



Rural Community Assistance Corporation



Consolidated Financial Statements

with Supplementary Information Including Federal Government Reports and Findings

September 30, 2021 and 2020

The photos on the top are community members in Globe, AZ, and includes the Economic Development Director for the City of Globe, Linda Oddoneto. RCAC's Building Rural Economy (BRE) team conducted a "Recharge Our Community's Economy" (ROCE) workshop series to assist community members in identifying community economic development projects. The bottom left photo is a picture of some of the Graduates from the entrepreneurship training, "Native American Business Development – A Journey " in New Mexico funded through the Kellogg Foundation. The bottom right photo is a picture of Acoma Pueblo graduates of the Native American Business Development: A Journey (NABDAJ) workshop series funded by Kellogg.

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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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 21, 2021, 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.

Mann, Urrutia, Nelson CPAs

Sacramento, California
December 21, 2021



**RURAL COMMUNITY ASSISTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, AND 2020**

ASSETS	2021	2020
<u>Current assets:</u>		
Cash and cash equivalents unrestricted (<i>Notes 2 & 3</i>)	\$ 63,156,120	\$ 11,670,526
Cash and cash equivalents restricted (<i>Notes 2 & 3</i>)	22,834,025	21,376,576
Investments unrestricted (<i>Note 3</i>)	323,819	323,895
Investments restricted (<i>Note 3</i>)	291,557	1,068,085
Receivables, prepaids & deposits (<i>Note 7</i>)	6,289,046	5,836,418
Loans receivable - current portion (<i>Note 5</i>)	40,730,078	33,986,245
Allowance for loan loss - current (<i>Note 6</i>)	(3,616,000)	(2,268,000)
Land & property held for sale (<i>Note 8</i>)	<u>225,000</u>	<u>225,000</u>
Total current assets	<u>130,233,645</u>	<u>72,218,745</u>
<u>Non-current assets:</u>		
Loans receivable - non current portion (<i>Note 5</i>)	76,355,583	82,800,566
Allowance for loan loss - non current (<i>Note 6</i>)	(4,299,000)	(4,272,000)
Loans receivable - forgivable (<i>Note 5</i>)	1,516,647	1,374,545
Other non-current assets (<i>Notes 11 & 12</i>)	1,282,698	1,132,644
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>1,739,992</u>	<u>2,036,668</u>
Total non-current assets	<u>78,495,920</u>	<u>84,972,423</u>
Total assets	<u><u>\$208,729,565</u></u>	<u><u>\$157,191,168</u></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, 2021, AND 2020

LIABILITIES AND NET ASSETS	2021	2020
<u>Current liabilities:</u>		
Accounts payable and accrued expenses	\$ 2,651,133	\$ 5,294,611
Grants payable (Note 2)	234,783	720,753
Notes payable - current portion (Note 9)	7,278,486	9,450,859
PPP loan - current portion (Note 9)	<u>738,346</u>	<u>-</u>
Total current liabilities	<u>10,902,748</u>	<u>15,466,223</u>
Notes payable - less current portion (Note 9)	113,459,002	86,464,103
Bonds payable (Note 12)	1,300,000	2,030,000
Deferred loans - forgivable (Note 5)	1,516,647	1,374,545
PPP loan (Note 9)	922,932	-
Other long-term liabilities (Notes 10 & 11)	<u>404,637</u>	<u>361,764</u>
Total long-term liabilities	<u>117,603,218</u>	<u>90,230,412</u>
Total liabilities	<u>128,505,966</u>	<u>105,696,635</u>
<u>Net assets:</u>		
<u>Without donor restrictions:</u>		
General unrestricted net assets	4,503,696	3,718,069
Board designated fund	30,700,000	29,100,000
Vector fund	<u>5,000,000</u>	<u>-</u>
Total net assets without donor restrictions	<u>40,203,696</u>	<u>32,818,069</u>
<u>With donor restrictions: (Note 13)</u>		
Time restricted-lending capital	16,547,238	11,589,507
Purpose restricted-other	<u>23,472,665</u>	<u>7,086,957</u>
Total net assets with donor restrictions	<u>40,019,903</u>	<u>18,676,464</u>
Total net assets	<u>80,223,599</u>	<u>51,494,533</u>
Total liabilities and net assets	<u>\$208,729,565</u>	<u>\$157,191,168</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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenue:			
Grants and contracts	\$ 15,388,323	\$ 29,767,953	\$ 45,156,276
Loan fees revenue	1,363,649	-	1,363,649
Loan servicing fees revenue	331,236	-	331,236
Interest on loans	4,058,293	1,297,107	5,355,400
Loss from partnerships	(81,281)	-	(81,281)
Investment income (<i>Note 3</i>)	19,343	228,181	247,524
Rental and other income	146,171	-	146,171
Net assets released from restrictions	<u>9,949,802</u>	<u>(9,949,802)</u>	<u>-</u>
Total revenue	<u>31,175,536</u>	<u>21,343,439</u>	<u>52,518,975</u>
Expenses:			
Program expenses:			
Loan fund	5,918,628	-	5,918,628
Housing	3,224,961	-	3,224,961
Community & Environmental	8,867,873	-	8,867,873
Other	<u>1,210,222</u>	<u>-</u>	<u>1,210,222</u>
Total program expenses	19,221,684	-	19,221,684
Fundraising	249,168	-	249,168
Management & General	4,204,703	-	4,204,703
Rental operations	<u>114,354</u>	<u>-</u>	<u>114,354</u>
Total expenses	<u>23,789,909</u>	<u>-</u>	<u>23,789,909</u>
Increase in net assets	7,385,627	21,343,439	28,729,066
Net assets at September 30, 2020	<u>32,818,069</u>	<u>18,676,464</u>	<u>51,494,533</u>
Net assets at September 30, 2021	<u>\$ 40,203,696</u>	<u>\$ 40,019,903</u>	<u>\$ 80,223,599</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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
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
Gain on sale of assets	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>\$ 32,818,069</u>	<u>\$ 18,676,464</u>	<u>\$ 51,494,533</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, 2021**

