charge to earnings. If management intends to sell the security or it is more likely than not that RCAC will be required to sell the security before recovering its forecasted decline, the entire impairment loss is recognized as a charge to earnings.

Loans receivable:

RCAC issued loans to finance projects that serves a population that is 80% or less of the area median household income, i.e., low income. All loans that RCAC has the intent and ability to hold for the foreseeable future or until maturity or payoff, are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for loan losses. Interest will be calculated based on a 360-day year, actual days elapsed for interest only loans, on the basis of 30 days per month and 360 days per year for amortized loans. RCAC's fees include loan origination fees, document fees, real estate tax monitoring, loan commitment extension, loan extension, loan restructure fees and late payment penalty fees. If a loan is 90 days delinquent, interest income is discontinued and the loan is moved to non-accrual status unless the loan is well-secured and in the process of full collection. Past due status is based on the contractual terms of the loan. Payments received on non-accrual loans are first applied to reduce principal to the extent necessary to ensure collection. Loans are returned to accrual status when all the principal and accrued interest contractually due are brought current, future payments are reasonably assured and payments are maintained current for a minimum of six months.

Allowance for Loan Loss:

The allowance for loan loss is a valuation allowance for probable uncollectible loans. This allowance is established through a provision for loan loss which is charged to expense. Loans deemed uncollectible are charged against the allowance. Cash received on previously charged off amounts is recorded as a recovery to the allowance. The overall allowance consists of two primary components: specific reserves related to impaired loans and general reserves for non-impaired loans.



**RURAL COMMUNITY ASSISTANCE CORPORATION
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The non-impaired portion of the allowance is calculated based on risk ratings assigned to each loan which is reviewed every quarter. The risk status and ratings are as follows:

Acceptable	0 - 4%
Special mention	4 - 6%
Substandard	6 - 10%
Doubtful	10 - 25%
Default or workout	25 - 100%
Loss	100%

A loan is considered to be impaired when, based on current information and events, it is probable that RCAC will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the original agreement. Loans determined to be impaired are individually evaluated for impairment. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. When a loan is impaired, RCAC measures impairment based on the present value of expected future cash flows discounted at the loan's original contractual interest rate, except that as a practical expedient, it may measure impairment based on a loan's observable market price, or the fair value of the collateral, if the loan is collateral dependent. A loan is collateral dependent if the repayment of the loan is expected to be provided solely through the sale of the underlying collateral.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimate. At least quarterly, the Board of Directors reviews the adequacy of the allowance, including consideration of the relative risks in the loan portfolio, current economic conditions, and other factors. See note 6.

Building and Equipment:

RCAC records building and equipment at cost and depreciates cost over the estimated useful life of the related asset. RCAC follows the practice of capitalizing all expenditures for building and equipment in excess of \$5,000. Costs of repairs and maintenance are charged to expense. Upon retirement or disposal of property and equipment, the costs and related depreciation are removed from the accounts, and gains or losses, if any, are reflected in the earnings for financial and income tax reporting purposes. Depreciation is computed on the straight-line method for financial statement reporting purposes. Estimated useful lives are as follows:

	<u>Useful Life</u>
Building	30 years
Office building improvements	3 - 23 years
Solar power production system	20 years
Office furniture, equipment, and software	3 - 10 years



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets:

RCAC reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If RCAC determines it is unable to recover the carrying amount of an asset, that asset is written down to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. There were no impairment losses recognized for property and equipment for the years ended September 30, 2020 and 2019.

Accrued compensated absences:

Vacation is paid upon separation of service. Accumulated unpaid employee vacation benefits are recognized as liabilities included in accrued expenses on the consolidated balance sheets. RCAC had a total of \$684,796 and \$586,803 in accrued compensated absences as of September 30, 2020 and 2019.

Grants Payable:

Grants payable includes amounts owed as of September 30, 2020 and 2019 to grantees under the Homeownership Counseling Program and the State of California's Integrated Regional Water Management program. These funds will be disbursed to grantees based on progress made on their projects.

Payroll Protection Program:

On May 6, 2020 RCAC received \$2,400,000 in funds from the CARES Act's Payroll Protection Program (PPP Loan). The Small Business Administration has issued guidelines for the potential forgiveness of this loan. Expenses under the PPP award can be incurred until the term expires on October 21, 2020. Until forgiven, this loan will be repayable in 18 payments of \$133,333 with a stated interest rate of 1% beginning September 2021. Management believes it has substantially met the conditions of the funding because RCAC has incurred qualifying expenses and will seek forgiveness of the loan. Therefore management has elected to account for the PPP funding as a conditional contribution (grant), instead of a loan payable, in accordance with ASC 958-605, Not-for-Profit Entities: Revenue Recognition.

Net Assets Presentation:

The net assets accounts of RCAC are maintained in accordance with the principles customary for non-profit organizations. This includes allocating resources for operational activities in accordance with specified activities or objectives as directed by donor or grantor requirements or as determined by the Board of Directors, if not otherwise directed. For financial statement purposes, all financial transactions are reported by the following net asset categories as prescribed for non-profit organizations by the Financial Accounting Standards Board (FASB).

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and are available for general operations.



**RURAL COMMUNITY ASSISTANCE CORPORATION
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of RCAC and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition:

All contributions are considered available for RCAC's general programs unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by the donor are reported as revenue with donor restrictions and increase the respective class of net assets. Contributions received with donor restrictions that are met in the same reporting period are reported as increases in net assets without donor restrictions. Investments income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Contract and grant revenues are recognized as the related services are provided. Payments under such contracts are generally received on a cost-reimbursement basis. Donations and other revenues are recognized when received or unconditionally promised.

Loan Origination Revenue and Expense:

Accounting principles generally accepted in the United States of America require loan fees (revenue) charged in the lending process be deferred and recognized over the life of the loan as an adjustment of yield (interest revenue). Likewise, direct loan origination costs (expenses) shall be deferred and recognized as a reduction in the yield (revenue) of the loan. Loan origination fees and related direct loan origination costs for a given loan shall be offset and only the net amount shall be deferred and amortized.

RCAC recognizes loan origination fees as revenue when the loan closes, usually defined as when loan proceeds are initially disbursed. RCAC recognizes loan origination costs as expenses as they are incurred.

This treatment approximates the effect of capitalizing and amortizing the net amount over the life of the loan, yet is less costly to administer. RCAC believes any difference in the accounting treatment for loan origination fees and their related costs is not material to the financial statements.

Loan and Performance Guarantee Fees:

Revenue from loan guarantees and performance guarantees issued by RCAC is recognized over the original life of the guarantee.



**RURAL COMMUNITY ASSISTANCE CORPORATION
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Below-Market Interest Rate Loans:

Accounting principles generally accepted in the United States of America require not-for-profit organizations to record interest expense and contribution revenue in connection with loans payable that are interest free or that have below-market interest rates. Likewise, money lent (loans receivable) at below-market interest rates should result in imputed interest revenue and contribution expense.

Interest rates on loans payable are disclosed in Note 9. Interest rates on loans receivable are disclosed in Note 5. RCAC believes the benefits derived from below-market-rate loans received are passed through to the borrowers via below-market-rate loans made. Therefore, RCAC does not recognize an imputed contribution for low interest loans received nor an imputed contribution expense for low interest loans made.

Matching Funds:

For the years ended September 30, 2020 and 2019, certain activities funded by the U.S. Department of Agriculture, the U.S. Department of Housing and Urban Development, the U.S. Department of the Treasury and the U.S. Environmental Protection Agency required cost sharing (matching funds) from other sources. RCAC is in compliance with matching requirements.

Rental Operations:

RCAC owns the building that houses its corporate offices in West Sacramento, California. RCAC occupies the majority of the building space and leases the other portion to tenants. The expenses related to the ownership and management of the building are shown on the consolidated statement of functional expenses under the heading rental operations. The owner occupied portion of the building ownership and management expenses are subtracted from the total building expenses to arrive at the rental operation expense. The expense of providing office space to RCAC staff, whether through rental arrangements or through the owner occupied building, is reported as office space.

Functional Allocation of Expenses and Indirect Costs:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Fringe benefits, consumable supplies, telephone, postage, office space, and equipment rental/maintenance were allocated based on monthly activity, based on salary expense.

Each funding source of direct expenses was charged its proportionate share of indirect costs based on adjusted direct costs. Adjusted direct costs were computed as total direct costs, less expenses for contributions, bank service charges, interest, provision for loan loss, rental operations, scholarships, and the portion of each sub-award in excess of \$25,000. Expenditures for capital items are not included in direct costs. RCAC's indirect cost rates based on this methodology were 24.63% and 23.26% for the years ended September 30, 2020 and 2019 respectively. RCAC negotiated an indirect Cost Negotiation Agreement with the U.S. Government. That agreement established a predetermined indirect cost recovery rate of 24.87% for both fiscal years.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Direct Salaries:

The direct salaries, as listed in the consolidated statement of functional expenses, are the cost of salaries charged directly to revenue centers for activities performed. Salary expense incurred for paid time off, including vacation and sick leave, and paid holidays is included in the fringe benefit expense.

Uncertain Tax Positions:

Accounting guidance issued by Financial Accounting Standards Board (FASB) prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. RCAC did not have unrecognized tax benefits as of September 30, 2020 and 2019 and does not expect this to change significantly over the next twelve months. RCAC will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of September 30, 2020 and 2019, RCAC has not accrued interest or penalties related to uncertain tax positions. Federal and state income tax returns of RCAC are subject to examination by the taxing authorities, generally for four years, after the date the returns are filed.

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 amounts reported in these financial statements and accompanying notes. The more significant areas requiring the use of management estimates are the allowances for uncollectible receivables, loan losses, and useful lives of buildings and equipment for depreciation. Actual results could differ from those estimates, although management does not believe that any differences would materially affect RCAC's financial position or reported results.

Subsequent Events:

Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date which the consolidated financial statements were available to be issued.

On October 1, 2020 the note payable to the Sisters of the Holy Cross was paid in full in the amount of \$200,000.

Subsequent to September 30, 2020, as COVID-19 spreads globally, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, by mandating temporary work stoppage in various sectors, limiting travel, size and duration of group meetings. Most industries will be experiencing disruptions to their business and philanthropic operations. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. While management cannot quantify the financial and other impact to RCAC as of the date of the Independent Auditor's Report, management believes that a material impact on the RCAC's financial position and results of future changes in net assets is reasonably possible.



