



Rural Community Assistance Corporation



Consolidated Financial Statements

with Supplementary Information Including Federal Government Reports and Findings

September 30, 2022 and 2021

Photo credit: left – Dustin Love, Senior Publications & Graphic Design Specialist; right – Stevan Palmer, Assistant Director, Environmental.

Pictured left, a water tower in New Cuyama, CA, a small rural community in California's Central Valley, where RCAC has done lending and Building Rural Economies work. Pictured right, City of Detroit, Oregon's new temporary drinking water microfiltration plant. The original surface water plant was destroyed in the 2020 wildfires. RCAC technical assistance provider Jason Carman provided application assistance for a U.S. Department of Agriculture source water Emergency Community Water Assistance Grant to purchase the temporary plant, building, and some permanent piping infrastructure. Using this plant, the city was able to re-pressurize the distribution system so residents could return to the community and begin the rebuilding and recovery process.



TABLE OF CONTENTS	PAGES
INDEPENDENT AUDITOR'S REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Balance Sheets	3 - 4
Consolidated Statement of Activities and Changes in Net Assets for the year ended September 30, 2022	5
Consolidated Statement of Activities and Changes in Net Assets for the year ended September 30, 2021	6
Consolidated Statement of Functional Expenses for the year ended September 30, 2022	7
Consolidated Statement of Functional Expenses for the year ended September 30, 2021	8
Consolidated Statements of Cash Flows	9
Notes to the Consolidated Financial Statements	10 - 48
SUPPLEMENTARY INFORMATION	
15-Year History of Revenue, Expenses and Net Asset Changes With and Without Donor Restrictions and Year-End Balances	52
Schedule of Expenditures of Federal Awards	53 - 56
Notes to the Schedule of Expenditures of Federal Awards	57 - 60
Schedule of Federal Award Pass-through Awards	61 - 62
Schedules of Indirect Costs by Expenditure Type	63
Schedules of Indirect Cost Rate	64
OTHER REPORTS	
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 <i>Government Auditing Standards</i>	68
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by The Uniform Guidance	69 - 70
FINDINGS AND QUESTIONED COSTS	
Schedule of Findings and Questioned Costs	71



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Rural Community Assistance Corporation (a nonprofit organization), which comprise the balance sheets as of September 30, 2022 and 2021, 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 financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rural Community Assistance Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Community Assistance Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rural Community Assistance Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Community Assistance Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 20, 2022, 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 20, 2022



**RURAL COMMUNITY ASSISTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
<u>Current assets:</u>		
Cash and cash equivalents unrestricted (Notes 2 & 3)	\$ 58,343,345	\$ 63,156,120
Cash and cash equivalents restricted (Notes 2 & 3)	26,184,027	22,834,025
Investments unrestricted (Note 3)	324,087	323,819
Investments restricted (Note 3)	248,961	291,557
Receivables, prepaids & deposits (Note 7)	9,341,663	6,289,046
Loans receivable - current portion (Note 5)	43,670,857	40,730,078
Allowance for loan loss - current (Note 6)	(3,207,940)	(3,616,000)
Land & property held for sale (Note 8)	<u>225,000</u>	<u>225,000</u>
Total current assets	<u>135,130,000</u>	<u>130,233,645</u>
<u>Non-current assets:</u>		
Loans receivable - non current portion (Note 5)	59,733,602	76,355,583
Allowance for loan loss - non current (Note 6)	(4,701,000)	(4,299,000)
Loans receivable - forgivable (Note 5)	1,720,180	1,516,647
Other non-current assets (Notes 11 & 12)	1,308,893	1,282,698
Land held for investment (Note 8)	1,900,000	1,900,000
Land, building, & equipment, net accumulated depreciation (Note 8)	<u>1,617,160</u>	<u>1,739,992</u>
Total non-current assets	<u>61,578,835</u>	<u>78,495,920</u>
Total assets	<u>\$196,708,835</u>	<u>\$208,729,565</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, 2022, AND 2021

LIABILITIES AND NET ASSETS	2022	2021
<u>Current liabilities:</u>		
Accounts payable and accrued expenses	\$ 3,171,331	\$ 2,651,133
Grants payable (Note 2)	87,631	234,783
Notes payable - current portion (Note 9)	14,040,376	7,278,486
PPP loan - current portion (Note 9)	<u>-</u>	<u>738,346</u>
Total current liabilities	<u>17,299,338</u>	<u>10,902,748</u>
Notes payable - less current portion (Note 9)	90,952,369	113,459,002
Bonds payable (Note 12)	1,300,000	1,300,000
Deferred loans - forgivable (Note 5)	1,720,180	1,516,647
PPP loan (Note 9)	-	922,932
Other long-term liabilities (Notes 10 & 11)	<u>248,962</u>	<u>404,637</u>
Total long-term liabilities	<u>94,221,511</u>	<u>117,603,218</u>
Total liabilities	<u>111,520,849</u>	<u>128,505,966</u>
<u>Net assets:</u>		
<u>Without donor restrictions:</u>		
General unrestricted net assets	5,812,622	4,503,696
Board designated fund	30,700,000	30,700,000
Vector fund	<u>5,000,000</u>	<u>5,000,000</u>
Total net assets without donor restrictions	<u>41,512,622</u>	<u>40,203,696</u>
<u>With donor restrictions: (Note 13)</u>		
Time restricted-lending capital	20,629,538	16,547,238
Purpose restricted-other	<u>23,045,826</u>	<u>23,472,665</u>
Total net assets with donor restrictions	<u>43,675,364</u>	<u>40,019,903</u>
Total net assets	<u>85,187,986</u>	<u>80,223,599</u>
Total liabilities and net assets	<u>\$196,708,835</u>	<u>\$208,729,565</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenue:			
Grants and contracts	\$ 18,216,987	\$ 9,087,523	\$ 27,304,510
Loan fees revenue	558,444	-	558,444
Loan servicing fees revenue	310,221	-	310,221
Interest on loans	3,074,316	1,134,788	4,209,104
Revenue from partnerships	198,919	-	198,919
Investment income (<i>Note 3</i>)	443,240	85,226	528,466
Rental and other income	101,215	-	101,215
Net assets released from restrictions	<u>6,652,076</u>	<u>(6,652,076)</u>	<u>-</u>
Total revenue	<u>29,555,418</u>	<u>3,655,461</u>	<u>33,210,879</u>
Expenses:			
Program expenses:			
Loan fund	5,255,934	-	5,255,934
Housing	4,042,345	-	4,042,345
Community & environmental	10,749,639	-	10,749,639
Other	<u>2,151,883</u>	<u>-</u>	<u>2,151,883</u>
Total program expenses	22,199,801	-	22,199,801
Fundraising	257,636	-	257,636
Management & general	5,683,862	-	5,683,862
Rental operations	<u>105,193</u>	<u>-</u>	<u>105,193</u>
Total expenses	<u>28,246,492</u>	<u>-</u>	<u>28,246,492</u>
Increase in net assets	1,308,926	3,655,461	4,964,387
Net assets at September 30, 2021	<u>40,203,696</u>	<u>40,019,903</u>	<u>80,223,599</u>
Net assets at September 30, 2022	<u>\$ 41,512,622</u>	<u>\$ 43,675,364</u>	<u>\$ 85,187,986</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 partnership	(81,281)	-	(81,281)
Investment income (<i>Note 3</i>)	19,343	228,181	247,524
Gain on sale of assets	-	-	-
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Program Expenses					Management & General	Rental Operations	Total
	Loan Fund	Housing	Community & Environmental	Other	Fundraising			
Direct salaries (Note 2)	\$ 1,199,843	\$ 1,533,142	\$ 5,659,883	\$ 725,486	\$ 175,298	\$ 2,277,910	\$ 18,009	\$ 11,589,571
Fringe benefits	564,590	721,218	2,664,521	339,721	82,338	1,062,814	8,507	5,443,709
Project specific expense-fringe benefits	-	-	-	53,618	-	-	-	53,618
Consultants	169,657	109,707	1,022,408	731,369	-	622,711	-	2,655,852
Consumable supplies	-	-	-	-	-	148,818	-	148,818
Project specific expense-supplies	2,267	1,109	84,407	1,289	-	424	-	89,496
Telephone	-	-	-	-	-	250,108	-	250,108
Project specific expense - telephone	1,326	-	1,082	22	-	-	-	2,430
Postage	-	-	121	-	-	26,420	-	26,541
Project specific expense-postage	7,927	841	35,078	799	-	2,870	-	47,515
Office space (Note 2)	-	-	-	-	-	492,308	-	492,308
Equipment rental/maintenance	-	-	-	-	-	115,896	-	115,896
Printing & copying	-	283	48,350	-	-	8,051	-	56,684
Training costs	2,973	17,827	83,868	63,653	-	182,484	-	350,805
Travel	23,017	100,509	762,827	19,561	-	165,367	-	1,071,281
Interest & bond expense (Note 12)	2,201,448	-	-	51,895	-	-	40,467	2,293,810
Depreciation	-	56,859	-	-	-	53,225	209,888	319,972
Insurance	25,867	-	-	-	-	108,170	56,018	190,055
Dues & subscriptions	22,508	14,498	103,037	96,254	-	21,016	-	257,313
Conference registration & staff training	5,263	10,797	15,274	8,486	-	12,296	-	52,116
Taxes, licenses, fees, and other	39,266	6,790	688	201	-	9,809	4,077	60,831
Bank service charges	13,155	2,587	-	17,541	-	-	460	33,743
Recruitment and advertising	-	-	-	10,000	-	123,165	-	133,165
Grants and pass-through awards	976,434	1,629,129	267,945	26,650	-	-	-	2,900,158
Contributions	250	5,200	150	5,338	-	-	-	10,938
Scholarship	-	46,900	-	-	-	-	-	46,900
Provision for Bad Debts	143	-	-	-	-	-	-	143
Capitalization of eligible development costs	-	(215,051)	-	-	-	-	-	(215,051)
Other building management	-	-	-	-	-	-	131,688	131,688
Owner occupancy allocated to office space	-	-	-	-	-	-	(363,921)	(363,921)
Total direct expenses	5,255,934	4,042,345	10,749,639	2,151,883	257,636	5,683,862	105,193	28,246,492
Indirect expenses allocated to programs	897,786	1,059,610	3,233,910	476,803	82,443	(5,750,552)	-	-
Total expenses	\$ 6,153,720	\$ 5,101,955	\$ 13,983,549	\$ 2,628,686	\$ 340,079	\$ (66,690)	\$ 105,193	\$ 28,246,492