	Program Expenses				Fundraising	Management & General	Rental Operations	Total
	Loan Fund	Housing	Community & Environmental	Other				
Direct salaries (Note 2)	\$ 1,200,349	\$ 1,465,248	\$ 4,885,881	\$ 491,811	\$ 159,404	\$ 2,141,234	\$ 25,203	\$ 10,369,130
Fringe benefits	548,414	669,325	2,229,870	227,245	73,032	991,066	11,639	4,750,591
Project specific expense-fringe benefits	-	-	-	808	-	-	-	808
Consultants	288,853	106,697	371,584	298,377	-	547,027	-	1,612,538
Consumable supplies	21,035	25,869	85,664	8,179	2,794	37,753	416	181,710
Project specific expense-supplies	1,333	394	58,080	(194)	-	2,019	-	61,632
Telephone	28,695	35,505	118,449	11,797	3,879	53,363	602	252,290
Project specific expense - telephone	1,340	320	1,174	33	-	104	-	2,971
Postage	1,616	1,952	6,511	661	216	3,049	33	14,038
Project specific expense-postage	6,115	153	24,964	1,415	-	1,445	-	34,092
Office space (Note 2)	61,489	74,930	249,974	25,305	8,160	109,592	1,295	530,745
Equipment rental/maintenance	13,358	15,863	52,069	5,029	1,683	21,245	272	109,519
Printing & copying	102	137	34,805	2,447	-	1,656	-	39,147
Training costs	2,494	2,550	88,416	14,867	-	37,543	-	145,870
Travel	5,602	27,957	238,543	3,081	-	(2,581)	-	272,602
Interest & bond expense (Note 12)	1,809,470	-	-	-	-	-	46,703	1,856,173
Depreciation	-	64,606	-	-	-	42,405	230,528	337,539
Insurance	23,559	-	-	-	-	93,776	57,944	175,279
Dues & subscriptions	24,888	16,359	103,537	64,460	-	29,237	-	238,481
Conference registration & staff training	2,674	7,698	12,590	1,117	-	61,699	-	85,778
Provision for loan loss (Note 5)	1,375,000	-	-	-	-	-	-	1,375,000
Taxes, licenses, fees, and other	59,805	10,096	-	420	-	8,824	3,996	83,141
Bank service charges	17,043	4,187	-	18,935	-	-	-	40,165
Recruitment and advertising	-	-	-	-	-	24,247	-	24,247
Grants and pass-through awards	425,394	823,797	300,045	28,429	-	-	-	1,577,665
Contributions	-	1,620	1,500	6,000	-	-	-	9,120
Scholarship	-	48,949	4,217	-	-	-	-	53,166
Capitalization of eligible development costs	-	(179,251)	-	-	-	-	-	(179,251)
Other building management	-	-	-	-	-	-	109,301	109,301
Owner occupancy allocated to office space	-	-	-	-	-	-	(373,578)	(373,578)
Total direct expenses	5,918,628	3,224,961	8,867,873	1,210,222	249,168	4,204,703	114,354	23,789,909
Indirect expenses allocated to programs	<u>628,749</u>	<u>775,895</u>	<u>2,172,160</u>	<u>254,109</u>	<u>61,968</u>	<u>(3,892,881)</u>	<u>-</u>	<u>-</u>
Total expenses	\$ <u>6,547,377</u>	\$ <u>4,000,856</u>	\$ <u>11,040,033</u>	\$ <u>1,464,331</u>	\$ <u>311,136</u>	\$ <u>311,822</u>	\$ <u>114,354</u>	\$ <u>23,789,909</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	\$ 5,250,554	\$ 4,035,491	\$ 11,785,156	\$ 1,645,798	\$ 367,418	\$ (102,942)	\$ 139,374	\$ 23,120,849

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, 2021, AND 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from grants and contracts	\$ 45,015,060	\$ 26,173,087
Interest and fees received	6,777,723	6,302,052
Cash received/(paid) from/to partnership	(81,281)	135,878
Cash premium received on sale of loan	-	122,874
Cash received from rental and other activities	146,172	113,760
Cash paid for operating expenses	(21,849,277)	(19,275,678)
Interest paid	<u>(1,809,470)</u>	<u>(1,408,832)</u>
Net cash provided by (used for) operating activities	<u>28,198,927</u>	<u>12,163,141</u>
Cash flows from investing activities:		
Loans made to borrowers	(65,798,189)	(70,583,055)
Principal receipts on loans receivable	65,499,338	39,855,548
Purchases of investments	204,083,126)	(35,946,027)
Proceeds from sale of investments	205,074,430	35,874,134
Purchases of property and equipment	<u>(40,863)</u>	<u>(138,571)</u>
Net cash provided by (used for) investing activities	<u>651,590</u>	<u>(30,937,971)</u>
Cash flows from financing activities:		
Proceeds from notes payable	40,649,317	40,243,901
Principal payments on notes payable	(15,826,791)	(11,348,960)
Partial redemption of bonds payable	<u>(730,000)</u>	<u>-</u>
Net cash provided by (used for) financing activities	<u>24,092,526</u>	<u>28,894,941</u>
Increase (decrease) in cash and cash equivalents	52,943,043	10,120,111
Cash and cash equivalents, beginning of year	<u>33,047,102</u>	<u>22,926,991</u>
Cash and cash equivalents, end of year	<u>\$ 85,990,145</u>	<u>\$ 33,047,102</u>
Supplemental disclosure of cash flow information		
Cash and cash equivalents, without donor restrictions	\$ 63,156,120	\$ 11,670,526
Cash and cash equivalents, with donor restrictions	<u>22,834,025</u>	<u>21,376,576</u>
	<u>\$ 85,990,145</u>	<u>\$ 33,047,102</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, 2021, AND 2020**

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, 2021, AND 2020**

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, 2021 and 2020, RCAC recognized \$11,594 and \$19,257, 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 \$5,219 in the year ended September 30, 2021, and no revenue, and had expenses of \$11,649 in the year ended September 30, 2020.

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 \$8,189 in revenue, and expenses of \$28 in the year ended September 30, 2021. In addition, RILLC had \$17,085 in revenue consisting of \$10,039 Incentive management fee plus \$7,046 in annual distributions, and expenses of \$20,060 in asset management work. RILLC had \$113,015 in revenue and expenses of \$13,629 in the year ended September 30, 2020. RILLC also had \$11,344 in Asset management expenses in the year ended September 30, 2020.

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 no revenue, and no expenses in the year ended September 30, 2021 and \$36,492 in revenue, and \$36,492 in expenses the year ended September 30, 2020.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

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, 2021 and no revenue, and no expenses in the year ended September 30, 2020.

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, 2021 and no revenue, and expenses in the year ended September 30, 2020.

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, 2021 and 2020. 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
SEPTEMBER 30, 2021, AND 2020**

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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

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, 2021, AND 2020**

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 building and equipment for the years ended September 30, 2021 and 2020.

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 \$740,056 and \$684,796 in accrued compensated absences as of September 30, 2021 and 2020, respectively.

Grants Payable:

Grants payable includes amounts owed as of September 30, 2021 and 2020 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.

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.
 - 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, 2021, AND 2020**

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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Matching Funds:

In fiscal year 2021 and 2020, certain activities funded by the U.S. Department of Agriculture, the U.S. Department of Commerce, the U.S. Department of U.S. Environmental Protection Agency, the U.S. Department of Housing and Urban Development and the U.S. Department of the Treasury required cost sharing (matching funds) from other sources. RCAC is in compliance with matching requirements.

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.

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 26.87% and 24.63% for the years ended September 30, 2021, and 2020 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, 2021, AND 2020**

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, 2021 and 2020 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, 2021 and 2020, 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.

Management concluded no material subsequent events have occurred since September 30, 2021 which require recognition in the consolidated financial statements.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements:

ASU 2018-13 - Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement.

ASU 2018 removes certain disclosure requirements, including the valuation process for Level 3 fair value measurements, and adds certain quantitative disclosures around Level 3 fair value measurements. This ASU is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period, with early adoption permitted. The provisions of ASU 2018-13 are required to be adopted retrospectively, with the exception of disclosure of the range and weighted average of significant unobservable inputs used to develop Level 3 measurements, which can be adopted prospectively. RCAC adopted ASU 2018-13 as of October 1, 2020. The standard had no material impact on its consolidated financial statements and related disclosures.

Future Accounting Pronouncements:

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, 2023 year-end. Management has not yet determined the impact of this accounting standard on RCAC's operations or cash flows.

ASU 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets:

The purpose of the ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by RCAC. It is important to note that the ASU 2020-07 will not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements. ASU 2020-07 should be applied on a retrospective basis and effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022, with early adoption permitted.