**RURAL COMMUNITY ASSISTANCE CORPORATION
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management concluded no additional material subsequent events have occurred since September 30, 2020 which require recognition in the consolidated financial statements.

Recently Adopted Accounting Pronouncements:

ASU 2016-18 - Statement of Cash Flows (Topic 230) Restricted Cash:

This standard addresses the diversity in practice that exists regarding the classification and the presentation of changes in restricted cash on the statement of cash flows under Topic 230, Statement of Cash Flows. The standard requires cash flow statements to explain the changes during a reporting period of the totals for cash, cash equivalents, restricted cash and restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and the end-of-period total amounts set forth on the statement of cash flows. The amendments in this ASU do not provide a definition of restricted cash or restricted cash equivalents. The new requirements were adopted for RCAC's September 30, 2020 year-end.

ASU 2018-08 - Not-for-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made:

The purpose of this standard is to clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred on the basis of the following: (1) A resource provider (including a foundation, a government agency, or other) is not synonymous with the general public. A benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. (2) Execution of a resource provider's mission or the positive sentiment from acting as a donor does not constitute commensurate value received by a resource provider for purposes of determining whether a transfer of assets is a contribution or an exchange. The amendments in this update likely will result in more grants and contracts being accounted for as either contributions or conditional contributions than observed in practice under current guidance. Adoption of this standard has no effect on RCAC's operations or cash flows.

Future Accounting Pronouncements:

ASU 2014-09 -Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each



**RURAL COMMUNITY ASSISTANCE CORPORATION
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

separate performance obligation. ASU 2014-09 is effective for RCAC's fiscal year beginning October 1, 2020. The standard will be adopted using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU 2014-09.

ASU 2016-02 - Leases (Topic 842):

Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with a term of more than 12 months. Unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, ASU No. 2016-02 will require both operating and finance leases to be recognized on the balance sheet. Additionally, the ASU will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. The new requirements are effective for RCAC's September 30, 2022 year-end. Management has not yet determined the impact of this accounting standard on RCAC's operations or cash flows.

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consist of the following at September 30:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
Cash and cash equivalents	\$ <u>33,047,102</u>	\$ <u>33,047,102</u>	\$ <u>22,926,991</u>	\$ <u>22,926,991</u>
Investments:				
Certificates of deposit	373,696	373,696	318,829	318,829
U.S. Government and agencies	2,174	9,737	2,418	9,257
Other investments	<u>360,307</u>	<u>1,008,547</u>	<u>343,037</u>	<u>875,276</u>
Total investments	<u>736,177</u>	<u>1,391,980</u>	<u>664,284</u>	<u>1,203,362</u>
Total cash, cash equivalents and investments	<u>\$ <u>33,783,279</u></u>	<u>\$ <u>34,439,082</u></u>	<u>\$ <u>23,591,275</u></u>	<u>\$ <u>24,130,353</u></u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Restrictions on cash, cash equivalents and investments:

Certain bank and investment accounts contain restrictions and access to the accounts require either the permission of other entities, or the funds are limited to specific uses. The controlling other entity and the account fair values at September 30, are as follows:

	2020		2019	
	Cash	Investment	Cash	Investment
CA State Water Resource Board	\$ 448,863	\$ -	\$ 401,690	\$ -
California Endowment	1,483,761	466	1,661,625	329
Compass Bank	2,993,694	-	5,428,586	-
First Republic Bank	-	50,525	-	-
Ford Foundation	1,602,324	578	946,423	202
Joe Serna	-	1,015,220	-	883,635
Rasmuson Foundation	75,034	23	385,591	-
Stewart Title	304,499	-	-	-
U.S. Department of Agriculture	5,994,525	1,273	2,997,354	595
U.S. Department of Commerce	269,146	-	269,146	-
U.S. Department of the Treasury	7,358,417	-	2,663,213	-
U.S. Small Business Administration	7,883	-	4,758	-
Union Bank (Note 12)	<u>838,430</u>	<u>-</u>	<u>711,282</u>	<u>-</u>
Total restricted cash, cash equivalents and investments	\$ <u>21,376,576</u>	\$ <u>1,068,085</u>	\$ <u>15,469,668</u>	\$ <u>884,761</u>

In addition to the above restrictions on various bank and investment accounts, RCAC has obtained loans and has solicited charitable contributions for specific purposes. The cash and investments related to these loans and contributions are not formally restricted, but RCAC considers the use of such proceeds limited to the purpose for which they were obtained. Loans obtained for lending capital, as listed in Note 9, and charitable contributions that retain restrictions, as listed in Note 13, have such limited uses.



**RURAL COMMUNITY ASSISTANCE CORPORATION
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NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Total Return on Cash Balances and Investments:

Total return on cash and investments for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Dividends and interest		
Without donor restrictions	\$ 45,281	\$ 101,220
With donor restrictions	<u>108,493</u>	<u>322,884</u>
Total Dividends and Interest	153,774	424,104
Net Realized Gains (Losses)		
Without donor restrictions	1,192	5,211
With donor restrictions	3,734	5,388
Change in Unrealized Gains (Losses)		
Without donor restrictions	(765)	(508)
With donor restrictions	<u>117,492</u>	<u>10,025</u>
Total return on cash and investments	<u>\$ 275,427</u>	<u>\$ 444,220</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Fair Value Measurement of Investments:

The Financial Accounting Standards Board (FASB) establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and specifies disclosure requirements for fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that RCAC has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value of measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used for the years ended September 30, 2020 and 2019.

Level 1: Commercial paper, corporate medium term notes, U.S. Government and agencies, and other investments. (Valued at lower of cost or market).

Other investments (value based on comparable sales in active markets).

Common stock shares in Urban Partnership Bank donated to RCAC were liquidated in fiscal year 2019.

Level 2: Certificate of deposits (value based on investments measured at net asset value that are redeemable at the reporting date).

Level 3: Land held for investment and other investments (value based on comparable investments in active markets discounted due to an inactive market).



RURAL COMMUNITY ASSISTANCE CORPORATION
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SEPTEMBER 30, 2020 AND 2019

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The methods described above may produce a fair value calculation that may not be as indicative of net realizable value or reflective of future fair values. Furthermore, while RCAC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, RCAC's investments at fair value as of September 30, 2020:

	<u>Quoted Prices (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total Fair Value</u>
Certificates of deposit	\$ -	\$ 373,696	\$ -	\$ 373,696
Land held for investment	-	-	1,900,000	1,900,000
U.S. Government and Agencies	9,737	-	-	9,737
Other investments	<u>1,008,547</u>	<u>-</u>	<u>-</u>	<u>1,008,547</u>
Total investments at fair value	<u>\$ 1,018,284</u>	<u>\$ 373,696</u>	<u>\$ 1,900,000</u>	<u>\$ 3,291,980</u>

The following table sets forth by level, within the fair value hierarchy, RCAC's investments at fair value as of September 30, 2019:

	<u>Quoted Prices (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total Fair Value</u>
Certificates of deposit	\$ -	\$ 318,829	\$ -	\$ 318,829
Land held for investment	-	-	1,900,000	1,900,000
U.S. Government and Agencies	9,258	-	-	9,258
Other investments	<u>875,275</u>	<u>-</u>	<u>-</u>	<u>875,275</u>
Total investments at fair value	<u>\$ 884,533</u>	<u>\$ 318,829</u>	<u>\$ 1,900,000</u>	<u>\$ 3,103,362</u>

During the year ending September 30, 2019, RCAC sold \$420,000 in land held for investment.



**RURAL COMMUNITY ASSISTANCE CORPORATION
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NOTE 4: LIQUIDITY AND AVAILABILITY

The following tables show the total financial assets held by RCAC and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures. Those amounts as of September 30 are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 33,047,102	\$ 22,926,991
Accounts receivable, net	281,439	738,840
Grants & contracts receivables, net	4,082,418	7,684,575
Interest receivable	608,410	405,471
Investments convertible to cash in the next 12 months	<u>1,391,980</u>	<u>1,203,361</u>
Total financial assets at year-end	\$ <u>39,411,349</u>	\$ <u>32,959,238</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 11,670,526	\$ 6,449,120
Accounts receivable, net	281,439	738,840
Grants & contracts receivables, net	4,082,418	7,684,575
Interest receivable	608,410	405,471
Investments not encumbered by donor or board restrictions	<u>1,389,640</u>	<u>1,202,236</u>
Total financial assets available to meet general expenditures over the next 12 months:	\$ <u>18,032,433</u>	\$ <u>16,480,242</u>

RCAC regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. RCAC strives to maintain liquid financial assets to cover 90 days expenditures. Financial assets in excess of daily cash requirements are invested according to RCAC's investment policy.

RCAC has a line of credit available to meet short-term needs. See Note 9 for information about this arrangement.

NOTE 5: LOANS RECEIVABLE

Loans receivable represent short-term and long-term loans made to non-profit organizations, small businesses, individuals and governmental entities including Native American tribal entities. Loans support the development of affordable housing; community facilities; water, wastewater, and solid waste systems; small businesses and non-profit operating lines of credit.