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					Management & General	Rental Operations	Total
	Loan Fund	Housing	Community & Environmental	Other	Fundraising			
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	628,749	775,895	2,172,160	254,109	61,968	(3,892,881)	-	-
Total expenses	\$ 6,547,377	\$ 4,000,856	\$ 11,040,033	\$ 1,464,331	\$ 311,136	\$ 311,822	\$ 114,354	\$ 23,789,909

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, 2022, AND 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from grants and contracts	\$ 24,250,860	\$ 45,015,060
Interest and fees received	5,705,368	6,777,723
Cash received/(paid) from/to partnership	198,919	(81,281)
Cash received from rental and other activities	101,215	146,172
Cash paid for operating expenses	(27,471,864)	(21,849,277)
Interest paid	<u>(2,185,205)</u>	<u>(1,809,470)</u>
Net cash provided by (used for) operating activities	<u>599,293</u>	<u>28,198,927</u>
Cash flows from investing activities:		
Loans made to borrowers	(36,886,349)	(65,798,189)
Principal receipts on loans receivable	50,573,340	65,499,338
Purchases of investments	(119,449,643)	(204,083,126)
Proceeds from sale of investments	119,445,328	205,074,430
Purchases of property and equipment	<u>-</u>	<u>(40,863)</u>
Net cash provided by (used for) investing activities	<u>13,682,676</u>	<u>651,590</u>
Cash flows from financing activities:		
Proceeds from notes payable	8,205,163	40,649,317
Principal payments on notes payable	(23,949,905)	(15,826,791)
Partial redemption of bonds payable	<u>-</u>	<u>(730,000)</u>
Net cash provided by (used for) financing activities	<u>(15,744,742)</u>	<u>24,092,526</u>
Increase (decrease) in cash and cash equivalents	(1,462,773)	52,943,043
Cash and cash equivalents, beginning of year	<u>85,990,145</u>	<u>33,047,102</u>
Cash and cash equivalents, end of year	<u>\$ 84,527,372</u>	<u>\$ 85,990,145</u>
Supplemental disclosure of cash flow information		
Cash and cash equivalents, without donor restrictions	\$ 58,343,345	\$ 63,156,120
Cash and cash equivalents, with donor restrictions	<u>26,184,027</u>	<u>22,834,025</u>
	<u>\$ 84,527,372</u>	<u>\$ 85,990,145</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, 2022, AND 2021**

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, 2022, AND 2021**

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, 2022 and 2021, RCAC recognized \$7,567 and \$11,594, 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. RCAC had two loans on the project. One was completely repaid in FY2021. The second loan is fully amortized over 33 years and will be repaid by 2051. RCAC received the second installment of deferred developer fees in this fiscal year.

Rental operations are stable.

RCAC is a sole member of Rural Integrity, LLC (RILLC), a limited liability company created in February 2015 to work with the Community Action Partnership of Northwest Montana (CAPNM) to recapitalize and rehabilitate Courtyard Apartments in Kalispell, Montana. The project is complete and a \$3.6 million loan guarantee from RCAC to the construction lender was released on December 30, 2019 when the construction loan was paid off. The project is fully occupied.

We continue to pursue damages related to construction flaws. All operations are stable.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 1: ORGANIZATION (Continued)

RCAC and Housing Authority of Southeastern Utah are members of Wingate Village, LLC, a limited liability company created in September 2018 to be the co-general partner with the Housing Authority of Southeastern Utah (HASU) for the 22-unit Wingate Village new construction affordable rental project in Moab, Utah. In October 2019, RCAC sold the site to HASU to develop and subdivide. Since developing the site, HASU sold 22 lots to a new LLLP ownership structure in May 2020 to construct the affordable rental project, which was completed in November of 2021. Permanent financing closed in June of 2022, paying off RCAC's construction loan.

All 22 rental units are occupied, and all 11 self-help homes were sold. Rental operations are stable.

RCAC is a sole member of RCAC Meadow, LLC, a limited liability company created in January 2019 to develop Meadowlark Vista, a 24-unit apartment community in Ronan, Montana for residents with incomes at or below 60 percent area median income. The project owning entity is Meadowlark Vista LLLP. RCAC Meadow LLC now has a .0051 percent interest in the project and is the managing general partner with LCCHO Meadowlark LLC, which has a .0049 percent interest in the project. Enterprise Housing Equity Fund III, LLLP is the limited partner with a 99.99 percent interest.

Construction was completed in September of 2021 and all units are occupied. Operations are stable and the permanent financing will close in early FY23, paying off the RCAC construction loan.

RCAC is a sole member of RCAC Maili, LLC a limited liability company created in January 2019 to develop an REO property in Hawaii, and the project is in the predevelopment phase. The RCAC Maili LLC became the sole General Partner of Maili Affordable Housing LLLP in May 2019. RCAC is the limited partner with a 99 percent interest in the partnership. The project is in predevelopment.

We are currently exploring single-family development options because the local preference is for homeownership and funding appears to be available.

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, 2022 and 2021. 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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 from earnings and 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.

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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Interest income is discontinued, and the loan is moved to non-accrual status at the time the loan is 90 days delinquent 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. RCAC is reviewing and may update the methodology for valuation allowance in FY23 to comply with FASB ASC 326 – Current Expected Credit Loss Standards

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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Buildings 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

Impairment of Long-Lived Assets:

RCAC reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If RCAC determines it is unable to recover the carrying amount of an asset, that asset is written down to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. There were no impairment losses recognized for property and equipment for the years ended September 30, 2022 and 2021.

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 \$826,154 and \$740,056 in accrued compensated absences as of September 30, 2022 and 2021, respectively.

Grants Payable:

Grants payable includes amounts owed as of September 30, 2022 and 2021 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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- 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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Matching Funds:

In fiscal year 2022 and 2021, 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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

RCAC submitted our application for a new Negotiated Indirect Cost Rate Agreement (NICRA), with the Indirect Cost Proposal (ICP) to the U.S. Department of Interior (USDOL) with actual expenses for the past 4 years and the forecasted expenses for the current FY. The USDOL has approved our proposal and the changes we requested. FY22 was our first year using this rate of 32% and will include all non-fringe shared costs such as supplies, telephone, office space, postage and equipment maintenance. Previously, our process was a dual level allocation. Fringe benefits, supplies, telephone, office expense, postage and equipment maintenance costs were allocated to all funding sources based on salary expense. Then Indirect cost was recovered based on total modified actual expenses. The previous indirect cost rate was 24.87%.