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

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

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
Cash and cash equivalents	\$ <u>85,990,145</u>	\$ <u>85,990,145</u>	\$ <u>33,047,102</u>	\$ <u>33,047,102</u>
Investments:				
Certificates of deposit	374,387	374,387	373,696	373,696
U.S. Government and agencies	3,608	10,829	2,174	9,737
Other investments	<u>120,922</u>	<u>230,160</u>	<u>360,307</u>	<u>1,008,547</u>
Total investments	<u>498,917</u>	<u>615,376</u>	<u>736,177</u>	<u>1,391,980</u>
Total cash, cash equivalents and investments	\$ <u><u>86,489,062</u></u>	\$ <u><u>86,605,521</u></u>	\$ <u><u>33,783,279</u></u>	\$ <u><u>34,439,082</u></u>

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:

	<u>2021</u>		<u>2020</u>	
	<u>Cash</u>	<u>Investments</u>	<u>Cash</u>	<u>Investments</u>
CA State Water Resource Board	\$ 450,683	\$ -	\$ 448,863	\$ -
California Endowment	2,394,186	-	1,483,761	466
Compass Bank	2,839,926	-	2,993,694	-
First Republic Bank	-	50,668	-	50,525
Ford Foundation	756,323	-	1,602,324	578
Joe Serna	-	240,889	-	1,015,220
Rasmuson Foundation	527,379	-	75,034	23
Stewart Title	304,497	-	304,499	-
U.S. Department of Agriculture	7,497,104	-	5,994,525	1,273
U.S. Department of Commerce	269,146	-	269,146	-
U.S. Department of the Treasury	7,539,962	-	7,358,417	-
U.S. Small Business Administration	7,884	-	7,883	-
Union Bank (<i>Note 12</i>)	<u>246,935</u>	<u>-</u>	<u>838,430</u>	<u>-</u>
Total restricted cash, cash equivalents and investments	\$ <u><u>22,834,025</u></u>	\$ <u><u>291,557</u></u>	\$ <u><u>21,376,576</u></u>	\$ <u><u>1,068,085</u></u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

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

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.

Total Return on Cash Balances and Investments:

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

	<u>2021</u>	<u>2020</u>
Dividends and interest		
Without donor restrictions	\$ 19,087	\$ 45,281
With donor restrictions	<u>11,203</u>	<u>108,493</u>
Total Dividends and Interest	30,290	153,774
Net Realized Gains (Losses)		
Without donor restrictions	1,131	1,192
With donor restrictions	522	3,734
Change in Unrealized Gains (Losses)		
Without donor restrictions	(875)	(765)
With donor restrictions	<u>216,456</u>	<u>117,492</u>
Total return on cash and investments	<u>\$ 247,524</u>	<u>\$ 275,427</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

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, 2021 and 2020.

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).

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, 2021, AND 2020

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, 2021:

	<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	\$ -	\$ 374,387	\$ -	\$ 374,387
Land held for investment	-	-	1,900,000	1,900,000
U.S. Government and Agencies	10,829	-	-	10,829
Other investments	<u>230,160</u>	<u>-</u>	<u>-</u>	<u>230,160</u>
Total investments at fair value	\$ <u>240,989</u>	\$ <u>374,387</u>	\$ <u>1,900,000</u>	\$ <u>2,515,376</u>

During the year ending September 30, 2021, RCAC sold no land and property held for sale.

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>

During the year ending September 30, 2020, RCAC sold no land and property held for sale.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

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>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 85,990,145	\$ 33,047,102
Accounts receivable, net	444,357	281,439
Grants & contracts receivables, net	4,779,131	4,082,418
Interest receivable	913,797	608,410
Investments convertible to cash in the next 12 months	<u>615,375</u>	<u>1,391,980</u>
Total financial assets at year-end	\$ <u>92,742,805</u>	\$ <u>39,411,349</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 11,470,706	\$ 11,670,526
Accounts receivable, net	444,357	281,439
Grants & contracts receivables, net	4,779,131	4,082,418
Interest receivable	913,797	608,410
Investments not encumbered by donor or board restrictions	<u>615,375</u>	<u>1,389,640</u>
Total financial assets available to meet general expenditures over the next 12 months:	\$ <u>18,223,366</u>	\$ <u>18,032,433</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, 2021, AND 2020

NOTE 5: LOANS RECEIVABLE (Continued)

Loans receivable as of September 30, 2021 and 2020 were composed of the following:

	2021		2020	
	Number of Loans	Loans Receivable	Number of Loans	Loans Receivable
Grouped by principal due dates				
Current receivables				
Loans more than 90 days past due	10	\$ 5,781,566	4	\$ 855,086
Other loans due within 12 months	<u>46</u>	<u>31,651,802</u>	<u>40</u>	<u>29,682,760</u>
Current portion of amortizing loans		<u>3,296,710</u>		<u>3,448,399</u>
Loans receivable current portion	<u>56</u>	<u>40,730,078</u>	<u>44</u>	<u>33,986,245</u>
Non-current receivables				
Non-amortizing				
Loans due in one to five years	32	27,001,095	37	31,349,218
Loans due, more than five, less than ten years	3	99,600	6	612,011
Loans due in more than ten years	3	885,574	1	100,000
Amortizing	<u>465</u>		<u>383</u>	
Principal due in one to five years		13,978,071		19,860,196
Principal due in five to ten years		12,196,748		10,902,194
Principal due in more than ten years		<u>22,194,495</u>		<u>19,976,947</u>
Loans receivable non-current portion	<u>503</u>	<u>76,355,583</u>	<u>427</u>	<u>82,800,566</u>
Total loans receivable	<u>559</u>	<u>\$117,085,661</u>	<u>471</u>	<u>\$116,786,811</u>
Weighted average maturity (in months)		<u>100</u>		<u>93</u>



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020

NOTE 5: LOANS RECEIVABLE (Continued)

	2021		2020	
	Number of Loans	Loans Receivable	Number of Loans	Loans Receivable
Grouped by type of project and security				
Low income housing - real estate secured	51	\$ 46,909,258	50	\$ 51,158,655
Low income housing - other security	4	3,018,824	5	2,713,374
Community facilities - real estate secured	31	19,405,880	32	22,007,464
Community facilities - other security	6	469,106	10	5,741,067
Water/wastewater/solid waste systems	228	16,926,432	231	9,387,824
Small business loans	237	30,354,286	141	25,777,488
Nonprofit operating lines of credit	<u>2</u>	<u>1,875</u>	<u>2</u>	<u>939</u>
Total loans receivable	<u>559</u>	<u>\$117,085,661</u>	<u>471</u>	<u>\$116,786,811</u>

	2021		2020	
	Number of Loans	Loans Receivable	Number of Loans	Loans Receivable
Grouped by interest rate				
Interest free	5	\$ 1,827,218	6	\$ 1,835,421
1%	333	20,468,148	251	16,059,689
2.00%-2.99%	3	755,314	3	269,337
3.00%-3.99%	40	3,552,671	26	332,869
4.00%-4.99%	25	28,640,349	20	20,197,582
5.00%-5.99%	124	59,114,962	135	73,135,434
6.00%-6.99%	10	1,269,061	13	1,843,480
7.00%-9.50%	<u>19</u>	<u>1,457,938</u>	<u>17</u>	<u>3,112,999</u>
Total loans receivable	<u>559</u>	<u>\$ 117,085,661</u>	<u>471</u>	<u>\$116,786,811</u>

Weighted average interest rate	<u>4.18%</u>	<u>4.49%</u>
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RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020

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:

	2021		2020	
	Number of Loans	Loans Receivable	Number of Loans	Loans Receivable
Doubtful	3	\$ 7,450,895	3	\$ 2,022,376
Substandard	2	317,949	4	1,027,023
Special mention	=	-	1	5,557,871
Total criticized asset loans	<u>5</u>	<u>\$ 7,768,844</u>	<u>8</u>	<u>\$ 8,607,270</u>
Percent of total loan receivable portfolio		<u>7%</u>		<u>7%</u>
Related allowance for loan loss		<u>\$ 1,334,835</u>		<u>\$ 1,430,933</u>
Total allowance for loan loss		<u>\$ 7,915,000</u>		<u>\$ 6,540,000</u>
Percent of total allowance for loan loss		<u>17%</u>		<u>22%</u>

Non-accrual loans:

As of September 30, 2021, RCAC had one loan on non-accrual status with a balance of \$175,862 and no loans on non-accrual status as of September 30, 2020.