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 5: LOANS RECEIVABLE (Continued)

Loans receivable as of September 30, 2020 and 2019 were composed of the following:

	2020		2019	
	Number of Loans	Loans Receivable	Number of Loans	Loans Receivable
Grouped by principal due dates				
Current receivables				
Loans more than 90 days past due	4	\$ 855,086	5	\$ 37,081
Other loans due within 12 months	<u>40</u>	<u>29,682,760</u>	<u>41</u>	<u>25,789,442</u>
Current portion of amortizing loans		<u>3,448,399</u>		<u>2,205,771</u>
Loans receivable current portion	<u>44</u>	<u>33,986,245</u>	<u>46</u>	<u>28,032,294</u>
Non-current receivables				
Non-amortizing				
Loans due in one to five years	37	31,349,218	32	19,828,171
Loans due, more than five, less than ten years	6	612,011	-	-
Loans due in more than ten years	1	100,000	1	100,000
Amortizing	<u>383</u>		<u>264</u>	
Principal due in one to five years		19,860,196		15,128,992
Principal due in five to ten years		10,902,194		9,555,149
Principal due in more than ten years		<u>19,976,947</u>		<u>13,414,698</u>
Loans receivable non-current portion	<u>427</u>	<u>82,800,566</u>	<u>297</u>	<u>58,027,010</u>
Total loans receivable	<u>471</u>	<u>\$116,786,811</u>	<u>343</u>	<u>\$ 86,059,304</u>
Weighted average maturity (in months)		<u>93</u>		<u>88</u>



RURAL COMMUNITY ASSISTANCE CORPORATION
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SEPTEMBER 30, 2020 AND 2019

NOTE 5: LOANS RECEIVABLE (Continued)

	<u>2020</u>		<u>2019</u>	
	<u>Number of Loans</u>	<u>Loans Receivable</u>	<u>Number of Loans</u>	<u>Loans Receivable</u>
Grouped by type of project and security				
Low income housing - real estate secured	50	\$ 51,158,655	46	\$ 35,857,489
Low income housing - other security	5	2,713,374	5	2,246,194
Community facilities - real estate secured	32	22,007,464	31	21,889,532
Community facilities - other security	10	5,741,067	8	410,010
Water/wastewater/solid waste systems	231	9,387,824	216	6,837,384
Small business loans	141	25,777,488	35	18,818,695
Nonprofit operating lines of credit	<u>2</u>	<u>939</u>	<u>2</u>	<u>-</u>
Total loans receivable	<u>471</u>	<u>\$116,786,811</u>	<u>343</u>	<u>\$ 86,059,304</u>
	<u>2020</u>		<u>2019</u>	
	<u>Number of Loans</u>	<u>Loans Receivable</u>	<u>Number of Loans</u>	<u>Loans Receivable</u>
Grouped by interest rate				
Interest free	6	\$ 1,835,421	7	\$ 1,844,225
1%	251	16,059,689	134	7,353,511
2.00%-2.99%	3	269,337	3	270,941
3.00%-3.99%	26	332,869	28	165,785
4.00%-4.99%	20	20,197,582	15	11,045,570
5.00%-5.99%	135	73,135,434	128	57,421,522
6.00%-6.99%	13	1,843,480	13	6,428,989
7.00%-9.50%	<u>17</u>	<u>3,112,999</u>	<u>15</u>	<u>1,528,761</u>
Total loans receivable	<u>471</u>	<u>\$ 116,786,811</u>	<u>343</u>	<u>\$ 86,059,304</u>
Weighted average interest rate		<u>4.49%</u>		<u>4.82%</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 5: LOANS RECEIVABLE (Continued)

A portion of the above portfolio has been identified as loans that need to be monitored more frequently for signs of deterioration in respect to RCAC loan standards. The Criticized Asset loans are grouped into the following three categories:

	2020		2019	
	Number of Loans	Loans Receivable	Number of Loans	Loans Receivable
Doubtful	3	\$ 2,022,376	2	\$ 1,962,973
Substandard	4	1,027,023	5	1,203,281
Special mention	<u>1</u>	<u>5,557,871</u>	<u>1</u>	<u>5,367,655</u>
Total criticized asset loans	<u>8</u>	<u>\$ 8,607,270</u>	<u>8</u>	<u>\$ 8,533,909</u>
Percent of total loan receivable portfolio		<u>7%</u>		<u>10%</u>
Related allowance for loan loss		<u>\$ 1,430,933</u>		<u>\$ 1,477,806</u>
Total allowance for loan loss		<u>\$ 6,540,000</u>		<u>\$ 5,340,000</u>
Percent of total allowance for loan loss		<u>22%</u>		<u>28%</u>

Non-accrual loans:

As of September 30, 2020 and 2019, RCAC had no loans on non-accrual status.

During the years ended September 30, 2020 and 2019, RCAC had no interest income foregone from loans on non-accrual status.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 5: LOANS RECEIVABLE (Continued)

Loans Receivable-Forgivable

RCAC has provided grants to individual households experiencing drought-related drinking water emergencies and septic system emergencies. They will have access to clean drinking water and adequate sanitation to protect public health. The conditions of these grants require that ownership of a real estate is continued by specific parties for a period of 10 years. RCAC secures performance via a lien on real estate. The liens enable RCAC to recover the amount of the loan if the use of the real estate is altered or ownership is transferred. RCAC expects the grant recipients to perform per the conditions of the grant lien agreement. The amounts of outstanding grants as of September 30 were:

	<u>2020</u>		<u>2019</u>	
	<u>Number of Forgivable Loans</u>	<u>Amount</u>	<u>Number of Forgivable Loans</u>	<u>Amount</u>
Forgivable loans	<u>68</u>	<u>\$ 1,374,545</u>	<u>64</u>	<u>\$ 1,223,824</u>

NOTE 6: ALLOWANCE FOR LOAN LOSS

An allowance for loan loss is increased by charges to income and decreased by charge-offs (net of recoveries). Management assigns a risk rating in every outstanding loan at loan origination. The rating is reviewed and, if necessary, adjusted not less than quarterly. Based on the risk rating, each loan is assigned a percentage based on loan loss experience and the perceived future risk of loan loss. The percentage is applied to the outstanding loan balance and their product is used to determine the appropriate level of the allowance.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 6: ALLOWANCE FOR LOAN LOSS (Continued)

Allowance for loan loss as of September 30, are as follows:

	<u>2020</u>	<u>2019</u>
Beginning of year	\$ 5,340,000	\$ 4,412,000
Additions to allowance	1,200,000	941,786
Charges against allowance	<u>-</u>	<u>(13,786)</u>
Allowance for loan losses	<u>\$ 6,540,000</u>	<u>\$ 5,340,000</u>
Allowance/loans receivable	<u>5.60%</u>	<u>6.21%</u>
Consisting of allowance for:		
Current loans receivable	\$ 2,268,000	\$ 1,435,000
Noncurrent loans receivable	<u>4,272,000</u>	<u>3,905,000</u>
Total allowance for loan loss	<u>\$ 6,540,000</u>	<u>\$ 5,340,000</u>

RCAC expensed \$1,200,000 and \$941,786 to provision for loan loss during the fiscal years ended September 30, 2020 and 2019, respectively.

There was no other activity in the allowance for loan loss during the year ended September 30, 2020.

Other activity in the allowance for loan loss during the year ended September 30, 2019 consisted of:

RCAC recognized the sale of a property associated with to a loan to a borrower, an Oregon nonprofit corporation for land acquisition, predevelopment, and site development for a 39-unit subdivision. The loan was secured by a real estate. The loan balance was \$132,558. RCAC received a payment of \$118,772. This transaction resulted to a charge to the allowance for a loan loss in the amount of \$13,786.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 6: ALLOWANCE FOR LOAN LOSS (Continued)

In addition to the allowance for loan loss, the following pools of loans have special primary coverage of potential loan losses as of September 30:

	2020		Coverage/loan Receivable Ratio
	Loans receivable	Primary loss coverage	
Name of loan/guarantee program			
USDA Community Facility or Business & Industry guarantee	\$ 5,557,871	\$ 3,757,359	67.60%
HUD Title VI guarantee	239,412	227,442	95.00%
State of California Small Business Credit Initiative guarantee	298,371	238,697	80.00%
Small Business Administration guarantee	9,943,074	9,798,247	98.54%
Bureau of Indian Affairs guarantee	<u>3,081,125</u>	<u>1,725,409</u>	<u>56.00%</u>
Total loans with guarantees	<u>\$ 19,119,853</u>	<u>\$ 15,747,154</u>	<u>82.36%</u>
	2019		
	Loans receivable	Primary loss coverage	Coverage/loan Receivable Ratio
Name of loan/guarantee program			
USDA Community Facility or Business & Industry guarantee	\$ 10,007,443	\$ 7,933,168	79.27%
HUD Title VI guarantee	318,642	302,710	95.00%
State of California Small Business Credit Initiative guarantee	787,331	629,865	80.00%
Small Business Administration guarantee	472,836	378,402	80.03%
Bureau of Indian Affairs guarantee	<u>1,815,151</u>	<u>1,633,636</u>	<u>90.00%</u>
Total loans with guarantees	<u>\$ 13,401,403</u>	<u>\$ 10,877,781</u>	<u>81.17%</u>

RCAC is a participant in the Community Advantage (CA) Pilot Program Loan Guaranty Agreement with the Small Business Administration (SBA). Under the terms of the SBA CA program, the SBA provides a guaranty under its 7(a) loan program covering risk of loss against approved loans meeting program requirements. The Guaranty covers 85% of loans originated for less than \$150,000 and 75% guaranty for loans greater than \$15,000 and less than \$250,000. The maximum interest rate allowable under these loans is prime rate plus 6 percent. The SBA CA program requires the establishment of loan reserves equal to at least 5% of the unguaranteed portion of the SBA CA portfolio. At September 30, 2020 and 2019, RCAC was in compliance with all compliance requirements.



RURAL COMMUNITY ASSISTANCE CORPORATION
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SEPTEMBER 30, 2020 AND 2019

NOTE 7: RECEIVABLES, PREPAIDS, AND DEPOSITS:

Receivables, prepaids, and deposits as of September 30, were composed of the following:

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 281,439	\$ 738,840
Grants & contracts receivable, net	4,082,418	7,684,575
Interest receivable	608,410	405,471
Prepaids, deposits, & other	<u>864,151</u>	<u>164,770</u>
Total receivables, prepaids and deposits	<u>\$ 5,836,418</u>	<u>\$ 8,993,656</u>

The grants & contract receivable amounts are net of an allowance for doubtful accounts of \$45,000 and \$45,000 as of September 30, 2020 and 2019, respectively.

NOTE 8: LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment was composed of the following at September 30, 2020:

	<u>September 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2020</u>
Land (office building)	\$ 427,000	\$ -	\$ -	\$ 427,000
Office building improvements	4,480,138	5,710	-	4,485,848
Less: Accumulated depreciation	(2,840,957)	(248,216)	-	(3,089,173)
Equipment and software	716,926	132,861	-	849,787
Less: Accumulated depreciation	<u>(552,879)</u>	<u>(83,915)</u>	<u>-</u>	<u>(636,794)</u>
Total land, building & equipment	<u>\$ 2,230,228</u>	<u>\$ (193,560)</u>	<u>\$ -</u>	<u>\$ 2,036,668</u>

Land, building, and equipment was composed of the following at September 30, 2019:

	<u>September 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2019</u>
Land (office building)	\$ 427,000	\$ -	\$ -	\$ 427,000
Office building improvements	4,410,855	69,283	-	4,480,138
Less: Accumulated depreciation	(2,598,876)	(242,081)	-	(2,840,957)
Equipment and software	679,851	37,075	-	716,926
Less: Accumulated depreciation	<u>(463,106)</u>	<u>(89,773)</u>	<u>-</u>	<u>(552,879)</u>
Total land, building & equipment	<u>\$ 2,455,724</u>	<u>\$ (225,496)</u>	<u>\$ -</u>	<u>\$ 2,230,228</u>

Depreciation expense for the years ended September 30, 2020 and 2019 was \$332,131 and \$331,854, respectively.