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, 2022 and 2021 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, 2022 and 2021, 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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications:

Certain amounts in the prior year financial statements have been reclassified to conform with current year presentation.

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, 2022 which require recognition in the consolidated financial statements.

Recently Adopted Accounting Pronouncements:

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. RCAC adopted this new accounting guidance for its September 30, 2022 year end. There was no impact to RCAC's financial statements as a result of adopting this standard.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2016-13 – Current Expected Credit Losses (Topic 326):

FASB Topic 326 requires the measurement of expected credit losses for financial instruments in a CDFI organization to consider a combination of historical experience, current conditions, and reasonable and supportable forecasts for future performance. RCAC will establish an empirical model to link the risk levels of loan accounts and the loan loss allowances. 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 cash flows.

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

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

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
Cash and cash equivalents	\$ <u>84,527,372</u>	\$ <u>84,527,372</u>	\$ <u>85,990,145</u>	\$ <u>85,990,145</u>
Investments:				
Certificates of deposit	374,816	374,816	374,387	374,387
U.S. Government and agencies	3,721	9,510	3,608	10,829
Other investments	<u>124,596</u>	<u>188,722</u>	<u>120,922</u>	<u>230,160</u>
Total investments	<u>503,133</u>	<u>573,048</u>	<u>498,917</u>	<u>615,376</u>
Total cash, cash equivalents and investments	<u>\$ 85,030,505</u>	<u>\$ 85,100,420</u>	<u>\$ 86,489,062</u>	<u>\$ 86,605,521</u>



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021

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

Restrictions on cash, cash equivalents and investments:

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

	2022		2021	
	Cash	Investments	Cash	Investments
CA State Water Resource Board	\$ 532,703	\$ -	\$ 450,683	\$ -
California Endowment	3,234,725	-	2,394,186	-
Compass Bank	-	-	2,839,926	-
First Republic Bank	-	50,829	-	50,668
Ford Foundation	-	-	756,323	-
Joe Serna	-	198,132	-	240,889
PNC Bank	2,847,476	-	-	-
Rasmuson Foundation	622,742	-	527,379	-
Stewart Title	304,497	-	304,497	-
U.S. Department of Agriculture	6,316,513	-	7,497,104	-
U.S. Department of Commerce	-	-	269,146	-
U.S. Department of the Treasury	11,941,297	-	7,539,962	-
U.S. Small Business Administration	9,000	-	7,884	-
Union Bank (Note 12)	<u>375,074</u>	<u>-</u>	<u>246,935</u>	<u>-</u>
Total restricted cash, cash equivalents and investments	<u>\$ 26,184,027</u>	<u>\$ 248,961</u>	<u>\$ 22,834,025</u>	<u>\$ 291,557</u>

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



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

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

Total Return on Cash Balances and Investments:

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

	<u>2022</u>	<u>2021</u>
Dividends and interest		
Without donor restrictions	\$ 443,240	\$ 19,087
With donor restrictions	<u>131,488</u>	<u>11,203</u>
Total Dividends and Interest	574,728	30,290
Net Realized Gains (Losses)		
Without donor restrictions	-	1,131
With donor restrictions	380	522
Change in Unrealized Gains (Losses)		
Without donor restrictions	-	(875)
With donor restrictions	<u>(46,642)</u>	<u>216,456</u>
Total return on cash and investments	<u>\$ 528,466</u>	<u>\$ 247,524</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

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, 2022 and 2021.

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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

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, 2022:

	<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	\$ -	\$ 374,815	\$ -	\$ 374,815
Land held for investment	-	-	1,900,000	1,900,000
U.S. Government and Agencies	9,510	-	-	9,510
Other investments	<u>188,723</u>	<u>-</u>	<u>-</u>	<u>188,723</u>
Total investments at fair value	<u>\$ 198,233</u>	<u>\$ 374,815</u>	<u>\$ 1,900,000</u>	<u>\$ 2,473,048</u>

During the year ending September 30, 2022, 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, 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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

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>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 84,527,372	\$ 85,990,145
Accounts receivable, net	430,172	444,357
Grants & contracts receivables, net	7,732,943	4,779,131
Interest receivable	912,765	913,797
Investments convertible to cash in the next 12 months	<u>573,048</u>	<u>615,375</u>
Total financial assets at year-end	\$ <u>94,176,300</u>	\$ <u>92,742,805</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 8,650,882	\$ 11,470,706
Accounts receivable, net	430,172	444,357
Grants & contracts receivables, net	7,732,943	4,779,131
Interest receivable	912,765	913,797
Investments not encumbered by donor or board restrictions	<u>573,048</u>	<u>615,375</u>
Total financial assets available to meet general expenditures over the next 12 months:	\$ <u>18,299,810</u>	\$ <u>18,223,366</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, 2022, AND 2021

NOTE 5: LOANS RECEIVABLE (Continued)

Loans receivable as of September 30, 2022 and 2021 were composed of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Number of Loans</u>	<u>Loans Receivable</u>	<u>Number of Loans</u>	<u>Loans Receivable</u>
Grouped by principal due dates				
Current receivables				
Loans more than 90 days past due	11	\$ 5,784,650	10	\$ 5,781,566
Other loans due within 12 months	<u>45</u>	34,132,970	<u>46</u>	31,651,802
Current portion of amortizing loans		<u>3,753,237</u>		<u>3,296,710</u>
Loans receivable current portion	<u>56</u>	<u>43,670,857</u>	<u>56</u>	<u>40,730,078</u>
Non-current receivables				
Non-amortizing				
Loans due in one to five years	26	18,974,708	32	27,001,095
Loans due, more than five, less than ten years	2	128,500	3	99,600
Loans due in more than ten years	7	2,321,637	3	885,574
Amortizing	<u>302</u>		<u>465</u>	
Principal due in one to five years		13,661,847		13,978,071
Principal due in five to ten years		7,110,514		12,196,748
Principal due in more than ten years		<u>17,536,396</u>		<u>22,194,495</u>
Loans receivable non-current portion	<u>337</u>	<u>59,733,602</u>	<u>503</u>	<u>76,355,583</u>
Total loans receivable	<u>393</u>	<u>\$103,404,459</u>	<u>559</u>	<u>\$117,085,661</u>
Weighted average maturity (in months)		<u>109</u>		<u>100</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 5: LOANS RECEIVABLE (Continued)

	<u>2022</u>		<u>2021</u>	
	<u>Number of Loans</u>	<u>Loans Receivable</u>	<u>Number of Loans</u>	<u>Loans Receivable</u>
Grouped by type of project and security				
Low income housing - real estate secured	51	\$ 35,724,712	51	\$ 46,909,258
Low income housing - other security	4	3,045,934	4	3,018,824
Community facilities - real estate secured	31	20,886,636	31	19,405,880
Community facilities - other security	5	468,903	6	469,106
Water/wastewater/solid waste systems	218	20,229,930	228	16,926,432
Small business loans	83	23,048,344	237	30,354,286
Nonprofit operating lines of credit	<u>1</u>	<u>-</u>	<u>2</u>	<u>1,875</u>
Total loans receivable	<u>393</u>	<u>\$ 103,404,459</u>	<u>559</u>	<u>\$ 117,085,661</u>

	<u>2022</u>		<u>2021</u>	
	<u>Number of Loans</u>	<u>Loans Receivable</u>	<u>Number of Loans</u>	<u>Loans Receivable</u>
Grouped by interest rate				
Interest free	8	\$ 2,387,106	5	\$ 1,827,218
1%	169	11,626,674	333	20,468,148
2.00%-2.99%	3	972,897	3	755,314
3.00%-3.99%	35	4,688,035	40	3,552,671
4.00%-4.99%	23	19,198,688	25	28,640,349
5.00%-5.99%	125	61,381,671	124	59,114,962
6.00%-6.99%	7	1,032,868	10	1,269,061
7.00%-9.50%	<u>23</u>	<u>2,116,520</u>	<u>19</u>	<u>1,457,938</u>
Total loans receivable	<u>393</u>	<u>\$ 103,404,459</u>	<u>559</u>	<u>\$ 117,085,661</u>

Weighted average interest rate	<u>4.39%</u>	<u>4.18%</u>
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**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

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 four categories:

	<u>2022</u>		<u>2021</u>	
	<u>Number of Loans</u>	<u>Loans Receivable</u>	<u>Number of Loans</u>	<u>Loans Receivable</u>
Default	2	\$ 5,733,733	-	\$ -
Doubtful	3	3,784,378	3	7,450,895
Substandard	-		2	317,949
Special mention	-	-	-	-
Total criticized asset loans	<u>5</u>	<u>\$ 9,518,111</u>	<u>5</u>	<u>\$ 7,768,844</u>
Percent of total loan receivable portfolio		<u>9%</u>		<u>7%</u>
Related allowance for loan loss		<u>\$ 2,118,927</u>		<u>\$ 1,334,835</u>
Total allowance for loan loss		<u>\$ 7,908,940</u>		<u>\$ 7,915,000</u>
Percent of total allowance for loan loss		<u>27%</u>		<u>17%</u>

Non-accrual loans:

As of September 30, 2022, RCAC had two loans on non-accrual status with a balance of \$5,733,733 and \$175,862 loans on non-accrual status as of September 30, 2021.