As of September 30, 2021, RCAC had \$16,127 interest income foregone from loans on non-accrual status. No interest income foregone from the loans on non-accrual status for September 30, 2020.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 5: LOANS RECEIVABLE (Continued)

Loans Receivable-Forgivable

RCAC has provided forgivable loans to individual households experiencing drought-related drinking water emergencies or threatened emergencies, and septic system emergencies. They will have access to clean drinking water and adequate sanitation to protect public health. The conditions of these loans require that ownership of a real estate is continued by specific parties for a period of 10 years. When possible, 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 loan recipients to perform per the conditions of the loan. Some loans will be forgiven 10% every year and some loans will be forgiven 100% after five years. The amounts of outstanding forgivable loans as of September 30 were:

	<u>2021</u>		<u>2020</u>	
	<u>Number of Forgivable Loans</u>	<u>Amount</u>	<u>Number of Forgivable Loans</u>	<u>Amount</u>
Forgivable loans	<u>79</u>	<u>\$ 1,516,647</u>	<u>68</u>	<u>\$ 1,374,545</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, 2021, AND 2020**

NOTE 6: ALLOWANCE FOR LOAN LOSS (Continued)

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

	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 6,540,000	\$ 5,340,000
Additions to allowance	<u>1,375,000</u>	<u>1,200,000</u>
Allowance for loan losses	<u>\$ 7,915,000</u>	<u>\$ 6,540,000</u>
Allowance/loans receivable	<u>6.76%</u>	<u>5.60%</u>
Consisting of allowance for:		
Current loans receivable	\$ 3,616,000	\$ 2,268,000
Noncurrent loans receivable	<u>4,299,000</u>	<u>4,272,000</u>
Total allowance for loan loss	<u>\$ 7,915,000</u>	<u>\$ 6,540,000</u>

RCAC expensed \$1,375,000 and \$1,200,000 to provision for loan loss during the fiscal years ended September 30, 2021 and 2020, respectively.

There was no other activity in the allowance for loan loss during the years ended September 30, 2021 and 2020, respectively.

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:

Name of loan/guarantee program	<u>2021</u>		<u>Coverage/loan Receivable Ratio</u>
	<u>Loans receivable</u>	<u>Primary loss coverage</u>	
USDA Community Facility or Business & Industry guarantee	\$ 5,557,871	\$ 3,757,359	67.60%
HUD Title VI guarantee	191,336	181,769	95.00%
State of California Small Business Credit Initiative guarantee	286,184	228,947	80.00%
Small Business Administration guarantee	15,023,048	14,885,239	99.08%
Bureau of Indian Affairs guarantee	<u>1,344,834</u>	<u>1,210,350</u>	<u>90.00%</u>
Total loans with guarantees	<u>\$ 22,403,273</u>	<u>\$ 20,263,664</u>	<u>90.45%</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 6: ALLOWANCE FOR LOAN LOSS (Continued)

	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>

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, 2021 and 2020, RCAC was in compliance with all compliance requirements.

NOTE 7: RECEIVABLES, PREPAIDS, AND DEPOSITS:

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

	2021	2020
Accounts receivable	\$ 444,357	\$ 281,439
Grants & contracts receivable, net	4,779,131	4,082,418
Interest receivable	913,797	608,410
Prepaids, deposits, & other	<u>151,761</u>	<u>864,151</u>
Total receivables, prepaids and deposits	<u>\$ 6,289,046</u>	<u>\$ 5,836,418</u>

The grants & contract receivable amounts are net of an allowance for doubtful accounts of \$45,000 and \$45,000 as of September 30, 2021 and 2020, respectively.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 8: LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment was composed of the following at September 30, 2021:

	<u>September 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2021</u>
Land (office building)	\$ 427,000	\$ -	\$ -	\$ 427,000
Office building improvements	4,485,848	-	-	4,485,848
Less: Accumulated depreciation	(3,089,173)	(230,528)	-	(3,319,701)
Equipment and software	849,787	40,863	-	890,650
Less: Accumulated depreciation	<u>(636,794)</u>	<u>(107,011)</u>	<u>-</u>	<u>(743,805)</u>
Total land, building & equipment	\$ <u>2,036,668</u>	\$ <u>(296,676)</u>	\$ <u>-</u>	\$ <u>1,739,992</u>

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>

Depreciation expense for the years ended September 30, 2021 and 2020 was \$337,539 and \$332,131, respectively.

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

	<u>2021</u>	<u>2020</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>2021</u>	<u>2020</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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 9: NOTES PAYABLE

Notes payable consisted of the following at September 30:

	Interest Rate	Maturity	2021	2020
Align Impact	2.00 %	Feb 2024	\$ 250,000	\$ -
American Express National Bank	2.50 %	Aug 2026	2,000,000	-
Bank of America	3.00 %	June 2026	2,000,000	2,000,000
Bank of America-CF Relending Collateral	1.00 %	Jan 2025	1,977,811	2,472,264
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
BDS 2012 Qualified Annuity Trust	2.50 %	Mar 2026	2,000,000	-
BSW Wealth Partners	2.00 %	Mar 2024	500,000	-
Caitlin D. Sargent 2004 Revocable Trust	2.50 %	Mar 2024	1,000,000	-
California Bank & Trust-COIN	0.00 %	Aug 2019	-	500,000
California Bank & Trust-PPP	1.00 %	May 2023	1,661,278	-
California Coalition for Rural Housing	2.75 %	Jan 22	1,500,000	-
California Endowment	0.00 %	Mar 2032	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
	LIBOR			
Charles Schwab Bank - \$10 million line of credit	reference rate plus 2.50	Sept 2025	5,000,000	5,000,000
Charles Schwab Bank - \$25 million line of credit -PPP	0.00% - 0.75%	June 2023	14,315,836	1,500,000
Christensen Fund	2.00 %	Aug 2027	230,000	250,000
CIT Bank, N.A.	2.75 %	April 2026	3,500,000	-
Common Spirit Health Operating Investment Pool, LLC	2.50 %	Sept 2024	500,000	-
Common Spirit Health Operating Investment Pool, LLC	2.50 %	May 2028	1,000,000	-
Community Economics	0.00 %	Various	150,000	150,000
Community Housing Opportunities Corporation	1.50 %	Jan 2023	2,593,220	2,593,220
Compass Bank (BBVA)	2.75 %	Jan 2029	6,000,000	6,000,000
Delsar LLC	2.50 %	Apr 2026	1,000,000	-
Dignity Health	2.50 %	Sept 2024	-	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	2.75 %	May 2023	3,000,000	3,000,000
Ford Foundation	1.00 %	Feb 2022	1,000,000	2,000,000
GSAF, LLC (Note 1)	2.00 %	Dec 2029	459,587	947,087



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020

NOTE 9: NOTES PAYABLE (Continued)

