



Rural Community Assistance Corporation



Consolidated Financial Statements

with Supplementary Information Including Federal Government Reports and Findings

September 30, 2023 and 2022

A site visit to Copco Lake MWC Generators Project in Siskiyou County, California. Photo credit: Victor Coronado, RCAC.



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Rural Community Assistance Corporation (a nonprofit organization), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rural Community Assistance Corporation as of September 30, 2023 and 2022, 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 audits were conducted for the purpose of forming an opinion on the consolidated 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 19, 2023, 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.

MUN CPAs, LLP

Sacramento, California
December 19, 2023



**RURAL COMMUNITY ASSISTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2023, AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
<u>Current assets:</u>		
Cash and cash equivalents unrestricted (Notes 2 & 3)	\$ 40,810,017	\$ 58,343,345
Cash and cash equivalents restricted (Notes 2 & 3)	32,602,048	26,184,027
Investments unrestricted (Note 3)	217,733	324,087
Investments restricted (Note 3)	289,519	248,961
Receivables, prepaids & deposits (Note 7)	15,406,392	9,341,663
Loans receivable - current portion (Note 5)	35,056,752	43,670,857
Allowance for loan loss - current (Note 6)	(3,489,754)	(3,207,940)
Land & property held for sale (Note 8)	<u>225,000</u>	<u>225,000</u>
Total current assets	<u>121,117,707</u>	<u>135,130,000</u>
<u>Non-current assets:</u>		
Loans receivable - non current portion (Note 5)	72,514,243	59,733,602
Allowance for loan loss - non current (Note 6)	(4,409,276)	(4,701,000)
Loans receivable - forgivable (Note 5)	2,672,258	1,720,180
Other non-current assets (Notes 11 & 12)	1,460,474	1,308,893
Land held for investment (Note 3 and 8)	1,900,000	1,900,000
Land, building, & equipment, net accumulated depreciation (Note 8)	<u>1,419,209</u>	<u>1,617,160</u>
Total non-current assets	<u>75,556,908</u>	<u>61,578,835</u>
Total assets	<u>\$196,674,615</u>	<u>\$196,708,835</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, 2023, AND 2022