**RURAL COMMUNITY ASSISTANCE CORPORATION
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NOTE 8: LAND, BUILDING, AND EQUIPMENT (Continued)

Land and property held for sale included the following at September 30:

	<u>2020</u>	<u>2019</u>	<u>Additions (Deletions)</u>
Land in Pinetop, Arizona, valued at	\$ <u>225,000</u>	\$ <u>225,000</u>	\$ <u>-</u>

Land held for investment included the following at September 30:

	<u>2020</u>	<u>2019</u>	<u>Additions (Deletions)</u>
Undeveloped lots in Waianae, Hawaii, valued at	\$ <u>1,900,000</u>	\$ <u>1,900,000</u>	\$ <u>-</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
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SEPTEMBER 30, 2020 AND 2019**

NOTE 9: NOTES PAYABLE

Notes payable consisted of the following at September 30:

	Interest Rate	Maturity	2020	2019
Bank of America	3.00 %	June 2026	\$ 2,000,000	\$ 2,000,000
Bank of America-CF Relending Collateral	1.00 %	Jan 2025	2,472,264	564,480
Bank of the West	2.00 %	Aug 2027	1,500,000	1,500,000
BDS 2012 Qualified Annuity Trust-PPP	0.00% - 0.50%	Sept 2022	1,500,000	-
California Bank & Trust - \$1.5 million line of credit	0.00 %	April 2022	-	-
California Bank & Trust-COIN	0.00 %	Aug 2019	500,000	500,000
California Endowment	0.00 %	Mar 2029	11,700,000	11,700,000
California Wellness Foundation	2.00 %	Dec 2025	1,000,000	1,000,000
California Wellness Foundation-PPP	0.00% - 0.50%	July 2022	1,000,000	-
Catholic Health Initiatives	2.00 %	Sept 2020	-	500,000
Ceniarth Wales Interests, L.P.	2.00 %	Aug 2030	50,000	-
	LIBOR			
Charles Schwab Bank - \$10 million line of credit	reference rate plus 1.75% or 3.00%	Oct 2022	5,000,000	2,000,000
Charles Schwab Bank - \$25 million line of credit -PPP	0.00% - 0.75%	June 2023	1,500,000	-
Christensen Fund	2.00 %	Aug 2027	250,000	250,000
Community Economics	0.00 %	Various	150,000	150,000
Community Housing Opportunities Corporation	1.50 %	Jan 2023	2,593,220	-
Compass Bank (BBVA)	2.75 %	Jan 2029	6,000,000	6,000,000
Dignity Health	2.50 %	Sept 2024	500,000	500,000
Dominican Sisters of Hope	2.00 %	June 2023	50,000	50,000
First Foundation Bank	3.00 %	Dec 2021	248,738	248,738
First Republic Bank	3.00 %	Jan 2021	3,000,000	-
Ford Foundation	1.00 %	Feb 2022	2,000,000	3,000,000
GSAF, LLC (Note 1)	2.00 %	Dec 2029	947,087	947,087
Housing California	2.50 %	Various	300,000	200,000
Isenberg Family Charitable Foundation-PPP	0.00% - 0.50%	July 2022	3,000,000	-
JP Morgan Chase Bank, N.A.-COIN	0.00 %	Sept 2021	1,000,000	1,000,000
Mechanics Banks	2.66 %	Aug 2024	2,000,000	2,000,000
Mercy Investment Services, Inc.	3.00 %	June 2022	1,000,000	1,000,000
Merrick Bank Corporation	2.00 %	Sept 2021	750,000	750,000



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NOTE 9: NOTES PAYABLE (Continued)

	Interest Rate	Maturity	2020	2019
	LIBOR			
Morgan Stanley-\$ 5 million line of credit	reference rate plus 2.50%	May 2025	-	5,000,000
National Housing Law Project	2.75 %	Various	200,000	200,000
Olamina Fund LLC	3.00 %	Sept 2024	3,000,000	-
Opportunity Finance Network	3.00 %	Sept 2024	1,818,182	1,818,182
Oregon Community Foundation	3.00 %	June 2026	1,000,000	1,000,000
Pacific Western Bank-COIN	0.00 %	May 2020	-	500,000
Providence St. Joseph Health System	3.00 %	June 2023	1,000,000	1,000,000
Rasmuson Foundation	0.00% - 1.00%	Dec 2024	1,250,000	1,250,000
Religious Communities Investment Fund	2.75 %	July 2024	350,000	350,000
Sachs (Erich & Hannah) Foundation	2.75 %	Mar 2022	500,000	500,000
Santa Fe Community Foundation	2.00 %	Mar 2027	250,000	56,760
Satterberg Foundation-PPP	0.00% - 0.50%	Sept 2022	1,000,000	-
Sisters of Charity - Incarnate Word	2.00 %	July 2024	250,000	250,000
Sisters of St. Francis of Philadelphia	1.00 %	Oct 2022	50,000	50,000
Sisters of the Holy Cross	3.00 %	Sept 2020	200,000	200,000
Sisters of the Holy Names of Jesus and Mary	2.00 %	Nov 2024	250,000	250,000
Tahoe Truckee Community Foundation	2.50 %	June 2020	-	200,000
The David and Lucile Packard Foundation- PPP	0.00% - 0.50%	July 2022	3,000,000	-
The Grove Foundation	2.00 %	Sept 2024	500,000	500,000
The Schmidt Family Foundation-PPP	0.00% - 0.50%	July 2022	2,000,000	-
Trillium Asset Management	2.00% - 2.50%	Various	1,200,000	800,000
Trinity Health Corporation	2.50 %	Mar 2023	1,500,000	1,500,000
Umpqua Bank	2.00 %	April 2030	1,000,000	-
Union Bank	3.00 %	April 2024	1,000,000	1,000,000
US Department of Agriculture, CF Relending	2.38 %	Dec 2056	11,995,660	2,784,559
US Department of Agriculture, IRP 1	1.00 %	Aug 2021	78,666	159,333
US Department of Agriculture, IRP 2	1.00 %	Mar 2025	411,845	491,827
US Department of Agriculture, IRP 3	1.00 %	Sept 2038	521,993	548,347
US Department of Agriculture, IRP 4-A	1.00 %	Aug 2039	548,347	574,441
US Department of Agriculture, IRP 4-B	1.00 %	Dec 2039	191,478	200,090
US Department of Agriculture, IRP 5	1.00 %	Sept 2041	600,275	625,854
US Department of Agriculture, IRP 6	1.00 %	Jan 2044	360,669	373,910
US Department of Agriculture, IRP 7	1.00 %	Nov 2044	934,775	967,551
US Department of Agriculture, IRP 8	1.00 %	Sept 2047	500,000	500,000



RURAL COMMUNITY ASSISTANCE CORPORATION
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NOTE 9: NOTES PAYABLE (Continued)

	Interest Rate	Maturity	2020	2019
US Department of Agriculture, IRP 9	1.00 %	Sept 2048	1,000,000	1,000,000
US Department of Agriculture, IRP 10	1.00 %	Oct 2049	632,902	-
US Department of Treasury, CDFI Fund	2.42 %	July 2020	-	1,700,000
US Department of Treasury, CDFI Fund	1.95 %	June 2028	558,861	558,861
W.K. Kellogg Foundation	1.00 %	June 2027	1,000,000	1,000,000
Wells Fargo Bank	2.00 %	June 2026	2,000,000	2,000,000
Wells Fargo Bank-COIN	0.00 %	Aug 2027	1,000,000	1,000,000
Woodcock Foundation	2.00 %	Sept 2028	<u>250,000</u>	<u>250,000</u>
Total notes payable			95,914,962	67,020,020
Less: amounts payable within one year			<u>(9,450,859)</u>	<u>(6,490,541)</u>
Notes payable, net current portion			<u>\$ 86,464,103</u>	<u>\$ 60,529,479</u>
Weighted average maturity (monthly)			<u>115</u>	<u>104</u>
Weighted average interest rate			<u>1.59%</u>	<u>1.91%</u>

Payments for the consolidated debt for the succeeding five years and thereafter are as follows:

Year Ended September 30,	
2021	\$ 9,450,859
2022	19,545,584
2023	8,137,936
2024	14,069,993
2025	4,534,104
Thereafter	<u>40,176,486</u>
Total	<u>\$ 95,914,962</u>

RCAC has a line of credit agreement with California Bank and Trust Bank. The line of credit has a limit of \$1,500,000, with a variable interest rate equal prime + 1% at September 30, 2020 and 2019. The line of credit expires (or renews) on April 30, 2022. During the years ending September 30, 2020 and 2019 no funds were borrowed on this line of credit.

Many of the above notes payable contain loan covenants that require RCAC to maintain specific financial ratios, achieve certain performance levels, or maintain certain management controls. RCAC is not aware of any violations of loan covenants as of September 30, 2020 and 2019.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 10: POST-EMPLOYMENT BENEFITS

RCAC offers post-employment medical insurance benefits with an option for eligible former employees to continue medical coverage for a limited period after employment. If the medical insurance carrier allows the continued coverage, RCAC will contribute to the cost of the coverage. The Plan benefits were frozen in 2008. Eligible participants may opt to receive cash in-lieu of this benefit.

The plan is unfunded. A liability of \$109,543 and \$154,283 as of September 30, 2020 and 2019, respectively, is included on the consolidated balance sheets in other long-term liabilities.

NOTE 11: RETIREMENT AND DEFERRED COMPENSATION PLANS

RCAC maintains a tax-deferred annuity plan qualified under section 403(b) of the Internal Revenue Code (IRC). All employees may make voluntary pre-tax contributions to the plan, up to the maximum amount allowed by the Internal Revenue Service. Under the plan, RCAC may also contribute to the account of eligible participants. Employees become eligible for RCAC contributions after six months of full-time employment. The RCAC employer contribution was 4% and 5%, based on qualified employee gross salaries for the years ended September 30, 2020 and 2019. The 2019 contribution includes a 1% one time additional contribution approved by the board. The retirement plan expense recognized by RCAC (as a component of fringe benefits) for the years ended September 30, 2020 and 2019 was \$425,146 and \$448,450, respectively.