	Interest Rate	Maturity	2021	2020
Housing California	2.50 %	Various	300,000	300,000
Isenberg Family Charitable Foundation-PPP	0.00% - 0.50%	July 2022	-	3,000,000
Isenberg Family Charitable Foundation	2.00 %	Aug 2030	50,000	50,000
Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties	2.00 %	Various	569,625	-
JP Morgan Chase Bank, N.A.-COIN	0.00 %	Sept 2021	-	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	2.50 %	Sept 2022	1,000,000	750,000
National Housing Law Project	2.75 %	Mar 2023	200,000	200,000
Natural Investments, LLC	2.00% - 2.75%	Various	2,332,000	-
NorthStar Asset Management, Inc.	2.00 %	Various	905,000	-
Olamina Fund LLC	3.00 %	Sept 2024	3,000,000	3,000,000
Opportunity Finance Network	3.00 %	Sept 2024	1,363,637	1,818,182
Opportunity Finance Network - Google Endeavor LLC	3.00 %	May 2030	5,000,000	-
Oregon Community Foundation	3.00 %	June 2026	1,000,000	1,000,000
Providence St. Joseph Health System	3.00 %	June 2023	1,000,000	1,000,000
Rasmuson Foundation	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	250,000
Satterberg Foundation-PPP	0.00% - 0.50%	Sept 2022	-	1,000,000
Satterberg Foundation	2.50 %	Mar 2026	1,000,000	-
Self-Help Enterprises	2.50 %	Mar 2026	1,250,000	-
Sisters of Charity - Incarnate Word	2.00 %	July 2024	-	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
Sisters of the Holy Names of Jesus and Mary	2.00 %	Nov 2024	250,000	250,000
The Congregation of the Sisters of Charity of the Incarnate Word	2.00%	July 2024	250,000	-
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



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020

NOTE 9: NOTES PAYABLE (Continued)

	Interest Rate	Maturity	2021	2020
The Sustainability Group of Loring, Wolcott & Coolidge	2.50%	Various	100,000	-
Tiedemann Advisors	2.00%	Various	640,000	-
Trillium Asset Management	2.00% - 2.50%	Various	1,415,000	1,200,000
Trinity Health Corporation	2.50 %	Mar 2023	1,500,000	1,500,000
Umpqua Bank	2.00 %	Various	1,450,000	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	13,730,257	11,995,660
US Department of Agriculture, IRP 1	1.00 %	Aug 2021	-	78,666
US Department of Agriculture, IRP 2	1.00 %	Mar 2025	331,064	411,845
US Department of Agriculture, IRP 3	1.00 %	Sept 2038	521,993	521,993
US Department of Agriculture, IRP 4-A	1.00 %	Aug 2039	521,993	548,347
US Department of Agriculture, IRP 4-B	1.00 %	Dec 2039	182,780	191,478
US Department of Agriculture, IRP 5	1.00 %	Sept 2041	574,441	600,275
US Department of Agriculture, IRP 6	1.00 %	Jan 2044	347,296	360,669
US Department of Agriculture, IRP 7	1.00 %	Nov 2044	901,673	934,775
US Department of Agriculture, IRP 8	1.00 %	Sept 2047	483,775	500,000
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	632,898	632,902
US Department of Treasury, CDFI Fund	1.95 %	June 2028	558,864	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	250,000	250,000
Zion Bancorporation, N.A.	2.00 %	Jan 2031	750,000	-
Total notes payable			122,398,766	95,914,962
Less: amounts payable within one year			<u>(8,016,832)</u>	<u>(9,450,859)</u>
Notes payable, net current portion			<u>\$ 114,381,934</u>	<u>\$ 86,464,103</u>
Weighted average maturity (monthly)			<u>106</u>	<u>115</u>
Weighted average interest rate			<u>1.84%</u>	<u>1.59%</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 9: NOTES PAYABLE (Continued)

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

<u>Year Ended September 30,</u>	
2022	\$ 8,016,832
2023	25,813,164
2024	15,446,658
2025	9,882,133
2026	17,617,538
Thereafter	<u>45,622,441</u>
Total	<u>\$122,398,766</u>

RCAC has a line of credit agreement with Zions Bancorporation, N.A. dba California Bank and Trust. The line of credit has a limit of \$1,500,000. Under no circumstances will the interest rate per annum on the loan evidenced by this Note be less than 3.500% nor more than the maximum rate allowed by applicable law at September 30, 2020 and 2020. The line of credit expires (or renews) on April 30, 2022. During the years ending September 30, 2021 and 2020, no funds were borrowed on this line of credit.

Loan Covenants:

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, 2021 and 2020.

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.

Management has applied for forgiveness of the PPP loan. As of September 30, 2021, management has not received a final acknowledge of forgiveness. Management has calculated that a portion of the loan could be forgiven. If this is the case, RCAC will be required to repay \$1,661,278 plus accrued interest. Management has recorded \$738,346 as the portion due within the following year and \$922,932 as long-term debt.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

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 \$109,543 as of September 30, 2021 and 2020, 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 4%, based on qualified employee gross salaries for the years ended September 30, 2021 and 2020, respectively. The retirement plan expense recognized by RCAC (as a component of fringe benefits) for the years ended September 30, 2021 and 2020 was \$464,721 and \$425,146, 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, 2021 and 2020 were \$295,094 and \$252,221, 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. On December 1, 2020, a principal payment was made in the amount of \$730,000. 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, 2021, AND 2020

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, 2021 and 2020.

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

	<u>2021</u>	<u>2020</u>
Bond related assets		
Bank balance in bond sinking fund	\$ 121,968	\$ 720,217
Unamortized bond issuance costs	29,614	35,080
Unamortized letter of credit origination	36,022	40,645
Land, building, improvements, net	<u>1,739,992</u>	<u>2,036,668</u>
Total bond related assets	<u>\$ 1,927,596</u>	<u>\$ 2,832,610</u>
Bond related liabilities		
Bonds payable	<u>\$ 1,300,000</u>	<u>\$ 2,030,000</u>

Bond related expenses consisted of the following at September 30:

	<u>2021</u>	<u>2020</u>
Amortization of bond and letter of credit costs	\$ 8,482	\$ 8,482
Letter of credit fees	30,368	30,285
Interest expense	1,495	19,055
Trustee and administration fees	<u>6,358</u>	<u>10,005</u>
Total bond expenses	<u>\$ 46,703</u>	<u>\$ 67,827</u>
Interest rate range, rate determined weekly	<u>0.08% - 0.17%</u>	<u>0.12% - 6.79%</u>
Weighted average annualized interest rate	<u>0.12%</u>	<u>0.94%</u>
Weighted average bond annualized expense rate	<u>3.59%</u>	<u>3.34%</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

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>	
2022	\$ 136,251
2023	141,252
2024	146,247
2025	151,251
2026	156,252
Thereafter	<u>326,247</u>
Total	\$ <u>1,057,500</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>2021</u>	<u>2020</u>
<u>Lending capital - subject to the passage of time</u>		
Banner Bank	\$ 445,700	\$ -
California Endowment (Sinking Fund - accumulated earnings)	3,364,348	3,065,164
California State Water Resources Control Board	71,246	73,932
City of Flagstaff	269,146	269,146
Ford Foundation	150,000	150,000
Relief funds	41,200	164,200
State of Idaho	172,761	173,732
USDA Rural Development	159,247	13,148
USDA Rural Utility Service	56,219	90,000
U.S. Treasury, Capital Magnet Fund	8,498,761	5,869,280
U.S. Treasury, CDFI Fund	2,540,265	1,720,905
Wells Fargo Foundation	<u>778,345</u>	<u>-</u>
Total net assets with donor restrictions-lending capital	<u>16,547,238</u>	<u>11,589,507</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 13: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2021</u>	<u>2020</u>
Other - subject to expenditure for specified purpose supports various environmental and housing programs		
Ally Bank	\$ 20,000	\$ 17,613
American Express	130	39,960
Bank of America	237,495	389,788
Banner Bank	55,851	-
California Community Foundation	40,713	30,970
California Endowment (Tall Trees)	640,000	640,000
California Endowment	808,586	447,251
California State Water Resources Control Board	301,905	351,474
California Wellness Foundation	237,170	-
Capital One Service	18,490	37,809
Charles Schwab Bank	22,468	-
CIT Bank	20,000	-
COBANK	50,000	-
FAHE Strength in Numbers	135,966	223,676
Ford Foundation	726,892	764,742
Jennifer P Speers	648	11,067
Joe Serna Jr Farmworker Housing Loan Servicing Fund	1,240,888	1,015,220
Kauffman Foundation	125,000	-
Lift to Rise	75,000	-
Mary Reynolds Babcock Foundation	567,707	1,154,637
Mackenzie Scott	15,000,000	-
Morgan Stanley Bank, NA	97,802	122,013
Opportunity Finance Network	100,000	-
PNC Bank	211	12,038
Pacific Western Bank	12,597	19,419
Rabo Bank	2,843	18,374
RCAP, Inc.	245,000	-
USDA Rural Development	9,974	87,506
USDA Rural Utility Service	-	110,000
U.S. Bank	83,873	70,246
U.S. Treasury, Capital Magnet Fund	369,257	380,720
Union Bank	47,842	-
W K Kellogg Foundation	275,941	214,799
Water Foundation	18,341	26,311
Wells Fargo Foundation	1,703,675	546,722
Yocha Dehe Wintun Nation	75,853	230,057
Other various donors	<u>104,547</u>	<u>124,545</u>
Total other - subject to expenditure for specified purpose supports various environmental and housing programs	<u>23,472,665</u>	<u>7,086,957</u>
Total net assets with donor restrictions	<u>\$ 40,019,903</u>	<u>\$ 18,676,464</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 14: CONCENTRATION OF REVENUE SOURCES