	2023	2022
LIABILITIES AND NET ASSETS		
<u>Current liabilities:</u>		
Accounts payable and accrued expenses	\$ 2,951,454	\$ 3,171,331
Grants payable (Note 2)	87,631	87,631
Notes payable - current portion (Note 9)	<u>17,923,758</u>	<u>14,040,376</u>
Total current liabilities	<u>20,962,843</u>	<u>17,299,338</u>
Notes payable - less current portion (Note 9)	79,530,104	90,952,369
Bonds payable (Note 12)	1,300,000	1,300,000
Deferred loans - forgivable (Note 5)	2,672,258	1,720,180
Other long-term liabilities (Notes 10 & 11)	<u>295,006</u>	<u>248,962</u>
Total long-term liabilities	<u>83,797,368</u>	<u>94,221,511</u>
Total liabilities	<u>104,760,211</u>	<u>111,520,849</u>
<u>Net assets:</u>		
<u>Without donor restrictions:</u>		
General unrestricted net assets	8,531,005	5,812,622
Board designated fund	33,600,000	30,700,000
Vector fund	<u>5,000,000</u>	<u>5,000,000</u>
Total net assets without donor restrictions	<u>47,131,005</u>	<u>41,512,622</u>
<u>With donor restrictions: (Note 13)</u>		
Time restricted-lending capital	21,853,521	20,629,538
Purpose restricted-other	<u>22,929,878</u>	<u>23,045,826</u>
Total net assets with donor restrictions	<u>44,783,399</u>	<u>43,675,364</u>
Total net assets	<u>91,914,404</u>	<u>85,187,986</u>
Total liabilities and net assets	<u>\$196,674,615</u>	<u>\$196,708,835</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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenue:			
Grants and contracts	\$ 21,760,083	\$ 9,573,960	\$ 31,334,043
Loan fees revenue	952,489	-	952,489
Loan servicing fees revenue	293,752	-	293,752
Interest on loans	3,591,147	1,111,020	4,702,167
Revenue from partnerships	69,274	-	69,274
Investment income (Note 3)	2,176,179	1,342,558	3,518,737
Rental and other income	106,945	-	106,945
Net assets released from restrictions	<u>10,919,503</u>	<u>(10,919,503)</u>	<u>-</u>
Total revenue	<u>39,869,372</u>	<u>1,108,035</u>	<u>40,977,407</u>
Expenses:			
Program expenses:			
Loan fund	6,306,633	-	6,306,633
Housing	3,608,155	-	3,608,155
Community & environmental	14,068,413	-	14,068,413
Other	<u>2,587,421</u>	<u>-</u>	<u>2,587,421</u>
Total program expenses	26,570,622	-	26,570,622
Fundraising	267,413	-	267,413
Management & general	7,294,246	-	7,294,246
Rental operations	<u>118,708</u>	<u>-</u>	<u>118,708</u>
Total expenses	<u>34,250,989</u>	<u>-</u>	<u>34,250,989</u>
Increase in net assets	5,618,383	1,108,035	6,726,418
Net assets at September 30, 2022	<u>41,512,622</u>	<u>43,675,364</u>	<u>85,187,986</u>
Net assets at September 30, 2023	<u>\$ 47,131,005</u>	<u>\$ 44,783,399</u>	<u>\$ 91,914,404</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
Loss from partnership	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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Program Expenses					Management & General	Rental Operations	Total
	Loan Fund	Housing	Community & Environmental	Other	Fundraising			
Direct salaries (Note 2)	\$ 1,467,215	\$ 1,830,358	\$ 6,476,192	\$ 864,057	\$ 181,707	\$ 2,839,493	\$ 19,544	\$ 13,678,566
Fringe benefits	693,033	864,518	3,051,401	408,539	85,706	1,339,276	9,373	6,451,846
Project specific expense-fringe benefits	-	-	-	-	-	13,696	-	13,696
Consultants	155,063	246,973	2,359,145	754,053	-	759,997	-	4,275,231
Consumable supplies	-	-	-	-	-	182,933	-	182,933
Project specific expense-supplies	1,263	1,292	41,992	2,705	-	5,765	7,498	60,515
Telephone	-	-	-	-	-	323,591	-	323,591
Project specific expense - telephone	1,024	46	292	-	-	-	-	1,362
Postage	-	-	-	-	-	17,707	-	17,707
Project specific expense-postage	10,120	1,885	33,118	181	-	2,242	-	47,546
Office space (Note 2)	-	-	-	-	-	514,265	-	514,265
Equipment rental/maintenance	-	-	-	-	-	438,333	-	438,333
Printing & copying	2,921	6,532	70,203	-	-	3,705	-	83,361
Training costs	14,555	42,729	114,549	61,114	-	215,233	-	448,180
Travel	43,659	185,512	878,205	60,617	-	283,729	-	1,451,722
Interest & bond expense (Note 12)	2,081,488	-	-	-	-	-	76,257	2,157,745
Depreciation	-	28,430	-	-	-	47,870	188,833	265,133
Insurance	29,229	-	-	-	-	130,631	51,389	211,249
Dues & subscriptions	25,056	20,704	81,820	179,116	-	52,620	-	359,316
Conference registration & staff training	8,352	21,475	19,524	25,002	-	14,729	-	89,082
Taxes, licenses, fees, and other	66,678	4,697	14,475	179	-	10,724	4,583	101,336
Bank service charges	14,839	3,650	-	14,308	-	-	-	32,797
Recruitment and advertising	-	-	865	-	-	97,707	-	98,572
Grants and pass-through awards	1,691,897	378,553	917,182	79,912	-	-	-	3,067,544
Contributions	100	8,861	-	2,500	-	-	-	11,461
Scholarship	-	71,258	9,450	135,000	-	-	-	215,708
Provision for Bad Debts	141	-	-	-	-	-	-	141
Awards Non-Taxable	-	-	-	138	-	-	-	138
Capitalization of eligible development costs	-	(109,318)	-	-	-	-	-	(109,318)
Other building management	-	-	-	-	-	-	146,909	146,909
Owner occupancy allocated to office space	-	-	-	-	-	-	(385,678)	(385,678)
Total direct expenses	6,306,633	3,608,155	14,068,413	2,587,421	267,413	7,294,246	118,708	34,250,989
Indirect expenses allocated to programs	805,209	1,178,528	3,667,829	569,175	85,572	(6,306,313)	-	-
Total expenses	\$ 7,111,842	\$ 4,786,683	\$ 17,736,242	\$ 3,156,596	\$ 352,985	\$ 987,933	\$ 118,708	\$ 34,250,989