As of September 30, 2022, RCAC had \$46,654 interest income foregone from loans on non-accrual status. RCAC had \$16,127 interest income foregone from the loans on non-accrual status for September 30, 2021.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

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>2022</u>		<u>2021</u>	
	<u>Number of Forgivable Loans</u>	<u>Amount</u>	<u>Number of Forgivable Loans</u>	<u>Amount</u>
Forgivable loans	<u>89</u>	<u>\$ 1,720,180</u>	<u>79</u>	<u>\$ 1,516,647</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, 2022, AND 2021

NOTE 6: ALLOWANCE FOR LOAN LOSS (Continued)

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

	<u>2022</u>	<u>2021</u>
Beginning of year	\$ 7,915,000	\$ 6,540,000
Additions to allowance	-	1,375,000
Charges against allowance	<u>(6,060)</u>	<u>-</u>
Allowance for loan losses	<u>\$ 7,908,940</u>	<u>\$ 7,915,000</u>
Allowance/loans receivable	<u>7.65%</u>	<u>6.76%</u>
Consisting of allowance for:		
Current loans receivable	\$ 3,207,940	\$ 3,616,000
Noncurrent loans receivable	<u>4,701,000</u>	<u>4,299,000</u>
Total allowance for loan loss	<u>\$ 7,908,940</u>	<u>\$ 7,915,000</u>

RCAC expensed none and \$1,375,000 to provision for loan loss during the fiscal years ended September 30, 2022 and 2021, respectively.

Other activity in the allowance for loan loss during the year ended September 30, 2022 consisted of:

RCAC wrote off a loan to an individual in CA for a Household Water Well Program to replace a water pump in the property. The loan was secured by real estate. The loan balance was \$5,789. The loan had defaulted. This transaction resulted in a charge to the Allowance for loan loss in the amount of \$5,789.

RCAC wrote off a loan to an individual in CA for a Household Water Well Program to drill a new well in the property. The loan was secured by real estate. The loan balance was \$271. The loan balance was written off due to project failing to be completed in a timely manner. This transaction resulted in a charge to the Allowance for loan loss in the amount of \$271.

There was no other activity in the allowance for loan loss during the years ended September 30, 2022 and 2021, respectively.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 6: ALLOWANCE FOR LOAN LOSS (Continued)

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

Name of loan/guarantee program	2022		Coverage/loan Receivable Ratio
	Loans receivable	Primary loss coverage	
USDA Community Facility or Business & Industry guarantee	\$ 5,557,871	\$ 3,757,359	67.60%
HUD Title VI guarantee	68,585	65,156	95.00%
State of California Small Business Credit Initiative guarantee	224,813	179,850	80.00%
Small Business Administration guarantee	6,777,982	6,619,299	97.66%
Bureau of Indian Affairs guarantee	1,314,799	1,183,319	90.00%
Total loans with guarantees	\$ 13,944,050	\$ 11,804,983	84.66%

Name of loan/guarantee program	2021		Coverage/loan Receivable Ratio
	Loans receivable	Primary loss coverage	
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	1,344,834	1,210,350	90.00%
Total loans with guarantees	\$ 22,403,273	\$ 20,263,664	90.45%

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, 2022 and 2021, RCAC was in compliance with all compliance requirements.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 7: RECEIVABLES, PREPAIDS, AND DEPOSITS:

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

	2022	2021
Accounts receivable	\$ 430,172	\$ 444,357
Grants & contracts receivable, net	7,732,943	4,779,131
Interest receivable	912,765	913,797
Prepaids, deposits, & other	265,783	151,761
Total receivables, prepaids and deposits	\$ 9,341,663	\$ 6,289,046

The grants & contract receivable amounts are net of an allowance for doubtful accounts of \$45,000 and \$45,000 as of September 30, 2022 and 2021, respectively.

NOTE 8: LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment was composed of the following at September 30, 2022:

	September 30, 2021	Additions	Deletions	September 30, 2022
Land (office building)	\$ 427,000	\$ -	\$ -	\$ 427,000
Office building improvements	4,485,848	31,418	-	4,517,266
Less: Accumulated depreciation	(3,319,701)	(209,888)	-	(3,529,589)
Equipment and software	890,650	165,722	-	1,056,372
Less: Accumulated depreciation	(743,805)	(110,084)	-	(853,889)
Total land, building & equipment	\$ 1,739,992	\$ (122,832)	\$ -	\$ 1,617,160

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

	September 30, 2020	Additions	Deletions	September 30, 2021
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	(636,796)	(107,011)	-	(743,805)
Total land, building & equipment	\$ 2,036,666	\$ (296,676)	\$ -	\$ 1,739,992

Depreciation expense for the years ended September 30, 2022 and 2021 was \$319,972 and \$337,539, respectively.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 8: LAND, BUILDING, AND EQUIPMENT (Continued)

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

	<u>2022</u>	<u>2021</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>2022</u>	<u>2021</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, 2022, AND 2021

NOTE 9: NOTES PAYABLE

Notes payable consisted of the following at September 30:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>2022</u>	<u>2021</u>
Align Impact	2.00 %	Feb 2024	\$ 250,000	\$ 250,000
American Express National Bank	2.50 %	Aug 2026	2,000,000	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	1,483,358	1,977,811
Bank of the West	2.00 %	Aug 2027	1,500,000	1,500,000
BDS 2012 Qualified Annuity Trust	2.50 %	Various	3,500,000	2,000,000
BSW Wealth Partners	2.00 %	Mar 2024	500,000	500,000
California Bank & Trust-PPP	1.00 %	May 2025	-	1,661,278
California Coalition for Rural Housing	2.75 %	Feb 2023	1,500,000	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
CDFI Community Investment Fund I, LLC	3.00%	May 2032	1,000,000	-
	Federal Funds			
Charles Schwab Bank - \$10 million line of credit	Reference rate plus 2.50%	Sept 2025	-	5,000,000
	0.00% - 0.75%			
Charles Schwab Bank - \$25 million line of credit -PPP		June 2023	-	14,315,836
Christensen Fund	2.00 %	Aug 2027	190,000	230,000
CIT Bank, N.A.	2.75 %	April 2026	3,500,000	3,500,000
Colorado Capital Management	2.50 %	Dec 2026	75,000	-
Common Spirit Health Operating Investment Pool, LLC	2.50 %	Various	1,500,000	1,500,000
Community Economics	0.00 %	Various	150,000	150,000
Community Housing Opportunities Corporation	1.50 %	Jan 2023	2,593,220	2,593,220
Delsar LLC	2.50 %	Apr 2026	1,000,000	1,000,000
Dominican Sisters of Hope	2.00 %	June 2023	50,000	50,000
First Foundation Bank	3.00 %	Dec 2021	-	248,738
First Republic Bank	2.75 %	May 2023	3,000,000	3,000,000
GSAF, LLC (Note 1)	2.00 %	Dec 2029	308,700	459,587
Hawai'i Community Foundation	1.00 %	Aug 2032	1,000,000	-



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021

NOTE 9: NOTES PAYABLE (Continued)