During the fiscal years ended September 30, 2021, and 2020, RCAC's operations and program activities were funded by the following sources of revenue:

	<u>2021</u>	<u>2020</u>
Revenue with donor restrictions		
Ally Bank	\$ 20,000	\$ -
Banner Bank	500,000	-
CA Household Waterwells	(44,890)	(156,558)
California Bank and Trust	10,000	-
California Community Foundation	111,780	108,220
Capital One	-	25,000
Capital Magnet Fund	2,900,000	3,750,000
Charles SCHWAB	50,000	20,000
CIT Bank	20,000	-
CO Bank	50,000	-
Community Facilities Relending Program	(87,511)	-
Dignity Health	5,000	-
Environmental Defense Fund	47,000	-
Environmental Revolving Investment Fund	245,000	-
FAHE	-	247,500
Idaho Septic System Grant, State of Idaho	5,646	(46,916)
Investment income with donor restrictions	228,181	229,717
JP Morgan Chase Foundation	25,000	25,000
Kauffmann Foundation	125,000	-
Lift to Rise	75,000	-
Loan interest income with donor restrictions	1,297,107	1,289,778
Morgan Stanley Bank	100,000	100,000
National Philanthropic Trust	20,000,000	-
Opportunity Finance Network	100,000	-
Pacific Western Bank	10,000	15,000
Rose Foundation	-	46,500
Santa Fe Community Foundation	-	5,000
The Bank of America Corporation	65,000	250,000
The California Endowment	400,000	-
The California Wellness Foundation	250,000	-
The Oregon Community Foundation	-	50,000
U.S. Bankcorp Foundation	50,000	55,000
U.S. Treasury, CDFI Fund	1,826,265	714,000
Umpqua Bank Charitable Foundation	-	30,000
Union Bank	50,000	-
Uplift America Fund	-	87,102
USDA Rural Utilities Service	124,785	328,566
W.K. Kellogg Foundation	131,869	382,573
Wells Fargo Foundation	2,525,000	700,000
Yocha Dehe Winrun Nation	-	250,000
All others	78,009	113,701
Total revenue with donor restrictions	\$ <u>31,293,241</u>	\$ <u>8,619,183</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 14: CONCENTRATION OF REVENUE SOURCES (Continued)

	<u>2021</u>	<u>2020</u>
Grants & contracts without donor restrictions		
New Mexico Environmental Depart. Drinking Water Bureau	\$ 34,585	\$ 59,836
San Diego County Water Authority	15,242	1,148,481
State Water Resources Control Board	1,884,311	827,142
U.S. Department of Agriculture	4,625,419	4,564,044
U.S. Department of Commerce	209,005	246,211
U.S. Department of Health & Human Services	1,499,212	1,328,483
U.S. Department of Housing & Urban Development	2,478,737	2,094,093
U.S. Department of Labor	-	207,691
U.S. Environmental Protection Agency	3,592,736	3,619,085
Yuba County Water Agency	182,925	73,621
All others	<u>866,151</u>	<u>1,544,536</u>
Total grants & contracts without donor restrictions	\$ <u>15,388,323</u>	\$ <u>15,713,223</u>
Lending income without donor restrictions:		
Loan interest income	\$ 4,058,293	\$ 3,465,631
Loan fees	<u>1,694,885</u>	<u>1,590,881</u>
Total lending income without donor restrictions:	<u>5,753,178</u>	<u>5,056,512</u>
Other revenue sources		
Investment income without donor restrictions	19,343	45,708
(Paid too)/Revenue from partnership	(81,281)	135,878
Premium/(discount) on sale of loans	-	122,874
Other and rental income	<u>146,171</u>	<u>113,760</u>
Total other revenue sources	<u>84,233</u>	<u>418,220</u>
Total revenue with and without donor restrictions	\$ <u>52,518,975</u>	\$ <u>29,807,138</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, 2021, AND 2020**

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.

Contingencies:

As COVID-19 continues to spread 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 RCAC's financial position and results of future changes in net assets is reasonably possible.

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:

	2021		2020	
	Number of Grant Liens	Amount	Number of Grant Liens	Amount
Health related facilities grants expiring in 2027 to 2030	7	\$ 721,991	7	\$ 721,991
Affordable housing grants expiring in 2030 to 2031	<u>2</u>	<u>193,739</u>	-	-
Total grants and other liens	<u>9</u>	<u>\$ 915,730</u>	<u>7</u>	<u>\$ 721,991</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 16: GRANT AND OTHER LIENS (Continued)

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.

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

	2021		2020	
	Number of Loans or Grants	Amount	Number of Loans or Grants	Amount
Loans sold to other lenders with servicing retained, USDA guaranteed loans	49	\$ 31,891,199	54	\$ 35,930,395
Loan servicing provided for loans and grants made by the California Department of Housing and Community Development	2	1,050,000	8	12,463,812
Other loans serviced by RCAC	<u>8</u>	<u>5,213,675</u>	<u>15</u>	<u>12,352,458</u>
Total loan servicing provided to other lenders	<u>59</u>	<u>\$ 38,154,874</u>	<u>77</u>	<u>\$ 60,746,665</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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 18: COMMITMENTS AND CONTINGENCIES (Continued)

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

	<u>2021</u>	<u>2020</u>
Undisbursed portion of existing loans	\$ 21,294,447	\$ 33,887,717
Conditional commitments to make new loans	<u>19,402,170</u>	<u>18,793,492</u>
Total	<u>\$ 40,696,617</u>	<u>\$ 52,681,209</u>

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 \$146,631 and \$145,442 for the years ended September 30, 2021 and 2020, respectively. The minimum future lease payments over the next five years are as follows:

Year ending September 30:	
2022	\$ 53,405
2023	<u>19,184</u>
Total payments	<u>\$ 72,589</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. In 2021, \$64,938 was received toward Developer fees.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 18: COMMITMENTS AND CONTINGENCIES (Continued)

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.

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:

- Payment of operating deficits up to an aggregated amount of \$175,000. 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.

RILLC and Recapitalization Montana have made Operating Deficit loans of \$80,000 each in 2021 in accordance with the guarantee mentioned above. These loans bear interest at 4% per annum and shall be repayable from Cash Flow or Net Proceeds as provided in the CALP Limited Partner Agreement. The Partnership is pursuing damages from Contractor and sub-Contractor.