In addition to the 403(b) plan, RCAC offers an IRC Section 457(b) deferred compensation plan. The Plan allows management employees to voluntarily defer compensation to the extent allowed by law. No other contributions are made to the 457(b) plan. The 457(b) plan assets as of September 30, 2020 and 2019 were \$252,221 and \$207,817, respectively. The asset is included in other non-current assets on the consolidated balance sheets and the corresponding liability is included in other long-term liabilities.

NOTE 12: BONDS PAYABLE

On June 3, 2004, RCAC obtained financing for RCAC's headquarters building in West Sacramento, California via the issuance of \$2,830,000 variable rate demand revenue bonds by the California Infrastructure and Economic Development bank, an entity within the Business, Transportation, and Housing Agency of the State of California. The bonds mature on June 1, 2029.

On June 2, 2014 RCAC initiated a partial redemption of the bonds in the amount of \$800,000. On July 16, 2014, an alternate letter of credit, with an annual fee of 1.45%, was issued in the amount of \$2,060,033 by Union Bank of California. The letter of credit is secured by a first lien position on the aforementioned headquarters building and expires on June 1, 2029.

Interest on the bonds is exempt from California State and Federal income taxes and is not subject to alternative minimum tax. The interest rate is determined weekly.



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 12: BONDS PAYABLE (Continued)

RCAC capitalized bond issuance cost of \$96,462, and Union Bank of California letter of credit issuance cost of \$69,347. Bond issuance costs are amortized over the 25 year life of the bond and the letter of credit issuance cost is amortized over a 15 year life. The unamortized balances of both are listed below. The short-term portion of these unamortized costs are included on the consolidated balance sheets within receivables, prepaid, and deposits, and the non-current portion is included within other non-current assets as of September 30, 2020 and 2019.

Bond related assets and liabilities consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Bond related assets		
Bank balance in bond sinking fund	\$ 720,217	\$ 593,077
Unamortized bond issuance costs	35,080	37,331
Unamortized letter of credit origination	40,645	45,268
Land, building, improvements, net	<u>2,036,668</u>	<u>2,230,228</u>
Total bond related assets	<u>\$ 2,832,610</u>	<u>\$ 2,905,904</u>
Bond related liabilities		
Bonds payable	<u>\$ 2,030,000</u>	<u>\$ 2,030,000</u>

Bond related expenses consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Amortization of bond and letter of credit costs	\$ 8,482	\$ 8,482
Letter of credit fees	30,285	30,285
Interest expense	19,055	32,654
Trustee and administration fees	<u>10,005</u>	<u>10,005</u>
Total bond expenses	<u>\$ 67,827</u>	<u>\$ 81,426</u>
Interest rate range, rate determined weekly	<u>0.12% - 6.79%</u>	<u>1.33% - 2.40%</u>
Weighted average annualized interest rate	<u>0.94%</u>	<u>1.61%</u>
Weighted average bond annualized expense rate	<u>3.34%</u>	<u>4.01%</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 12: BONDS PAYABLE (Continued)

The bonds are subject to early redemption on any business day at the discretion of RCAC. A bond sinking fund deposit account has been established at Union Bank of California. Per the agreement, the following are the annual sinking fund payments:

<u>Year Ended September 30,</u>	
2021	\$ 131,247
2022	136,251
2023	141,252
2024	146,247
2025	151,251
Thereafter	<u>606,229</u>
Total	\$ <u>1,312,477</u>

NOTE 13: NET ASSETS WITH DONOR RESTRICTIONS

RCAC receives support for its operations that include donor-imposed restrictions. The restrictions may be time restricted (the donation cannot be used until a later date), purpose restricted (the donation may only be used for a specific activity), or both time and purpose restricted. The donor imposed restrictions will expire when (a) the donor imposed time limitation has elapsed, or (b) the donor stipulated purpose for which the donation was restricted has been fulfilled by RCAC.

The balances of net assets with donor restrictions reflect that support already recorded as revenue, but for which donor-imposed restrictions still apply. The balances of net assets with donor restrictions at September 30, are as follows:

	<u>2020</u>	<u>2019</u>
<u>Lending capital - subject to the passage of time</u>		
California Endowment (Sinking Fund - accumulated earnings)	\$ 3,065,164	\$ 2,755,940
California State Water Resources Control Board	73,932	108,437
City of Flagstaff	269,146	269,146
Ford Foundation	150,000	150,000
Relief funds	164,200	-
State of Idaho	173,732	213,849
USDA Rural Development	13,148	207,233
USDA Rural Utility Service	90,000	-
U.S. Treasury, Capital Magnet Fund	5,869,280	2,375,000
U.S. Treasury, CDFI Fund	<u>1,720,905</u>	<u>2,506,905</u>
Total net assets with donor restrictions-lending capital	<u>11,589,507</u>	<u>8,586,510</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 13: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2020</u>	<u>2019</u>
Other - subject to expenditure for specified purpose supports various environmental and housing programs		
Ally Bank	\$ 17,613	\$ 25,904
American Express	39,960	72,394
Bank of America	389,788	363,308
California Community Foundation	30,970	-
California Endowment (Tall Trees)	640,000	640,000
California Endowment	447,251	536,630
California State Water Resources Control Board	351,474	480,564
Capital One Service	37,809	55,156
FAHE Strength in Numbers	223,676	3,905
Ford Foundation	764,742	729,079
Jennifer P Speers	11,067	29,508
Joe Serna Jr Farmworker Housing Loan Servicing Fund	1,015,220	883,635
Mary Reynolds Babcock Foundation	1,154,637	1,067,535
Morgan Stanley Bank, NA	122,013	169,802
PNC Bank	12,038	28,509
Pacific Western Bank	19,419	24,450
Rabo Bank	18,374	53,168
USDA Rural Development	87,506	79,855
USDA Rural Utility Service	110,000	250,000
U.S. Bank	70,246	7,712
U.S. Treasury, Capital Magnet Fund	380,720	125,000
W K Kellogg Foundation	214,799	15,379
Water Foundation	26,311	109,317
Wells Fargo Foundation	546,722	211,863
Yocha Dehe Wintun Nation	230,057	54,297
Other various donors	<u>124,545</u>	<u>176,187</u>
Total other - subject to expenditure for specified purpose supports various environmental and housing programs	<u>7,086,957</u>	<u>6,193,157</u>
Total net assets with donor restrictions	<u>\$ 18,676,464</u>	<u>\$ 14,779,667</u>

Board designated fund:

This fund is comprised of surpluses from operations set aside for lending and development along with grants received for the same purpose. RCAC's Board of Directors determine the amount added to this fund annually.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 14: CONCENTRATION OF REVENUE SOURCES

During the fiscal years ended September 30, 2020, and 2019, RCAC's operations and program activities were funded by the following sources of revenue:

	<u>2020</u>	<u>2019</u>
Revenue with donor restrictions		
Ally Bank	\$ -	\$ 15,000
American Express	-	40,000
Banner Bank	-	15,000
CA Household Waterwells	(156,558)	205,490
California Bank and Trust	-	20,000
California Community Foundation	108,220	-
Capital One	25,000	25,000
Capital Magnet Fund	3,750,000	-
Charles SCHWAB	20,000	21,500
Dignity Health	-	22,500
FAHE	247,500	20,000
Idaho Septic System Grant, State of Idaho	(46,916)	120,782
Investment income with donor restrictions	229,717	338,297
JP Morgan Chase Foundation	25,000	25,000
Loan interest income with donor restrictions	1,289,778	1,052,517
Morgan Stanley Bank	100,000	105,000
Pacific Western Bank	15,000	10,000
Rabobank	-	25,000
Rose Foundation	46,500	-
Santa Fe Community Foundation	5,000	-
The Bank of America Corporation	250,000	65,000
The Oregon Community Foundation	50,000	-
U.S. Bankcorp Foundation	55,000	12,500
U.S. Treasury, CDFI Fund	714,000	-
Umpqua Bank Charitable Foundation	30,000	-
Uplift America Fund	87,102	532,000
USDA Rural Utilities Service	328,566	341,607
W.K. Kellogg Foundation	382,573	-
Water Foundation	-	120,000
Wells Fargo Foundation	700,000	210,000
Yocha Dehe Winrun Nation	250,000	80,000
All others	<u>113,701</u>	<u>5,190</u>
Total revenue with donor restrictions	\$ <u>8,619,183</u>	\$ <u>3,427,383</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 14: CONCENTRATION OF REVENUE SOURCES (Continued)

	<u>2020</u>	<u>2019</u>
Grants & contracts without donor restrictions		
Neighborhood Reinvestment Corporation Act	\$ -	\$ 4,426
New Mexico Environmental Depart. Drinking Water Bureau	59,836	85,157
San Diego County Water Authority	1,148,481	1,555,563
State Water Resources Control Board	827,142	1,142,671
U.S. Department of Agriculture	4,564,044	5,204,412
U.S. Department of Commerce	246,211	294,784
U.S. Department of Health & Human Services	1,328,483	1,272,262
U.S. Department of Housing & Urban Development	2,094,093	2,083,624
U.S. Department of Labor	207,691	218,870
U.S. Department of Small Business Administration	-	59,391
U.S. Environmental Protection Agency	3,619,085	3,709,956
Yuba County Water Agency	73,621	393,186
All others	<u>1,544,536</u>	<u>629,741</u>
Total grants & contracts without donor restrictions	\$ <u>15,713,223</u>	\$ <u>16,654,043</u>
Lending income without donor restrictions:		
Loan interest income	\$ 3,465,631	\$ 2,667,064
Loan fees	1,590,881	1,033,220
Guarantee fees revenue	-	36,836
Gain (loss) on sale of assets	<u>-</u>	<u>75,000</u>
Total lending income without donor restrictions:	<u>5,056,512</u>	<u>3,812,120</u>
Other revenue sources		
Investment income without donor restrictions	45,708	105,923
Revenue from partnership	135,878	110,441
Premium/(discount) on sale of loans	122,874	-
Other and rental income	<u>113,760</u>	<u>119,494</u>
Total other revenue sources	<u>418,220</u>	<u>335,858</u>
Total revenue with and without donor restrictions	\$ <u>29,807,138</u>	\$ <u>24,229,404</u>

Grants and contracts without donor restrictions - U.S. Government departments and agency amounts include grants and contracts in which RCAC was either the primary recipient or a sub-recipient of the funding.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 15: CONCENTRATIONS OF RISK

Credit Risk

RCAC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. RCAC has not experienced any losses in such accounts. RCAC believes it is not exposed to any significant credit risk on cash and cash equivalents.