	Interest Rate	Maturity	2022	2021
Housing California	2.50 %	Various	300,000	300,000
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	606,625	569,625
Mechanics Banks	2.66 %	Aug 2024	2,000,000	2,000,000
Mercy Investment Services, Inc.	3.00 %	Dec 2022	1,000,000	1,000,000
Merrick Bank Corporation	2.75 %	Sept 2023	1,000,000	1,000,000
National Housing Law Project	2.75 %	Mar 2023	200,000	200,000
Natural Investments, LLC	2.00% - 2.75%	Various	2,332,000	2,332,000
NorthStar Asset Management, Inc.	1.25%- 2.00%	Various	1,130,000	905,000
Olamina Fund LLC	3.00 %	Sept 2024	3,000,000	3,000,000
Opportunity Finance Network	3.00 %	Sept 2027	1,363,637	1,363,637
Opportunity Finance Network - Google Endeavor LLC	3.00 %	May 2030	5,000,000	5,000,000
Oregon Community Foundation	3.00 %	June 2026	1,000,000	1,000,000
Plumas Bank	2.50 %	July 2032	50,000	-
PNC Bank	2.75 %	Jan 2029	6,000,000	6,000,000
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
Sacramento Region Community Foundation	2.50 %	Oct 2026	300,000	-
Santa Fe Community Foundation	2.00 %	Mar 2027	250,000	250,000
Satterberg Foundation	2.50 %	Mar 2026	1,000,000	1,000,000
Self-Help Enterprises	2.50 %	June 2024	1,250,000	1,250,000
Sisters of St. Francis of Philadelphia	1.00 %	Oct 2022	50,000	50,000
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	250,000
The Erich & Hannah Sachs Foundation	3.00 %	May 2027	750,000	500,000
The Ford Foundation	1.00 %	Feb 2022	-	1,000,000
The Grove Foundation	2.00 %	Sept 2024	500,000	500,000
The Northern Trust Company	2.00 %	Mar 2027	1,000,000	-
The Sustainability Group of Loring, Wolcott & Coolidge	2.50 %	Various	400,000	100,000



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021

NOTE 9: NOTES PAYABLE (Continued)

	<u>Interest Rate</u>	<u>Maturity</u>	<u>2022</u>	<u>2021</u>
The Winlo Trust Dated September 28, 2021	2.50 %	Mar 2024	1,000,000	1,000,000
Tiedemann Advisors	2.00%- 2.25%	Various	1,740,000	640,000
Trillium Asset Management	2.00% - 2.50%	Various	1,465,000	1,415,000
Trinity Health Corporation	2.50 %	Mar 2023	1,500,000	1,500,000
Umpqua Bank	2.00 %	Various	1,450,000	1,450,000
Union Bank	3.00 %	April 2024	1,000,000	1,000,000
US Department of Agriculture, CF Relending	2.38 %	Dec 2056	11,822,630	13,730,257
US Department of Agriculture, IRP 2	1.00 %	Mar 2025	249,474	331,064
US Department of Agriculture, IRP 3	1.00 %	Sept 2038	468,492	521,993
US Department of Agriculture, IRP 4-A	1.00 %	Aug 2039	495,376	521,993
US Department of Agriculture, IRP 4-B	1.00 %	Dec 2039	173,996	182,780
US Department of Agriculture, IRP 5	1.00 %	Sept 2041	548,346	574,441
US Department of Agriculture, IRP 6	1.00 %	Jan 2044	333,789	347,296
US Department of Agriculture, IRP 7	1.00 %	Nov 2044	868,240	901,673
US Department of Agriculture, IRP 8	1.00 %	Sept 2047	467,388	483,775
US Department of Agriculture, IRP 9	1.00 %	Sept 2048	967,550	1,000,000
US Department of Agriculture, IRP 10	1.00 %	Oct 2049	1,000,000	632,898
US Department of Agriculture, IRP 11	1.00 %	Nov 2051	451,060	-
US Department of Treasury, CDFI Fund	1.95 %	June 2028	558,864	558,864
W.K. Kellogg Foundation	1.00 %	June 2027	1,000,000	1,000,000
Wells Fargo Bank	2.00 %	Various	3,000,000	3,000,000
Woodcock Foundation	2.00 %	Sept 2028	250,000	250,000
Zion Bancorporation, N.A.	2.00 %	Jan 2031	<u>750,000</u>	<u>750,000</u>
Total notes payable			104,992,745	122,398,766
Less: amounts payable within one year			<u>(14,040,376)</u>	<u>(8,016,832)</u>
Notes payable, net current portion			<u>\$ 90,952,369</u>	<u>\$114,381,934</u>
Weighted average maturity (monthly)			<u>107</u>	<u>106</u>
Weighted average interest rate			<u>2.08%</u>	<u>1.84%</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

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>	
2023	\$ 14,040,376
2024	14,962,035
2025	5,430,775
2026	19,072,887
2027	10,171,745
Thereafter	<u>41,314,927</u>
Total	<u>\$104,992,745</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 4.250% nor more than the maximum rate allowed by applicable law at September 30, 2021 and 2021. The line of credit expires (or renews) on April 30, 2024. During the years ending September 30, 2022 and 2021, 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, 2022 and 2021.

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 \$110,103 and \$109,543 as of September 30, 2022 and 2021, respectively, is included on the consolidated balance sheets in other long-term liabilities.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

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, 2022 and 2021, respectively. The retirement plan expense recognized by RCAC (as a component of fringe benefits) for the years ended September 30, 2022 and 2021 was \$497,590 and \$464,721, 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, 2022 and 2021 were \$138,859 and \$295,094, 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.

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, 2022 and 2021.



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021

NOTE 12: BONDS PAYABLE (Continued)

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

	<u>2022</u>	<u>2021</u>
Bond related assets		
Bank balance in bond sinking fund	\$ 258,729	\$ 121,968
Unamortized bond issuance costs	25,755	29,614
Unamortized letter of credit origination	31,399	36,022
Land, building, improvements, net	<u>1,617,160</u>	<u>1,739,992</u>
Total bond related assets	<u>\$ 1,933,043</u>	<u>\$ 1,927,596</u>
Bond related liabilities		
Bonds payable	<u>\$ 1,300,000</u>	<u>\$ 1,300,000</u>

Bond related expenses consisted of the following at September 30:

	<u>2022</u>	<u>2021</u>
Amortization of bond and letter of credit costs	\$ 8,482	\$ 8,482
Letter of credit fees	15,763	30,368
Interest expense	8,182	1,495
Trustee and administration fees	<u>8,040</u>	<u>6,358</u>
Total bond expenses	<u>\$ 40,467</u>	<u>\$ 46,703</u>
Interest rate range, rate determined weekly	<u>0.08% - 2.50%</u>	<u>0.08% - 0.17%</u>
Weighted average annualized interest rate	<u>0.63%</u>	<u>0.12%</u>
Weighted average bond annualized expense rate	<u>3.11%</u>	<u>3.59%</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

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:

Year Ended September 30,	
2023	\$ 141,252
2024	146,247
2025	151,251
2026	156,252
2027	161,247
Thereafter	317,499
Total	\$ 1,073,748

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:

	2022	2021
<u>Lending capital - subject to the passage of time</u>		
Banner Bank	\$ 119,562	\$ 445,700
California Endowment (Sinking Fund - accumulated earnings)	3,605,209	3,364,348
California State Water Resources Control Board	75,754	71,246
City of Flagstaff	-	269,146
Ford Foundation	-	150,000
Relief funds	326,139	41,200
State of Idaho	312,586	172,761
USDA Rural Development	-	159,247
USDA Rural Utility Service	56,219	56,219
U.S. Treasury, Capital Magnet Fund	12,608,761	8,498,761
U.S. Treasury, CDFI Fund	3,230,265	2,540,265
Wells Fargo Foundation	295,043	778,345
Total net assets with donor restrictions-lending capital	20,629,538	16,547,238