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. The current construction contract amount is \$3,875,551 and the amount remaining to be paid is \$44,700 as of November 22, 2021. 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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND 2020**

NOTE 18: COMMITMENTS AND CONTINGENCIES (Continued)

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, 2007, THROUGH 2021

Year Ending September 30,	Without Donor Restrictions				With Donor Restrictions				Year End Net Assets		
	Revenue & Gains before Restrictions	Net Assets Released	Expenses	Net Change	Revenue	(Released)	Net Change	Total Net Assets Net Change	Without Donor Restrictions	With Donor Restrictions	Total
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
2021	21,225,734	9,949,802	23,789,909	7,385,627	31,293,241	(9,949,802)	21,343,439	28,729,066	40,203,696	40,019,903	80,223,599

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, 2021**

Grantor:	Federal CFDA Number	Expenditures	Pass-throughs
U.S. Department of Agriculture			
Rural Housing Service Self-Help Housing 20	12-31ME-18-C-0005	\$ 1,588,114	\$ -
Rural Housing Service Self-Help Housing 21	12-31ME-18-C-0005	965,830	-
Rural Utilities Service Technical Assistance & Training Project 20 (pass-through from RCAP)	10.761	81,662	-
Rural Utilities Service Technical Assistance & Training Project 21 (pass-through from RCAP)	10.761	1,183,786	22,000
Rural Utilities Service Technical Assistance & Training Project 22 (pass-through from RCAP)	10.761	49,677	-
Tribal Rural Utilities Service Technical Assistance & Training Project 21 (Pass-through from RCAP)	10.761	80,123	-
Tribal Rural Utilities Service Technical Assistance & Training Project 22 (pass-through from RCAP)	10.761	1,722	-
Colonias Rural Utilities Service Technical Assistance & Training Project 21 (pass-through from RCAP)	10.761	193,467	-
Community Facilities Funding Application TA (pass-through from RCAP)	10.890	28,954	-
Community Facilities TA to Disaster Relief Recipients (pass-through from RCAP)	10.766	23,617	-
Rural Community Development Initiative 18	10.446	107,387	15,000
Rural Community Development Initiative 19	10.446	106,450	-
Rural Community Development Initiative 20	10.446	30,171	-
Solid Waste Management 21	10.762	154,500	-
Rural Development Cooperative Agreement (pass-through from RCAP)	10.890	6,888	-
Rural Development Cooperative Agreement (pass-through from Housing Assistance Council)	10.890	15,450	-
Rural Utilities Service, Household Water Wells	10.862	<u>7,619</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>4,625,417</u>	<u>37,000</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	45,772	9,000
Community Services Block Grant 21 (pass-through from State of California) (Contract # 21F-4303)	93.569	134,430	6,881
Community Services Block Grant funding for COVID related work in CA (pass-through from State of CA) (Contract #20F-3942)	93.569	89,850	10,000
Rural Community Facilities Development 20	93.570	81,101	-
Rural Community Facilities Development 21	93.570	<u>1,148,059</u>	<u>-</u>
Total U.S. Department of Health and Human Services		<u>1,499,212</u>	<u>25,881</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, 2021**

Grantor:	Federal CFDA Number	Expenditures	Pass-throughs
U.S. Department of Commerce			
Minority Business Resource Development	11.802	<u>209,005</u>	<u>64,591</u>
Total U.S. Department of Commerce		<u>209,005</u>	<u>64,591</u>
U.S. Environmental Protection Agency			
National Priority Area 1 Training & TA for Small Drinking Water Systems	66.424	212,231	-
National Priority Area 1 Training & TA for Small Drinking Water Systems	66.424	391,412	-
National Priority Area 2 Training & TA for Small Drinking Water Systems	66.424	163,409	-
National Priority Area 3 Improving Water Quality through Training and TA	66.424	12,171	-
National Priority Area 3 Improving Water Quality through Training and TA	66.424	100,661	-
National Priority Area 4 Training & TA for Small Drinking Water Systems	66.424	101,356	-
National Priority Area 4 Training & TA for Small Drinking Water Systems	66.424	61,941	-
EFC to provide multimedia environmental finance expertise and outreach to regulate communities to help them meet environmental requirements	66.203	233,465	-
Water Boards Leadership Institute Training for the Yurok Tribe	66.604	20,593	-
State of Institution of Higher Learning	66.436	24,333	-
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	144,376	-
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	720,326	-
Public water system supervision & training region 9 (pass-through from Horsley Witten Group, LLC.)	66.468	39,377	-
Waste water sanitary surveys for designated tribal wastewater systems	66.468	17,815	-
Indian health services blanket purchase order for various training	66.468	8,732	-
Water quality control drinking water TA in Colorado	66.468	1,507	-
Capacity development assistance Y2 (pass-through from State of California Dept of Water Board)	66.468	13,673	-
Capacity development assistance Y3 (pass-through from State of California Dept of Water Board)	66.468	748,468	-
CDPHE Public water system training grants program	66.468	14,600	-

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, 2021**

Grantor:	Federal CFDA Number	Expenditures	Pass-throughs
CDPHE Public water system training grants program	66.468	638	-
Department of Conservation and Natural Resources a division of Environmental Protection	66.468	164,657	-
Department of Conservation and Natural Resources a division of Environmental Protection	66.468	31,654	-
Capacity development assistance (pass-through from State of Hawaii Dept of Health)	66.468	205,131	-
Drinking water training and outreach 19 (pass-through from State of Washington)	66.468	<u>130,212</u>	<u>-</u>
Total U.S. Environmental Protection Agency		<u>3,592,738</u>	<u>-</u>
U.S. Department of Housing and Urban Development			
Housing Counseling Program 20	14.169	762,460	554,868
Housing Counseling Training 19	14.169	162,882	-
Housing Counseling Training 20	14.169	252,346	-
National Disaster Resilience Competition	14.272	326,072	12,548
Community Compass Technical Assistance 15	14.259	17,192	-
Community Compass Technical Assistance 16 Tribal	14.259	40,084	-
Rural Capacity Building 16	14.265	209,040	78,950
Rural Capacity Building 17	14.265	291,446	64,769
Rural Capacity Building 18	14.265	328,365	58,330
Rural Capacity Building 20	14.265	38,219	-
Small business TA & relief coaching (pass-through from Rural Local Initiatives Support Corporation)	14.252	30,000	-
Provide counseling & education to assist farm workers in becoming homeowners (pass-through from Rural Local Initiatives Support Corporation)	14.252	<u>20,631</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development		<u>2,478,737</u>	<u>769,465</u>
Total Federal Awards Expended		<u>\$ 12,405,109</u>	<u>\$ 896,937</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, 2021**

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 2021 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, 2021. 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, 2021 were as follows:

HHS Community Services Block Grants	\$ 25,881
USDA Technitrain	22,000
Rural Community Development Initiative	15,000
U.S. Department of Commerce	64,591
HUD National Disaster Resilience Competition	12,547
HUD Housing Counseling, Rural Capacity Building	5,747,918
Non-Federal Award Program Grants and Pass-through Awards	<u>(4,310,272)</u>
Total Grants and Pass-through Awards	\$ <u>1,577,665</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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	\$ 244,008
10.761	1,590,437
10.890	51,293
12-31ME-18-C-0005	2,553,945
14.169	1,177,688
14.252	50,631
14.259	57,276
14.265	867,070
66.424	1,034,180
66.468	2,271,166
93.569	270,052
93.570	1,229,160

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 Financial Institution (CDFI) for lending capital to be lent to qualified borrowers. As of September 30, 2021, \$564,000 was disbursed.

On August 26, 2021, RCAC received a \$1,826,265 award from the U.S. Treasury, Community Development Financial Institution (CDFI) for lending capital to be lent to qualified borrowers. As of September 30, 2021, none of these funds have yet to be disbursed.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 8: GRANTS TO LENDING CAPITAL (Continued)

On June 27, 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 and \$984,736 were disbursed in FY20 and FY21 respectively.