RCAC grants credit to its clients and partners, substantially all of whom are non-profit organizations, tribal communities, small business or governmental agencies. Management believes that its loan underwriting, billing, and collection policies are adequate to minimize potential credit risk.

NOTE 16: GRANT AND OTHER LIENS

RCAC has provided grants to other non-profit organizations. The conditions of these grants require the recipient organization to maintain services to a targeted population for a period of time or requires that ownership of real estate is continued by specific parties. When possible, RCAC secures performance via a grant lien on real estate. The liens enable RCAC to recover the amount of the grant if the use of the real estate is altered or ownership is transferred. RCAC expects the grant recipients to perform per the conditions of the grant and therefore RCAC does not carry a value for these liens on its consolidated balance sheets. The grants were expensed when the grants were awarded. The amounts of outstanding grant liens as of September 30 are:

	<u>2020</u>		<u>2019</u>	
	<u>Number of Grant Liens</u>	<u>Amount</u>	<u>Number of Grant Liens</u>	<u>Amount</u>
Health related facilities grants expiring in 2027 to 2030	<u>7</u>	<u>\$ 721,991</u>	<u>7</u>	<u>\$ 721,991</u>

Other Liens

UCC filings have been placed by certain investors and development lenders that give them rights to assets.

NOTE 17: OTHER LOAN SERVICING COMMITMENTS

RCAC makes long-term loans for which the borrower obtains a USDA Rural Development guarantee for a portion of the loan. The guarantee is typically for 80% or 90% of the total loan amount. Under the conditions of the guarantee, RCAC is required to retain 5% of the loan, and is allowed to sell up to 95%. RCAC typically sells the guaranteed portion of these loans, but retains the servicing (for a fee) of the entire loan and management of the guarantee requirements. The portion of the loan retained by RCAC is included on the consolidated balance sheet under loans receivable. The portion of the loan sold, but with servicing commitment retained, is not carried on the RCAC consolidated balance sheet.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 17: OTHER LOAN SERVICING COMMITMENTS (Continued)

RCAC loan servicing provided to other lenders consisted of the following at September 30:

	<u>2020</u>		<u>2019</u>	
	<u>Number of Loans or Grants</u>	<u>Amount</u>	<u>Number of Loans or Grants</u>	<u>Amount</u>
Loans sold to other lenders with servicing retained, USDA guaranteed loans	54	\$ 35,930,395	49	\$ 31,670,733
Loan servicing provided for loans and grants made by the California Department of Housing and Community Development	8	12,463,812	8	12,463,812
Other loans serviced by RCAC	<u>15</u>	<u>12,352,458</u>	<u>4</u>	<u>3,181,473</u>
Total loan servicing provided to other lenders	<u>77</u>	<u>\$ 60,746,665</u>	<u>61</u>	<u>\$ 47,316,018</u>

NOTE 18: COMMITMENTS AND CONTINGENCIES

Off-Balance-Sheet Risk: To meet the financing needs of borrowers, RCAC is party to certain financial instruments with off-balance sheet risk. These financial instruments include financial guarantees, conditional commitments to lend more on existing loans (undisbursed portion of existing loans) and conditional commitments to make new loans. These arrangements involve elements of credit risks. RCAC uses the same credit policies in making guarantees and conditional commitments as it does for on-balance-sheet obligations.

The composition of financial instruments with off-balance-sheet risk, as of September 30 are:

	<u>2020</u>	<u>2019</u>
Undisbursed portion of existing loans	\$ 33,887,717	\$ 43,978,077
Conditional commitments to make new loans	<u>18,793,492</u>	<u>22,247,477</u>
Total	<u>\$ 52,681,209</u>	<u>\$ 66,225,554</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 18: COMMITMENTS AND CONTINGENCIES (Continued)

Water System Operation and Maintenance: In fiscal year 2014, RCAC obtained State of California Proposition 84 funding (The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act) for water infrastructure projects in California. RCAC was awarded three grants totaling \$5.4 million and plans to sub-grant \$4.7 million of that amount to local water entities. Ten sub-grants were awarded as of September 30, 2018. The conditions of the grants to RCAC require RCAC to operate and maintain the infrastructure created with grant funds, for the reasonable useful life of such infrastructure, if the sub-grantees fail to do so. RCAC will require all sub-grantees to operate and maintain the related infrastructure, but acknowledges that RCAC has an obligation, if the sub-grantee fails to do so. RCAC believes that all sub-grantees will operate and maintain these projects and therefore, does not recognize a liability to do the same.

Operating Leases: RCAC rents office spaces under operating leases expiring at various dates through 2023. Rent expense under these operating leases amounted to \$145,442 and \$142,747 for the years ended September 30, 2020 and 2019, respectively. The minimum future lease payments over the next five years are as follows:

Year ending September 30:	
2021	\$ 97,281
2022	51,875
2023	<u>19,184</u>
Total payments	\$ <u>168,340</u>

Unrecognized Revenue and Guarantees:

Kunia Village Development Project, HI

According to the Development Services agreement dated February 1, 2016, RCAC is contracted to receive \$1,400,000 for development services provided to the Kunia Village Housing Partners, LLC through RQLLC, RCAC's wholly owned subsidiary.

The developer fee is scheduled to be distributed out of operations and not from the Limited Partner pay-in. Since RQLLC's developer fee earnings are tied to rental operations and operating results, revenue will be recognized as payments are received for the project.

The balance of the developer fee will be distributed annually between 2021 and 2036 equally between Kunia Village Development Corporation (KVDC) and RQLLC.

Courtyard Apartments, MT.

RCAC is the sole member of Rural Integrity LLC (RILLC) which is the co-general partner, along with Recapitalization Montana, LLC in Courtyard Associates, A Montana Limited Partnership (CALP). On May 21, 2018 CALP acquired the Courtyard Apartments, a 32 unit rental housing project in Kalispell Montana. CALP entered into a Development Services agreement dated May 1, 2018 with RCAC and Recapitalization Montana, LLC to jointly serve as developer for the rehabilitation of Courtyard Apartments. The joint developers are contracted to receive a developer fee of \$472,000 for development services provided to CALP.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 18: COMMITMENTS AND CONTINGENCIES (Continued)

The Joint Development Agreement dated July 28, 2019 between RCAC and Recapitalization Montana, LLC provides that RCAC receive 54% of the developer fee and Recapitalization Montana, LLC receives 46%. RCAC has received \$246,663 in developer fees from CALP. Of this amount, \$36,836 was recognized as guaranteed fee for guaranteeing the construction loan. The final \$8,217 of developer fee was deferred and will be paid from operations of the Courtyard Apartments.

RCAC, RILLC and Recapitalization Montana together have entered into guarantees to and for the benefit of the CALP Investor Limited Partner, Community Affordable Housing Fund, LLC, all in accordance with the CALP Limited Partnership Agreement dated May 1, 2018:

- Operating deficits up to an aggregated amount of \$175,000 including payment of any costs that exceed available financing. Any such payment shall be structured as a loan.
- Repayment of capital contributions in proportion to any deficiencies in Low Income Housing Tax Credits.
- Repurchase of the interest of the Investment Limited Partner under certain extreme circumstances.

Meadowlark Vista Apartments, MT.

RCAC provides a joint and several guaranty of all obligations in the partnership agreement. This includes the obligation to complete construction. In addition, guarantees coverage of operating deficits up to a maximum of \$78,000. The operating deficit guarantee terminates after five years provided the last two consecutive years meet the minimum debt service coverage.

At construction closing, RCAC provided a \$295,000 guarantee of future HOME funds to the MLV, LLLP. These funds will be returned to RCAC upon MLV, LLLP receiving a signed contract for HOME funds. The request for HOME was successful and funds were awarded to the project in November 2020.

Wingate Village Townhomes, UT.

RCAC and Housing Authority of Southeastern Utah (HASU) each provides a joint and several guaranty of all obligations in the partnership agreement. This includes the obligation to complete the development. In addition, RCAC guarantees coverage of operating deficit up to a maximum of \$87,080. This operating deficit guarantee terminates after five years provided the last two consecutive years meet the minimum debt service coverage.

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SUPPLEMENTARY INFORMATION

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RURAL COMMUNITY ASSISTANCE CORPORATION
15-YEAR HISTORY OF REVENUE, EXPENSES AND NET ASSET CHANGES WITH AND WITHOUT DONOR RESTRICTIONS AND YEAR-END BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2020

Year Ending September 30,	Without Donor Restrictions				With Donor Restrictions			Total Net Assets Net Change	Year End Net Assets		
	Revenue & Gains before Restrictions	Net Assets Released	Expenses	Net Change	Revenue	(Released)	Net Change		Without Donor Restrictions	With Donor Restrictions	Total
2006	\$ 11,863,526	\$10,377,828	\$13,137,728	\$ 9,103,626	\$ 1,325,056	\$ (10,377,828)	\$ (9,052,772)	\$ 50,854	\$ 14,506,912	\$ 3,790,799	\$18,297,711
2007	12,438,118	1,623,724	13,639,130	422,712	1,232,826	(1,623,724)	(390,898)	31,814	14,929,624	3,399,901	18,329,525
2008	11,862,967	1,634,368	13,263,401	233,934	1,408,413	(1,634,368)	(225,955)	7,979	15,163,558	3,173,946	18,337,504
2009	12,480,384	1,304,915	13,748,543	36,756	2,827,489	(1,304,915)	1,522,574	1,559,330	15,200,314	4,696,520	19,896,834
2010	14,408,810	2,033,080	16,361,043	80,847	1,252,318	(2,033,080)	(780,762)	(699,915)	15,281,161	3,915,758	19,196,919
2011	13,507,015	526,197	13,829,452	203,760	4,122,600	(526,197)	3,596,403	3,800,163	15,484,921	7,512,121	22,997,042
2012	13,033,296	1,930,168	13,169,787	1,793,677	1,075,602	(1,930,168)	(854,566)	939,111	17,278,598	6,657,555	23,936,153
2013	14,097,517	627,199	14,074,267	650,449	4,118,651	(627,199)	3,491,452	4,141,901	17,929,047	10,149,007	28,078,054
2014	11,842,021	3,118,779	13,348,370	1,612,430	3,601,869	(3,118,779)	483,090	2,095,520	19,541,477	10,632,098	30,173,575
2015	12,485,248	4,463,833	14,231,690	2,717,391	5,465,959	(4,463,833)	1,002,126	3,719,517	22,258,868	11,634,224	33,893,092
2016	14,304,912	6,425,665	16,110,145	4,620,432	2,478,091	(6,425,665)	(3,947,574)	672,858	26,879,300	7,686,651	34,565,951
2017	14,735,219	3,138,011	16,612,853	1,260,377	4,295,062	(3,138,011)	1,157,051	2,417,428	28,139,677	8,843,702	36,983,379
2018	17,344,106	2,332,164	18,744,774	931,496	7,014,300	(2,332,164)	4,682,136	5,613,632	29,071,173	13,525,838	42,597,011
2019	20,802,021	2,173,554	22,018,171	957,404	3,427,383	(2,173,554)	1,253,829	2,211,233	30,028,577	14,779,667	44,808,244
2020	21,187,955	4,722,386	23,120,849	2,789,492	8,619,183	(4,722,386)	3,896,797	6,686,289	32,818,069	18,676,464	51,494,533

Generally accepted accounting principles in the United States of America require that contributions with donor-imposed restrictions be recognized as revenue by a nonprofit organization upon the transfer of assets, including promises to give. RCAC recognizes such contributions as with donor restricted revenue and maintains with donor restricted net assets until the restrictions on the contribution are met.