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 13: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2022</u>	<u>2021</u>
Other - subject to expenditure for specified purpose supports various environmental and housing programs		
Ally Bank	\$ 24,727	\$ 20,000
Bank of America	193,236	237,495
Banner Bank	-	55,851
California Community Foundation	-	40,713
California Endowment (Tall Trees)	640,000	640,000
California Endowment	750,474	808,586
California State Water Resources Control Board	510,388	301,905
California Wellness Foundation	58,725	237,170
Capital One Service	22,897	18,490
Charles Schwab Bank	28,955	22,468
CIT Bank	2,600	20,000
COBANK	50,000	50,000
Comm. Dev. Corp. of Brownsville	257,748	-
FAHE Strength in Numbers	93,567	135,966
FB Heron Foundation	150,000	-
Ford Foundation	-	726,892
Joe Serna Jr Farmworker Housing Loan Servicing Fund	1,198,132	1,240,888
Kauffman Foundation	218,811	125,000
Lift to Rise	75,000	75,000
Mary Reynolds Babcock Foundation	908,062	567,707
Mackenzie Scott	14,470,304	15,000,000
Morgan Stanley Bank, NA	10,505	97,802
NeighborWorks America	59,324	-
Opportunity Finance Network	147,218	100,000
Pacific Western Bank	-	12,597
RCAP, Inc.	245,000	245,000
State of Idaho	22,500	-
Tides Foundation - Bare Bones	343,500	-
USDA Rural Development	74	9,974
USDA Rural Utility Service	160,008	-
U.S. Bank	83,167	83,873
U.S. Treasury, Capital Magnet Fund	536,730	369,257
Union Bank	57,882	47,842
W K Kellogg Foundation	180,632	275,941
Water Foundation	-	18,341
Wells Fargo Foundation	1,383,765	1,703,675
Yocha Dehe Wintun Nation	77,086	75,853
Other various donors	<u>84,809</u>	<u>108,379</u>
Total other - subject to expenditure for specified purpose supports various environmental and housing programs	<u>23,045,826</u>	<u>23,472,665</u>
Total net assets with donor restrictions	<u>\$ 43,675,364</u>	<u>\$ 40,019,903</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 14: CONCENTRATION OF REVENUE SOURCES

During the fiscal years ended September 30, 2022, and 2021, RCAC's operations and program activities were funded by the following sources of revenue:

	<u>2022</u>	<u>2021</u>
Revenue with donor restrictions		
Ally Bank	\$ 35,000	\$ 20,000
American Express	50,000	-
Banner Bank	-	500,000
CA Household Waterwells	186,047	(44,890)
California Bank and Trust	7,500	10,000
California Community Foundation	-	111,780
Capital One	40,000	-
Capital Magnet Fund	4,500,000	2,900,000
Charles SCHWAB	70,000	50,000
CIT Bank	-	20,000
CO Bank	-	50,000
Community Development Corp. Brownsville	10,000	-
Community Facilities Relending Program	-	(87,511)
Dignity Health	-	5,000
Environmental Defense Fund	51,500	47,000
Environmental Revolving Investment Fund	-	245,000
FAHE	177,500	-
FB Heron Foundation	150,000	-
Idaho Septic System Grant, State of Idaho	189,269	5,646
Investment income with donor restrictions	-	228,181
JP Morgan Chase Foundation	35,000	25,000
Kauffmann Foundation	125,000	125,000
Keith Campbell Foundation	5,000	-
Lift to Rise	-	75,000
Loan interest income with donor restrictions	1,134,788	1,297,107
Morgan Stanley Bank	20,000	100,000
National Philanthropic Trust	-	20,000,000
NeighborWorks America Corportation	731,298	-
Opportunity Finance Network	100,000	100,000
Pacific Western Bank	-	10,000
The Bank of America Corporation	70,000	65,000
The California Endowment	-	400,000
The California Wellness Foundation	-	250,000
Tides Foundation Bare Bones	350,000	-
U.S. Bankcorp Foundation	57,500	50,000
U.S. Treasury, CDFI Fund	690,000	1,826,265
Umpqua Bank Charitable Foundation	15,000	-
Union Bank	50,000	50,000
Uplift America Fund	(85,010)	-
USDA Rural Utilities Service	166,345	124,785
W.K. Kellogg Foundation	168,131	131,869
Wells Fargo Foundation	650,000	2,525,000



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021

NOTE 14: CONCENTRATION OF REVENUE SOURCES (Continued)

	<u>2022</u>	<u>2021</u>
	\$ -	\$ -
Worth Implementation PRT	257,500	-
Yocha Dehe Winrun Nation	170,000	-
All others	<u>130,169</u>	<u>78,009</u>
Total revenue with donor restrictions	<u>\$ 10,307,537</u>	<u>\$ 31,293,241</u>
Grants & contracts without donor restrictions		
New Mexico Environmental Depart. Drinking Water Bureau	\$ 146,019	\$ 34,585
San Diego County Water Authority	236,384	15,242
State Water Resources Control Board	4,168,017	1,884,311
U.S. Department of Agriculture	5,069,049	4,625,419
U.S. Department of Commerce	12,642	209,005
U.S. Department of Health & Human Services	1,491,439	1,499,212
U.S. Department of Housing & Urban Development	2,177,376	2,478,737
U.S. Environmental Protection Agency	4,178,408	3,592,736
Yuba County Water Agency	-	182,925
All others	<u>737,653</u>	<u>866,151</u>
Total grants & contracts without donor restrictions	<u>\$ 18,216,987</u>	<u>\$ 15,388,323</u>
Lending income without donor restrictions:		
Loan interest income	\$ 3,074,316	\$ 4,058,293
Loan fees	<u>868,665</u>	<u>1,694,885</u>
Total lending income without donor restrictions:	<u>3,942,981</u>	<u>5,753,178</u>
Other revenue sources		
Investment income without donor restrictions	443,240	19,343
(Paid to)/Revenue from partnership	198,919	(81,281)
Other and rental income	<u>101,215</u>	<u>146,171</u>
Total other revenue sources	<u>743,374</u>	<u>84,233</u>
Total revenue with and without donor restrictions	<u>\$ 33,210,879</u>	<u>\$ 52,518,975</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, 2022, AND 2021**

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:

	<u>2022</u>		<u>2021</u>	
	<u>Number of Grant Liens</u>	<u>Amount</u>	<u>Number of Grant Liens</u>	<u>Amount</u>
Health related facilities grants expiring in 2027 to 2030	7	\$ 721,991	7	\$ 721,991
Affordable housing grants expiring in 2030 to 2032	<u>5</u>	<u>448,739</u>	<u>2</u>	<u>193,739</u>
Total grants and other liens	<u>12</u>	<u>\$ 1,170,730</u>	<u>9</u>	<u>\$ 915,730</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

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:

	<u>2022</u>		<u>2021</u>	
	<u>Number of Loans or Grants</u>	<u>Amount</u>	<u>Number of Loans or Grants</u>	<u>Amount</u>
Loans sold to other lenders with servicing retained, USDA guaranteed loans	46	\$ 30,712,088	49	\$ 31,891,199
Loan servicing provided for loans and grants made by the California Department of Housing and Community Development	2	1,050,000	2	1,050,000
Other loans serviced by RCAC	<u>4</u>	<u>2,406,351</u>	<u>8</u>	<u>5,213,675</u>
Total loan servicing provided to other lenders	<u>52</u>	<u>\$ 34,168,439</u>	<u>59</u>	<u>\$ 38,154,874</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, 2022, AND 2021**

NOTE 18: COMMITMENTS AND CONTINGENCIES (Continued)

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

	2022	2021
Undisbursed portion of existing loans	\$ 20,860,496	\$ 21,294,447
Conditional commitments to make new loans	<u>41,393,354</u>	<u>19,402,170</u>
Total	<u>\$ 62,253,850</u>	<u>\$ 40,696,617</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 2024. Rent expense under these operating leases amounted to \$156,288 and \$146,631 for the years ended September 30, 2022 and 2021, respectively. The minimum future lease payments over the next five years are as follows:

Year ending September 30:		
2023	\$	37,598
2024		<u>23,330</u>
Total payments	\$	<u>60,928</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 2022, \$71,195 was received toward Developer fees.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

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 is fully paid. The permanent financing is scheduled to close on December 14th, 2022. The guaranty agreement terminates when the developer and general partner have completed all their obligations under the partnership agreement and related documents. However, after the permanent financing closes the guaranty will no longer be necessary because the project is built, and loan conversion has occurred. The guaranty also provides for 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



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021**

NOTE 18: COMMITMENTS AND CONTINGENCIES (Continued)

request for HOME was successful and funds were awarded to the project in November 2020.

Wingate Village Townhomes, UT.

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

In FY22 RCAC received \$127,724 in 2 developer fee payments. \$54,739 was for the second developer fee owed for the prior fiscal year and \$72,985 owed for FY22.