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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023, AND 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from grants and contracts	\$ 25,458,979	\$ 24,250,860
Interest and fees received	9,028,727	5,705,368
Cash received/(paid) from/to partnership	69,274	198,919
Cash received from rental and other activities	106,946	101,215
Cash paid for operating expenses	(32,026,065)	(27,471,864)
Interest paid	<u>(2,081,487)</u>	<u>(2,185,205)</u>
Net cash provided by (used for) operating activities	<u>556,374</u>	<u>599,293</u>
Cash flows from investing activities:		
Loans made to borrowers	(60,304,261)	(36,886,349)
Principal receipts on loans receivable	56,137,726	50,573,340
Purchases of investments	(64,677,619)	(119,449,643)
Proceeds from sale of investments	64,778,538	119,445,328
Purchases of property and equipment	<u>(67,182)</u>	<u>-</u>
Net cash provided by (used for) investing activities	<u>(4,132,798)</u>	<u>13,682,676</u>
Cash flows from financing activities:		
Proceeds from notes payable	2,565,338	8,205,163
Principal payments on notes payable	<u>(10,104,221)</u>	<u>(23,949,905)</u>
Net cash provided by (used for) financing activities	<u>(7,538,883)</u>	<u>(15,744,742)</u>
Increase (decrease) in cash and cash equivalents	(11,115,307)	(1,462,773)
Cash and cash equivalents, beginning of year	<u>84,527,372</u>	<u>85,990,145</u>
Cash and cash equivalents, end of year	<u>\$ 73,412,065</u>	<u>\$ 84,527,372</u>
Supplemental disclosure of cash flow information		
Cash and cash equivalents, without donor restrictions	\$ 40,810,017	\$ 58,343,345
Cash and cash equivalents, with donor restrictions	<u>32,602,048</u>	<u>26,184,027</u>
	<u>\$ 73,412,065</u>	<u>\$ 84,527,372</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, 2023, AND 2022**

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, 2023, AND 2022**

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, 2023 and 2022, RCAC recognized \$19,685 and \$7,567, 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 third 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 owning entity is Courtyard Associates, A Montana Limited Partnership (CALP). 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.

CALP pursued damages dating to 2020 related to construction flaws. In September 2023 CALP agreed to a settlement with a Contractor, sub-Contractor, and Design firm for \$125,000. RILLC expects to receive \$62,500 from the settlement proceeds in RCAC's Fiscal Year 2024 as partial payment against the



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NOTE 1: ORGANIZATION (Continued)

Operating Deficit Loans RILLC made in 2021. The remainder of the RILLC Operating Deficit Loans will be repaid as operating cash flow is available in FY24.

RCAC and Housing Authority of Southeastern Utah are members of Wingate Village GP, LLC, a limited liability company created in September 2018 to be the managing member of Wingate Village Development, LLC 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. The project 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. 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 is closed, 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.

The LLC is now pursuing a home ownership strategy that would serve Native Hawaiians with limited incomes.

RCAC Rooted Equity Fund LLC – Will own loan assets generated by Rooted Relative Fund (Cultural Lending) and other pilot lending activities. RCAC is the sole member. No limited partnership or outside entities involved. This LLC was formed in May 2023 to expand access to capital in Indigenous and other underserved communities.

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, RCAC Rooted Equity Fund LLC, and RCAC Maili, LLC for the years ended September 30, 2023 and 2022. All intercompany accounts and transactions have been eliminated.