Revenue is recognized in the year of receipt of the asset. Expenses incurred to meet the donor imposed restrictions may occur in the same or in a subsequent fiscal year. Donor restricted net assets are released from restrictions upon appropriate use of the funds or upon expiration of the restriction period.



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Grantor:	Federal CFDA Number	Expenditures	Pass-throughs
U.S. Department of Agriculture			
Rural Housing Service Self-Help Housing 19	12-31ME-18-C-0005	\$ 1,405,852	\$ -
Rural Housing Service Self-Help Housing 20	12-31ME-18-C-0005	973,295	-
Rural Development National Conference		80,345	-
Rural Utilities Service Technical Assistance & Training Project 20 (Pass-through from RCAP)	10.761	1,175,771	12,000
Rural Utilities Service Technical Assistance & Training Project 21 (Pass-through from RCAP)	10.761	4,147	-
Tribal Rural Utilities Service Technical Assistance & Training Project 20 (Pass-through from RCAP)	10.761	105,150	-
Tribal Rural Utilities Service Technical Assistance & Training Project 21 (Pass-through from RCAP)	10.761	627	-
Colonias Rural Utilities Service Technical Assistance & Training Project 20 (Pass-through from RCAP)	10.761	253,500	-
Rural Community Development Initiative 16	10.446	135,931	-
Rural Community Development Initiative 18	10.446	109,806	-
Rural Community Development Initiative 19	10.446	53,281	-
Solid Waste Management 20	10.762	143,000	-
Rural Development Cooperative Agreement	10.890	50,987	-
Rural Development Cooperative Agreement (Pass-through from Housing Assistance Council)	10.890	58,150	-
Rural Utilities Service, Household Water Wells	10.862	3,028	-
Rural Utilities Service, Household Water Wells	10.862	<u>11,174</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>4,564,044</u>	<u>12,000</u>
U.S. Department of Health and Human Services			
Community Services Block Grant 20 (Pass-through from State of California) (Contract # 20F-3303)	93.569	144,075	-
Community Services Block Grant 19 (Pass-through from State of California) (Contract # 19F-4303)	93.569	69,718	6,135
Rural Community Facilities Development 20	93.570	<u>1,114,690</u>	<u>-</u>
Total U.S. Department of Health and Human Services		<u>1,328,483</u>	<u>6,135</u>
U.S. Department of Commerce			
Minority Business Resource Development	11.802	5,216	-
Minority Business Resource Development	11.802	3,560	-
Minority Business Resource Development	11.802	<u>237,435</u>	<u>60,090</u>
Total U.S. Department of Commerce		<u>246,211</u>	<u>60,090</u>

See notes to the Schedule of Expenditures of Federal Awards



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Grantor:	Federal CFDA Number	Expenditures	Pass-throughs
U.S. Department of Labor			
Migrant and Seasonal Farmworker Housing Program 19	17.264	<u>207,690</u>	<u>62,500</u>
Total U.S. Department of Labor		<u>207,690</u>	<u>62,500</u>
U.S. Environmental Protection Agency			
National Priority Area 1 Training & TA for Small Drinking Water Systems	66.424	414,803	-
National Priority Area 3 Improving Water Quality through Training and TA	66.424	178,092	-
National Priority Area 4 Training & TA for Small Drinking Water Systems	66.424	71,880	-
EFC to provide multimedia environmental Finance expertise and outreach to regulate communities to help them meet environmental requirements	66.203	495,908	26,428
State of Institution of Higher Learning	66.436	31,423	-
Onsite Technical Assistance to Improve Cyber Incident Preparation, Response and recover at Water and Wastewater systems (pass-through from Horsley Witten Group, LLC)	66.468	52,772	-
Public Water System Supervision & Training Region 9 (Pass-through from Horsley Witten Group, LLC.)	66.468	30,000	-
Public Water System Supervision & Training Region 9 (Pass-through from Horsley Witten Group, LLC.)	66.468	947,582	-
Public Water System Supervision & Training Region 9 (Pass-through from Horsley Witten Group, LLC.)	66.468	35,517	-
Capacity Development Assistance Y1 (Pass-through from State of California Dept of Water Board)	66.468	1,204	-
Capacity Development Assistance Y2 (Pass-through from State of California Dept of Water Board)	66.468	757,476	-
Capacity Development Assistance Y3 (Pass-through from State of California Dept of Water Board)	66.468	177,773	-
CDPHE Public Water System Training Grants Program	66.468	4,235	-
Department of Conservation and Natural Resources a division of Environmental Protection	66.468	121,595	-
Capacity Development Assistance (Pass-through from State of Hawaii Dept of Health)	66.468	200,662	-
Drinking Water Training and Outreach 19 (Pass-through from State of Washington)	66.468	<u>98,163</u>	<u>-</u>
Total U.S. Environmental Protection Agency		<u>3,619,085</u>	<u>26,428</u>

See notes to the Schedule of Expenditures of Federal Awards



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Grantor:	Federal CFDA Number	Expenditures	Pass-throughs
U.S. Department of Housing and Urban Development			
Housing Counseling Program 18	14.169	1,678	(725)
Housing Counseling Program 19	14.169	713,236	504,535
Housing Counseling Program 20	14.169	8,206	-
Housing Counseling Training 19	14.169	181,492	-
Blue Sky Center	14.252	1,723	-
National Disaster Resilience Competition	14.272	129,937	-
Community Compass Technical Assistance 15	14.259	35,725	-
Community Compass Technical Assistance 16 AFFH	14.259	63	-
Community Compass Technical Assistance 16 Tribal	14.259	59,859	-
Rural Capacity Building 16	14.265	346,388	20,898
Rural Capacity Building 17	14.265	317,484	82,888
Rural Capacity Building 18	14.265	289,002	30,160
Wells Fargo Farm Worker Initiative (Pass-through from Rural Local Initiatives Support Corporation 17 Travel)	14.252	9,300	7,449
Total U.S. Department of Housing and Urban Development		<u>2,094,093</u>	<u>645,205</u>
Total Federal Awards Expended		<u>\$ 12,059,606</u>	<u>\$ 812,358</u>

See notes to the Schedule of Expenditures of Federal Awards



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1: SCOPE OF AUDIT PURSUANT TO THE UNIFORM GUIDANCE

All federal grant operations of Rural Community Assistance Corporation (RCAC) are included in the scope of 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). Compliance testing of all requirements under the Uniform Guidance were performed for RCAC. Rural Community Facilities Development and Rural Housing Service Self-Help Housing represent major federal award programs and other grants with fiscal 2020 cash and noncash expenditures in excess of \$750,000 to ensure coverage of at least 25% of federally granted funds. Actual coverage is approximately 37% of total cash and noncash federal award program expenditures.

NOTE 2: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes all Federal grants and contracts to RCAC that had activity during the year ended September 30, 2020. This schedule has been prepared on the accrual basis of accounting. Grant and contract revenue is recorded for financial reporting purposes when RCAC has met the qualifications for the respective grants and contracts. Grants that have expired and procurement contracts that do not have an individual CFDA number, have been identified by contract number in the SEFA.

NOTE 3: RELATIONSHIP TO CONSOLIDATED FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the consolidated financial statements. Federal award revenues are reported principally in RCAC's consolidated financial statements as grant revenue.

NOTE 4: AMOUNTS PROVIDED TO SUB-RECIPIENTS

Amounts provided to sub-recipients under Federal and non-federal award programs during the year ended September 30, 2020 were as follows:

HHS Community Services Block Grants	\$ 6,135
USDA Technitrain	12,000
U.S. Department of Commerce	60,090
USEPA EFC	26,428
HUD Housing Counseling, Rural Capacity Building, RURALLISC	645,205
Non-Federal Award Program Grants and Pass-through Awards	<u>1,595,617</u>
Total Grants and Pass-through Awards	\$ <u>2,345,475</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 5: FEDERAL AWARDS EXPENDED WITH COMMON CFDA NUMBER

When there is more than one program under a single CFDA number, the Schedule of Expenditures of Federal Awards totals all programs under the one CFDA number. Occasionally, however, this total could not be conveniently displayed because all programs under one CFDA number were not contiguous. When this occurred, this total is not shown in the Schedule, but instead, is provided below:

<u>CFDA Number</u>	<u>Federal Expenditures</u>
10.446	\$ 299,018
10.761	1,539,195
10.862	14,203
10.890	109,137
11.802	246,211
12-31ME-18-C-0005	2,459,492
14.169	904,611
14.252	11,024
14.259	95,647
14.265	952,874
66.468	2,426,980
93.569	213,793

NOTE 6: PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, RCAC either determined that no identifying number is assigned for the program, or was simply unable to obtain an identifying number from the pass-through entity.

NOTE 7: INDIRECT COSTS

RCAC has a Negotiated Indirect Cost Rate Agreement (NICRA) with the U.S. Government. Accordingly, it has elected not to use the de minimis indirect cost rate of 10%.

NOTE 8: GRANTS TO LENDING CAPITAL

On April 5, 2019, RCAC received a \$714,000 award from the U.S. Treasury, Community Development Finance Institution (CDFI) for lending capital to be lent to qualified borrowers. Subsequent to September 30, 2020, the funds have been fully disbursed.