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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, 2008, THROUGH 2022

Year Ending September 30,	Without Donor Restrictions				With Donor Restrictions			Total Net Assets Net Change	Year End Net Assets		
	Revenue & Gains before Restrictions	Net Assets Released	Expenses	Net Change	Revenue	(Released)	Net Change		Without Donor Restrictions	With Donor Restrictions	Total
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
2022	22,903,342	6,652,076	28,246,492	1,308,926	10,307,537	(6,652,076)	3,655,461	4,964,387	41,512,622	43,675,364	85,187,986

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, 2022**

<u>Grantor:</u>	<u>Federal AL Number</u>	<u>Expenditures</u>	<u>Pass-throughs</u>
U.S. Department of Agriculture			
Rural Housing Service Self-Help Housing 21	12-31ME-18-C-0005	\$ 1,668,469	\$ -
Rural Housing Service Self-Help Housing 22	12-31ME-18-C-0005	931,259	-
Rural Utilities Service Technical Assistance & Training Project 23 (Pass-through from RCAP)	10.761	72,111	-
Rural Utilities Service Technical Assistance & Training Project 22 (Pass-through from RCAP)	10.761	1,278,892	11,272
Tribal Rural Utilities Service Technical Assistance & Training Project 22 (Pass-through from RCAP)	10.761	95,203	-
WasteWater Treatment Works (Pass-through from RCAP)	10.761	143,801	-
Colonias Rural Utilities Service Technical Assistance & Training Project 21 (Pass-through from RCAP)	10.761	78,608	-
Colonias Rural Utilities Service Technical Assistance & Training Project 22 (Pass-through from RCAP)	10.761	241,268	-
Colonias Rural Utilities Service Technical Assistance & Training Project 23 (Pass-through from RCAP)	10.761	6,536	-
Community Facilities Funding Application TA (Pass-Through from RCAP)	10.890	73,030	-
Community Facilities TA to Disaster Relief Recipients (Pass-Through from RCAP)	10.766	76,110	-
Rural Community Development Initiative 18	10.446	9,852	-
Rural Community Development Initiative 19	10.446	90,269	-
Rural Community Development Initiative 20	10.446	97,272	11,725
Rural Community Development Initiative 21	10.446	41,284	6,633
Solid Waste Management (Pass-through from RCAP) 22	10.762	147,685	-
Rural Development Cooperative Agreement (Pass-through from Housing Assistance Council)	10.890	<u>17,400</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>5,069,049</u>	<u>29,630</u>
U.S. Department of Health and Human Services			
Community Services Block Grant 21 (Pass-through from State of California) (Contract # 21F-4303)	93.569	55,768	2,041
Community Services Block Grant 22 (Pass-through from State of California) (Contract # 22F-5303)	93.569	135,457	2,077
Community Services Block Grant funding for COVID related work in CA) (Pass-Through from State of CA) (Contract #20F-3942)	93.569	118,446	20,318

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, 2022**

Grantor:	Federal AL Number	Expenditures	Pass-throughs
Rural Community Facilities Development 22	93.570	<u>1,181,768</u>	<u>-</u>
Total U.S. Department of Health and Human Services		<u>1,491,439</u>	<u>24,436</u>
U.S. Department of Commerce			
Economic Adjustment Assistance	11.307	<u>12,642</u>	<u>-</u>
Total U.S. Department of Commerce		<u>12,642</u>	<u>-</u>
U.S. Environmental Protection Agency			
Compliance Advisors for Sustainable Water Systems Office of Compliance Y1	n/a	37,676	-
Compliance Advisors for Sustainable Water Systems Office of Compliance Y2	n/a	5,132	-
Circuit Rider Services for Direct Implementation of the Safe Drinking Water Act Public Water System Supervision Program R1	n/a	327,971	-
Circuit Rider Services for Direct Implementation of the Safe Drinking Water Act Public Water System Supervision Program R2	n/a	59,692	-
National Priority Area 1 Training & TA for Small Drinking Water Systems	66.424	418,437	-
National Priority Area 1 Training & TA for Small Drinking Water Systems	66.424	693,843	-
National Priority Area 2 Training & TA for Small Drinking Water Systems	66.424	126,591	-
National Priority Area 3 Improving Water Quality through Training and TA	66.424	31,338	-
National Priority Area 4 Training & TA for Small Drinking Water Systems	66.424	(57)	-
National Priority Area 4 Training & TA for Small Drinking Water Systems	66.424	82,060	-
National Priority Area 4 Training & TA for Small Drinking Water Systems	66.424	116,135	-
EFC to provide multimedia environmental Finance expertise and outreach to regulate communities to help them meet environmental requirements	66.203	155,954	-
Innovative Water Infrastructure Workforce Development Program to train and credential drinking water administrative professionals	66.445	1,678	-
Water Boards Leadership Institute Training for the Yurok Tribe	66.604	7,470	-

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, 2022**

Grantor:	Federal AL Number	Expenditures	Pass-throughs
State of Institution of Higher Learning	66.436	19,324	-
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	5,320	-
Public Water System Supervision & Training Region 9 (Pass-through from Horsley Witten Group, LLC.)	66.468	40,000	-
Public Water System Supervision & Training Region 9 (Pass-through from Horsley Witten Group, LLC.)	66.468	916,157	-
Waste Water Sanitary Surveys for designated Tribal wastewater systems	66.468	14,907	-
Indian Health Services Blanket purchase order for various trainings	66.468	50,425	-
Water Quality Control Drinking Water TA in Colorado	66.468	24,105	-
Environmental Quality TA as directed by AZDEQ	66.468	113,524	-
CDPHE Public Water System Training Grants Program	66.468	6,164	-
CDPHE Public Water System Training Grants Program	66.468	24,361	-
New Mexico Environmental Department	66.468	146,019	-
Department of Conservation and Natural Resources a division of Environmental Protection	66.468	350,447	-
Department of Conservation and Natural Resources a division of Environmental Protection	66.468	108,968	-
Capacity Development Assistance (Pass-through from State of Hawaii Dept of Health)	66.468	149,733	-
Drinking Water Training and Outreach 19 (Pass-through from State of Washington)	66.468	4	-
Drinking Water Training and Outreach 22 (Pass-through from State of Washington)	66.468	113,712	-
Drinking Water Training and Outreach 23 (Pass-through from State of Washington)	66.468	<u>31,318</u>	<u>-</u>
Total U.S. Environmental Protection Agency		<u>4,178,408</u>	<u>-</u>
U.S. Department of Housing and Urban Development			
Housing Counseling Program 20	14.169	75,336	41,007
Housing Counseling Program 21	14.169	750,676	539,894
Housing Counseling Training 20	14.169	250,349	-
Housing Counseling Training 21	14.169	126,687	-
National Disaster Resilience Competition	14.272	533,268	22,532
Community Compass Technical Assistance 16 Tribal	14.259	10	-
Rural Capacity Building 17	14.265	128,637	37,870
Rural Capacity Building 18	14.265	183,354	35,424

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, 2022**

Grantor:	Federal AL Number	Expenditures	Pass-throughs
Rural Capacity Building 20	14.265	111,695	4,214
RuralLISC Seminar Travel to Seminar (Pass-through from RuralLISC)	14.252	4,038	-
Provide Counseling & Education to assist farmworkers in becoming homeowners (Pass-through from Rural Local Initiatives Support Corporation)	14.252	<u>13,326</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development		<u>2,177,376</u>	<u>680,941</u>
Total Federal Awards Expended		<u>\$ 12,928,914</u>	<u>\$ 735,007</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, 2022**

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, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Compliance testing of all requirements under the Uniform Guidance were performed for RCAC. The National Priority Area 1, National Priority Area 2, National Priority Area 3, National Priority Area 4, Onsite Technical Assistance to Improve Cyber Incident Preparation, Response and recover at Water & Wastewater systems, Public Water System Supervision & Training, Water Quality Control Drinking Water TA in Colorado, Environmental Quality TA as directed by AZDEQ, CDPHE Public Water Systems Training Grants, New Mexico Environmental Department, Department of Conservation and Natural Resources a division of Environmental Protection, Capacity Development Assistance, and Drinking Water Training and Outreach, represent major federal award programs and other grants with fiscal 2022 cash and noncash expenditures in excess of \$750,000 to ensure coverage of at least 25% of federally granted funds. Actual coverage is approximately 39% 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, 2022. 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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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, 2022 were as follows:

HHS Community Services Block Grants	\$ 24,437
USDA Technitrain	11,272
Rural Community Development Initiative	18,359
HUD National Disaster Resilience Competition	22,532
*NeighborWorks Housing Stability Counseling Program	659,846
HUD Housing Counseling, Rural Capacity Building	658,410
Non-Federal Award Program Grants and Pass-through Awards	<u>1,505,302</u>
Total Grants and Pass-through Awards	\$ <u>2,900,158</u>

*Assistance Listing Numbers: Housing Stability Counseling Program funds were made available through the American Rescue Plan Act of 2021 (Public Law 117.2) and are administered by NeighborWorks America. NeighborWorks America is a public, Congressionally-chartered nonprofit organization that receives a direct federal appropriation. NeighborWorks America is not a federal agency and at present does not have an Assistance Listing Number assigned by the Office of Management & Budget. Consistent with guidance provided to NeighborWorks America by the federal Audit Clearinghouse, Grantees and sub-recipients of the Housing Stability Counseling Program subject to the Single Audit Act are instructed to use the following AL Number for their housing Stability Counseling Program grant funds: 99.U19- not reported on SEFA as we treat it as revenue with Donor restrictions

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>AL Number</u>	<u>Federal Expenditures</u>
10.446	\$ 238,677
10.761	1,916,419
10.890	90,430
12-31ME-18-C-0005	2,599,728
14.169	1,203,047
14.252	17,363
14.265	423,688
66.424	1,468,346
66.468	2,095,165
93.569	309,671



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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. \$72,000 and \$564,000 were disbursed in FY22 and FY21 respectively.