On May 7, 2021, RCAC received a \$2,755,000 award from the U.S. Treasury, Capital Magnet Fund (CMF) for lending capital to be lent to qualified borrowers. As of September 30, 2021, none of these funds have yet to be disbursed.

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 to be lent to qualified borrowers. As of September 30, 2021, none of these funds have yet to be disbursed.

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 to be lent to qualified borrowers. \$100,580 and \$68,567 were disbursed in FY20 and FY21.

On September 4, 2021, RCAC received a \$900,000 award from USDA Rural Utilities Service (RUS) for lending capital for the Decentralized Water Systems Program to be lent to qualified borrowers. As of September 30, 2021, none of these funds have yet to be disbursed.

On September 1, 2020, RCAC received a \$333,000 award from USDA Rural Utilities Service (RUS) for lending capital to be lent to qualified borrowers. As of September 30, 2021, \$56,219 was disbursed.

On September 17, 2021, RCAC received a \$333,000 award from USDA Rural Utilities Service (RUS) for lending capital to be lent to qualified borrowers. As of September 30, 2021, none of these funds have been disbursed.

On October 28, 2019, RCAC received a \$1,000,000 award from USDA Intermediary Relending Program (IRP), 30 years, 1% interest rate, with a maturity date of September 2049 for lending capital to be lent to qualified borrowers. \$632,897 was disbursed in the year ending September 30, 2020. No funds were disbursed in the year ending September 30, 2021.

On November 28, 2020, RCAC received a \$1,000,000 award from USDA Intermediary Relending Program (IRP), 30 years, 1% interest rate, with a maturity date of September 2050 for lending capital to be lent to qualified borrowers. As of September 30, 2021, none of these funds have been disbursed.



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF FEDERAL AWARD PASS-THROUGH AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>CFDA</u>	
U.S. Department of Health and Human Services	93.569	
Community Services Development Block Grant 19 Self-Help Enterprises		\$ 15,881
Northern Circle Indian Housing Authority		5,000
Town of Fort Jones		<u>5,000</u>
Total U.S. Department of Health and Human Services		<u>25,881</u>
U.S. Department of Agriculture		
Technitrain National Demonstration Water Project 20 Self-Help Enterprises	10.761	22,000
Rural Community Development Initiative Greater Raton Economic Development	10.446	<u>15,000</u>
Total U.S. Department of Agriculture		<u>37,000</u>
U.S. Department of Labor	14.272	
Mother Lode Job Training		8,548
National Council for Community Development		<u>4,000</u>
Total U.S. Department of Labor		<u>12,548</u>
U.S. Department of Housing and Urban Development		
Rural Capacity Building Program:	14.265	
Blue Sky Center		20,522
California Coalition for Rural Housing		8,628
Cheyenne River Housing Authority		24,280
Growraton/Greater Raton Econ Dev Corp		19,954
Homestead Community Dev Corp		27,032
Opportunity Link, Inc.		10,296
Pueblo de Cochiti Housing Authority		19,670
Pueblo Unido Community Dev Corp		15,000
Rio Arriba County		29,180
Samaritan Housing Inc.		7,487
Snowy Mountain Development Corporation		10,000
Village of Hatch		<u>10,000</u>
Total Rural Capacity Building Program:		<u>202,049</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF FEDERAL AWARD PASS-THROUGH AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>CFDA</u>	
Housing Counseling 2019	14.169	
ACCESS, Inc.		49,660
Comité De Bien Estar		23,714
Community Action Team Inc.		2,648
Community in Action (CinA)		19,955
Community Housing Council of Fresno		32,489
Hawaiian Community Assets, Inc.		25,955
Home Fund (La Plata)		39,518
Housing America Corporation		50,876
Housing Solutions of Northern Arizona		35,122
Inland Fair Housing & Mediation Board		30,304
Lutheran Social Services of SoCal		7,006
Nanakuli Housing Corporation		21,218
National Affordable Housing Network		33,646
Neighborhood Non-profit Housing Corporation		42,381
Northern Circle Indian Housing Authority		29,920
Santa Fe Community Housing Trust		23,231
Ventura County Comm Development Corp		48,441
Western Arizona Council of Governments		<u>38,784</u>
Total Housing Counseling 2019		<u>554,868</u>
Total U.S. Department of Housing and Urban Development		<u>756,917</u>
Minority Business Development Agency	11.802	
Opportunity Link, Inc.		50,000
Native American Development Corporation		<u>14,591</u>
Total Minority Business Development Agency		<u>64,591</u>
Total Federal Award Pass-through Expenditures		<u><u>\$ 896,937</u></u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULES OF INDIRECT COSTS BY EXPENDITURE TYPE
FOR THE YEARS ENDED SEPTEMBER 30, 2021, AND 2020**

Expenditures:	2021	2020
Direct salaries	\$ 2,141,234	\$ 1,948,669
Fringe benefits	991,066	847,446
Consulting	547,027	319,950
Consumable supplies	37,753	33,692
Project specific expense - supplies	2,019	2,899
Telephone	53,363	39,076
Project specific expense - telephone	104	589
Postage	3,049	3,728
Project specific expense - postage	1,445	568
Office space	109,592	106,861
Equipment rental & maintenance	21,245	33,694
Printing and copying	1,656	1,383
Staff educational materials	100	2,336
Other training costs	37,443	71,581
Travel	(2,581)	73,762
Depreciation	42,405	63,232
Insurance	93,776	77,617
Dues and subscriptions	29,237	22,112
Conference registration/staff training	61,699	8,511
Taxes,licenses and fees	8,824	6,651
Recruitment	24,247	25,433
Total indirect costs	\$ 4,204,703	\$ 3,689,790



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULES OF INDIRECT COST RATES
FOR THE YEARS ENDED SEPTEMBER 30, 2021, AND 2020**

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

	<u>2021</u>	<u>2020</u>
Total expenditures	\$ 23,789,909	\$ 23,120,849
Less: indirect costs	<u>(4,204,703)</u>	<u>(3,689,790)</u>
Total direct costs	<u>19,585,206</u>	<u>19,431,059</u>
Excluded items		
Contributions	9,120	45,499
Capitalization of eligible development costs	(179,251)	-
Consultants excluded from indirect	195,703	-
Depreciation	64,605	20,683
Bank service charge	40,166	38,035
Interest on notes payable	1,809,470	1,408,832
Grants excluded from indirect	454,230	1,471,968
Scholarship	53,166	124,366
Provision for bad debt	-	219
Provision for loan loss	1,375,000	1,200,000
Rental operations	<u>114,354</u>	<u>139,374</u>
Total excluded items	<u>3,936,563</u>	<u>4,448,976</u>
Total adjusted direct costs	<u>\$ 15,648,643</u>	<u>\$ 14,982,083</u>
Total indirect costs	<u>\$ 4,204,703</u>	<u>\$ 3,689,790</u>
Indirect cost rate	<u>26.87%</u>	<u>24.63%</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, 2021 and 2020.

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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, 2021 and 2020, 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 21, 2021.

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.

Mann, Ursutia, Nelson CPAs

Sacramento, California
December 21, 2021



**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, 2021. 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, 2021.

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.

Mann, Urrutia, Nelson CPAs

Sacramento, California
December 21, 2021



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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:

CFDA	Name of Federal Program
14.265	USHUD Rural Capacity Building for Community Development and Affordable Housing Grants
66.424	USEPA Surveys, Studies, Investigations, Demonstrations, and Training Grants
66.468	USEPA Capitalization Grants for Drinking Water State Revolving Funds

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.