On June 30, 2017, RCAC received a \$2,375,000 award from the U.S. Treasury, Capital Magnet Fund (CMF) for lending capital to be lent to qualified borrowers. \$345,000 and \$2,030,000 were disbursed in the years ending September 30, 2020 and 2019, respectively.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 8: GRANTS TO LENDING CAPITAL (Continued)

On June 17, 2019, RCAC received a \$3,562,500 award from the U.S. Treasury, Capital Magnet Fund (CMF) for lending capital to be lent to qualified borrowers. \$1,000,000 was disbursed to qualified borrowers in the year ending September 30, 2020.

On March 30, 2018, RCAC received a \$219,649 award from U.S. Department of Commerce Economic Development Administration (EDA) for lending capital for the Revolving Loan Fund. As of September 30, 2020, none of these funds have yet to be disbursed.

On September 6, 2016, RCAC received a \$315,000 award from USDA Rural Utilities Service (RUS) for lending capital for the Household Water Wells Program. \$27,912 and \$79,855 were disbursed in the years ending September 30, 2020 and 2019, respectively.

On September 30, 2017, RCAC received a \$193,000 award from USDA Rural Utilities Service (RUS) for lending capital for the Household Water Wells Program. \$100,580 of the proceeds from this award was disbursed to qualified borrowers in the year ending September 30, 2020. USDA de-obligated the entire award in November 2020.

On September 17, 2019, RCAC received a \$202,500 award from USDA Rural Utilities Service (RUS) for lending capital for the Household Water Wells Program. As of September 30, 2020, none of these funds have yet to be disbursed.

On September 7, 2018, RCAC received a \$250,000 award from USDA Rural Utilities Service (RUS) for lending capital. \$93,325 and \$156,675 were disbursed in the years ending September 30, 2020 and 2019, respectively.

On September 25, 2019, RCAC received a \$200,000 award from USDA Rural Utilities Service (RUS) for lending capital. \$200,000 of the proceeds from this award was disbursed to qualified borrowers in the year ending September 30, 2020.

On September 1, 2020, RCAC received a \$333,000 award from USDA Rural Utilities Service (RUS) for lending capital. As of September 30, 2020, none of these funds have yet to be disbursed.

On September 27, 2018, RCAC received a \$1,000,000 award from USDA Intermediary Relending Program (IRP), 30-year, 1% interest rate, with a maturity date of September 2048. \$432,812 and \$567,188 were disbursed in the years ending September 30, 2020 and 2019, respectively.

On October 28, 2019, RCAC received a \$1,000,000 award from USDA Intermediary Relending Program (IRP), 30-year, 1% interest rate, with a maturity date of September 2049. \$632,897 of the proceeds from this award was disbursed in the year ending September 30, 2020.

On November 28, 2020, RCAC received a \$1,000,000 award from USDA Intermediary Relending Program (IRP), 30-year, 1% interest rate, with a maturity date of September 2050. As of September 30, 2020, none of these funds have yet to be disbursed.



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF FEDERAL AWARD PASS-THROUGH AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>CFDA</u>	
U.S. Department of Health and Human Services		
Community Services Development Block Grant 19 Self-Help Enterprises	93.569	\$ <u>6,135</u>
Total U.S. Department of Health and Human Services		<u>6,135</u>
U.S. Department of Agriculture		
Technitrain National Demonstration Water Project 20 Self-Help Enterprises	10.761	<u>12,000</u>
Total U.S. Department of Agriculture		<u>12,000</u>
U.S. Department of Labor		
Pueblo Unido Community Dev Corp	17.264	<u>62,500</u>
Total U.S. Department of Labor		<u>62,500</u>
U.S. Department of Housing and Urban Development		
Rural Capacity Building Program:	14.265	
Blue Sky Center		4,870
California Coalition for Rural Housing		17,372
City of Globe		41,250
Growraton/Greater Raton Econ Dev Corp		13,227
Homestead Community Dev Corp		16,207
Opportunity Link, Inc.		19,704
Pueblo de Cochiti Housing Authority		6,580
Pueblo Unido Community Dev Corp		6,818
Rio Arriba County		<u>7,919</u>
Total Rural Capacity Building Program:		<u>133,947</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF FEDERAL AWARD PASS-THROUGH AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>CFDA</u>	
Housing Counseling 2019	14.169	
ACCESS, Inc.		40,995
Comité De Bien Estar		16,495
Community Action Team Inc.		3,000
Community in Action (CinA)		31,010
Community Housing Council of Fresno		32,420
Hawaiian Community Assets, Inc.		25,373
Home Fund (La Plata)		46,626
Housing Solutions of Northern Arizona		22,996
Inland Fair Housing & Mediation Board		35,239
Lutheran Social Services of SoCal		24,315
Lutheran Social Services of SoCal		23,610
National Affordable Housing Network		29,166
Neighborhood Non-profit Housing Corporation		35,251
Northern Circle Indian Housing Authority		21,191
Santa Fe Community Housing Trust		17,363
Ventura County Comm Development Corp		50,268
Western Arizona Council of Governments		<u>48,493</u>
Total Housing Counseling 2019		<u>503,811</u>
Wells Fargo Farm Worker Initiative (Pass-through from Rural Local Initiatives Support Corporation)	14.252	
Community Housing Council of Fresno		7,098
Ventura County Community Development Corp		<u>349</u>
Total Wells Fargo Farm Worker Initiative		<u>7,447</u>
Total U.S. Department of Housing and Urban Development		<u>645,205</u>
U.S. Department of Environmental Protection Agency		
CA State Water Resources Control Board	66.203	
Eastern Washington University		<u>26,428</u>
Total U.S. Department of Environmental Protection Agency		<u>26,428</u>
U.S. Department of Commerce		
Minority Business Development Agency		
Opportunity Link, Inc.		<u>60,090</u>
Total U.S. Department of Commerce		<u>60,090</u>
Total Federal Award Pass-through Expenditures		<u>\$ 812,358</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULES OF INDIRECT COSTS BY EXPENDITURE TYPE
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

Expenditures:	2020	2019
Direct salaries	\$ 1,948,669	\$ 1,640,786
Fringe benefits	847,446	755,817
Consulting	319,950	175,287
Consumable supplies	33,692	39,388
Project specific expense - supplies	2,899	3,404
Telephone	39,076	29,981
Project specific expense - telephone	589	562
Postage	3,728	3,112
Project specific expense - postage	568	585
Office space	106,861	105,535
Equipment rental & maintenance	33,694	33,534
Printing and copying	1,383	2,633
Staff educational materials	2,336	787
Other training costs	71,581	120,366
Travel	73,762	204,336
Depreciation	63,232	89,774
Insurance	77,617	67,360
Dues and subscriptions	22,112	7,703
Conference registration/staff training	8,511	16,079
Taxes,licenses and fees	6,651	4,164
Recruitment	<u>25,433</u>	<u>22,039</u>
Total indirect costs	\$ <u>3,689,790</u>	\$ <u>3,323,232</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULES OF INDIRECT COST RATES
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

The indirect cost rate for the fiscal years ended September 30, is computed as follows:

	<u>2020</u>	<u>2019</u>
Total expenditures	\$ 23,120,849	\$ 22,018,171
Less: indirect costs	<u>(3,689,790)</u>	<u>(3,323,232)</u>
Total direct costs	<u>19,431,059</u>	<u>18,694,939</u>
Excluded items		
Contributions	45,499	36,254
Depreciation	20,683	-
Bank service charge	38,035	28,436
Interest on notes payable	1,408,832	958,747
Grants excluded from indirect	1,471,968	1,996,033
Scholarship	124,366	292,609
Provision for bad debt	219	-
Provision for loan loss	1,200,000	941,786
Rental operations	<u>139,374</u>	<u>152,672</u>
Total excluded items	<u>4,448,976</u>	<u>4,406,537</u>
Total adjusted direct costs	<u>\$ 14,982,083</u>	<u>\$ 14,288,402</u>
Total indirect costs	<u>\$ 3,689,790</u>	<u>\$ 3,323,232</u>
Indirect cost rate	<u>24.63%</u>	<u>23.26%</u>

Note: RCAC's Negotiated Indirect Cost Rate Agreement (NICRA) with the U.S. Government is a predetermined rate of 24.87% and 24.87% for the years ended September 30, 2020 and 2019.

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OTHER REPORTS

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**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**

To the Board of Directors
Rural Community Assistance Corporation
West Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Rural Community Assistance Corporation (a nonprofit organization), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 16, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Rural Community Assistance 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rural Community Assistance Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Rural Community Assistance 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural Community Assistance Corporation's consolidated 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 financial statements. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Manly H. N. CPAs".

Sacramento, California

December 16, 2020



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Board of Directors
Rural Community Assistance Corporation
West Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited Rural Community Assistance Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rural Community Assistance Corporation's major federal programs for the year ended September 30, 2020. Rural Community Assistance Corporation's major federal programs are 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 each of Rural Community Assistance Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Rural Community Assistance 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 Rural Community Assistance Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, Rural Community Assistance 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 September 30, 2020.

Report on Internal Control over Compliance

Management of Rural Community Assistance 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 Rural Community Assistance Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal

program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Rural Community Assistance Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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.



Sacramento, California
December 16, 2020



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None Reported
Significant deficiencies identified that are not considered to be material weakness(es)?	No
Noncompliance material to the consolidated financial statements noted?	No

Federal Awards

Internal control over major programs:							
Material weakness(es) identified?	None Reported						
Significant deficiencies identified that are not considered to be material weakness(es)?	No						
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 section 200.516 of the Uniform Guidance?	No						
Identification of major programs:							
<table><tr><th>CFDA</th><th>Name of Federal Program</th></tr><tr><td>93.570</td><td>Rural Community Facilities Development '20</td></tr><tr><td>12-31ME18-C-0005</td><td>Rural Housing Service Self-Help Housing '20</td></tr></table>	CFDA	Name of Federal Program	93.570	Rural Community Facilities Development '20	12-31ME18-C-0005	Rural Housing Service Self-Help Housing '20	
CFDA	Name of Federal Program						
93.570	Rural Community Facilities Development '20						
12-31ME18-C-0005	Rural Housing Service Self-Help Housing '20						
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000						
Auditee qualified as a low-risk auditee:	Yes						

SECTION II: FINANCIAL STATEMENT FINDINGS

No current year findings.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No current year findings or questioned costs for federal awards as defined in section 200.516 of the Uniform Guidance.

SECTION IV: PRIOR YEAR FINDINGS AND QUESTIONED COSTS

No prior year findings or questioned costs for federal awards as defined in section 200.516 of the Uniform Guidance.