On June 28, 2022, RCAC received a \$690,000 award from the U.S. Treasury, Community Development Financial Institution (CDFI) for lending capital to be lent to qualified borrowers. As of September 30, 2022, \$690,000 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, 2022, \$60,000 was disbursed.

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. None and \$984,736 were disbursed in FY22 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 2022, \$865,000 was disbursed.

On September 20, 2022, RCAC received a \$4,275,000 award from the U.S. Treasury, Capital Magnet Fund (CMF) for lending capital to be lent to qualified borrowers. As of September 2022, none of these funds have been 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, 2022, \$219,649 was 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. \$33,533 was obligated to DWS #1. None and \$68,567 were disbursed in FY22 and FY21 respectively.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

NOTE 8: GRANTS TO LENDING CAPITAL (Continued)

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, 2022, \$6,337 was 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, 2022, \$160,008 and \$56,219 were disbursed in FY22 and FY21 respectively.

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 2022, 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. As of September 2022, \$367,103 was disbursed.

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, 2022, \$451,060 was disbursed.



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF FEDERAL AWARD PASS-THROUGH AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Assistance Listing</u>	
U.S. Department of Health and Human Services		
Community Services Development Block Grant 21/22	93.569	
Blue Sky Center		\$ 4,318
Mammoth Lakes Housing, Inc.		16,000
Self-Help Enterprises		<u>4,118</u>
Total U.S. Department of Health and Human Services		<u>24,436</u>
U.S. Department of Agriculture		
Technitrain National Demonstration Water Project 22	10.761	
Self-Help Enterprises		11,271
Rural Community Development Initiative	10.446	
Blue Sky Sustainable living Center		6,634
Foundation for Little Colorado Revitalization		5,765
Shiprock Community Development Corp		4,200
Southwest Colorado Council of Govts.		<u>1,760</u>
Total U.S. Department of Agriculture		<u>29,630</u>
U.S. Department of Housing and Urban Development		
California Department of Housing Community Development	14.272	
Impact Finance Center		18,957
Mother Lode Job Training		<u>3,575</u>
Total California Department of Housing Community Development		<u>22,532</u>
Rural Capacity Building Program:	14.265	
Blue Sky Center		19,608
Dry Creek Rancheria Band of Pomo Indians		20,000
Growraton!/Greater Raton Econ Dev Corp.		5,409
Homestead Community Dev Corp.		237
Peninsula Housing Authority		4,950
Plenty Doors Community Development Corp.		4,215
Plumas County Community Development Commission		9,360
Rio Arriba County		1,506
Samaritan Housing, Inc.		<u>12,223</u>
Total Rural Capacity Building Program:		<u>77,508</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF FEDERAL AWARD PASS-THROUGH AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>AL</u>	
Housing Counseling 2020/2021:	14.169	
Access		48,745
Comite de Bien Estar, Inc.		28,537
Community Housing Council of Fresno		85,258
Community In Action		13,308
Hawaiian Community Assets, Inc.		35,402
Homes Fund		48,500
Housing Solutions of Northern Arizona		46,544
Inland Fair Housing and Mediation Board		39,477
Lutheran Social Services of Southern California		30,588
Nanakuli Housing Corporation		33,144
National Affordable Housing Network		37,782
Neighborhood Nonprofit Housing Corporation		32,632
Northern Circle Indian Housing Authority		5,656
Ventura County Community Development Corporation		44,452
Western Arizona Council of Governments		<u>50,876</u>
 Total Housing Counseling 2020/2021		 <u>580,901</u>
 Total U.S. Department of Housing and Urban Development		 <u>680,941</u>
 NeighborWorks Housing - Stability Counseling Program	 99.U19	
Comite de Bien Estar, Inc.		25,074
Community Housing Council of Fresno		304,520
Hawaiian Community Assets, Inc.		156,977
Lutheran Social Services of So. Cal.		117,387
Ventura County Community Dev. Corp.		40,185
Western Arizona Council of Govt.		<u>15,704</u>
 Total NeighborWorks Housing - Stability Counseling Progra		 <u>659,847</u>
 Total Federal Award Pass-through Expenditures		 <u>\$ 1,394,854</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULES OF INDIRECT COSTS BY EXPENDITURE TYPE
FOR THE YEARS ENDED SEPTEMBER 30, 2022, AND 2021**

Expenditures:	2022	2021
Direct salaries	\$ 2,277,910	\$ 2,141,234
Fringe benefits	1,062,814	991,066
Consulting	622,711	547,027
Consumable supplies	148,818	37,753
Project specific expense - supplies	424	2,019
Telephone	250,108	53,363
Project specific expense - telephone	-	104
Postage	26,420	3,049
Project specific expense - postage	2,870	1,445
Office space	492,308	109,592
Equipment rental & maintenance	115,896	21,245
Printing and copying	8,051	1,656
Staff educational materials	2,006	100
Other training costs	180,478	37,443
Travel	165,367	(2,581)
Depreciation	53,225	42,405
Insurance	108,170	93,776
Dues and subscriptions	21,016	29,237
Conference registration/staff training	12,296	61,699
Taxes, licenses and fees	9,809	8,824
Recruitment	<u>123,165</u>	<u>24,247</u>
Total indirect costs	<u>\$ 5,683,862</u>	<u>\$ 4,204,703</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULES OF INDIRECT COST RATES
FOR THE YEARS ENDED SEPTEMBER 30, 2022, AND 2021**

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

	<u>2022</u>	<u>2021</u>
Total expenditures	\$ 28,246,492	\$ 23,789,909
Less: indirect costs	<u>(5,683,862)</u>	<u>(4,204,703)</u>
Total direct costs	<u>22,562,630</u>	<u>19,585,206</u>
Excluded items		
Contributions	10,938	9,120
Capitalization of eligible development costs	(215,051)	(179,251)
Consultants excluded from indirect	1,040,378	195,703
Depreciation	266,747	64,605
Bank service charge	33,743	40,166
Interest on notes payable	2,253,343	1,809,470
Grants excluded from indirect	1,256,431	454,230
Scholarship	46,900	53,166
Provision for bad debt	143	-
Provision for loan loss	-	1,375,000
Rental operations	<u>105,193</u>	<u>114,354</u>
Total excluded items	<u>4,798,765</u>	<u>3,936,563</u>
Total adjusted direct costs	<u>\$ 17,763,865</u>	<u>\$ 15,648,643</u>
Total indirect costs	<u>\$ 5,683,862</u>	<u>\$ 4,204,703</u>
Indirect cost rate	<u>32.00%</u>	<u>26.87%</u>

Note: RCAC's Negotiated Indirect Cost Rate Agreement (NICRA) with the U.S. Government is a predetermined rate of 32.00% and 24.87% for the years ended September 30, 2022 and 2021.

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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, 2022 and 2021, 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 20, 2022.

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, Urrutia, Nelson CPAs

Sacramento, California
December 20, 2022



**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

Opinion on Each Major Federal Program

We have audited Rural Community Assistance Corporation's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, Rural Community Assistance Corporation 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Rural Community Assistance Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Rural Community Assistance Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Rural Community Assistance Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Rural Community Assistance Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Rural Community Assistance Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Rural Community Assistance Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Rural Community Assistance Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Rural Community Assistance Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Firm's Signature

Mann, Urrutia, Nelson CPAs

Sacramento, California
December 20, 2022



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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:

AL	Name of Federal Program
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.