**RURAL COMMUNITY ASSISTANCE CORPORATION
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SEPTEMBER 30, 2023, AND 2022**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method:

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

Cash and Cash Equivalents:

RCAC considers all financial instruments 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 excluded from earnings and reported, net of taxes, as accumulated other comprehensive income (loss) within stockholders' equity.
- 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 in 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 are evaluated for impaired on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to 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
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SEPTEMBER 30, 2023, AND 2022**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable:

RCAC loans are to finance projects that serve 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 is 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.

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.



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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, 2023 and 2022.

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 \$1,013,069 and \$826,154 in accrued compensated absences as of September 30, 2023 and 2022, respectively.

Grants Payable:

Grants payable include amounts owed as of September 30, 2023 and 2022 to grantees under 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
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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 determines 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 those 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
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SEPTEMBER 30, 2023, AND 2022**

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 2023 and 2022, 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
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SEPTEMBER 30, 2023, AND 2022**

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. FY23 was our second 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.

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, 2023 and 2022 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, 2023 and 2022, 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
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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, 2023 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 this standard is to improve and simplify the manner in which a not-for-profit entity (NFP) classifies its net assets, as well as the information that it presents in financial statements and notes concerning liquidity, financial performance, and cash flows. ASU No. 2016-14 amends the requirements for financial statements and notes in Topic 958, Not-for-Profit Entities, and requires an NFP to, among other things, (1) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes (i.e., an NFP will report amounts for both net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets); (2) present on the face of the statement of activities the amount of the change in each of the two classes of net assets referenced above, rather than that of the currently required three classes (i.e., an NFP would continue to report the currently required amount of the change in total net assets for the period); and (3) continue to present on the face of the statement of cash flows the net amount for operating cash flows, using either the direct or the indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method. The new requirements were adopted for RCAC's September 30, 2022 year-end.

ASU 2016-02 - Leases (Topic 842):



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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the RCAC's September 30, 2023 year-end. The adoption of this accounting standard has not impacted RCAC's operations or cash flows.

Future Accounting Pronouncements:

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 will be effective for RCAC's September 30, 2024, year-end. Management has not yet determined the impact of this accounting standard on RCAC's operations or financial statements.

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

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

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ <u>73,412,065</u>	\$ <u>73,412,065</u>	\$ <u>84,527,372</u>	\$ <u>84,527,372</u>
Investments:				
Certificates of deposit	270,041	270,041	374,816	374,816
U.S. Government and agencies	3,713	10,060	3,721	9,510
Other investments	<u>128,993</u>	<u>227,151</u>	<u>124,596</u>	<u>188,722</u>
Total investments	<u>402,747</u>	<u>507,252</u>	<u>503,133</u>	<u>573,048</u>
Total cash, cash equivalents and investments	<u>\$ 73,814,812</u>	<u>\$ 73,919,317</u>	<u>\$ 85,030,505</u>	<u>\$ 85,100,420</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
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SEPTEMBER 30, 2023, AND 2022**

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:

	2023		2022	
	Cash	Investments	Cash	Investments
CA State Water Resource Board	\$ 942,807	\$ -	\$ 532,703	\$ -
California Endowment	5,097,052	-	3,234,725	-
First Republic Bank	-	52,408	-	50,829
Joe Serna	-	237,111	-	198,132
KeyBank	2,004,564	-	-	-
PNC Bank	4,796,069	-	2,847,476	-
Rasmuson Foundation	739,275	-	622,742	-
Stewart Title	304,497	-	304,497	-
U.S. Department of Agriculture	6,956,832	-	6,316,513	-
U.S. Department of the Treasury	11,247,448	-	11,941,297	-
U.S. Small Business Administration	10,225	-	9,000	-
US Bank (Formerly Union Bank) (Note 12)	503,279	-	375,074	-
Total restricted cash, cash equivalents and investments	\$ 32,602,048	\$ 289,519	\$ 26,184,027	\$ 248,961

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, 2023, AND 2022**

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>2023</u>	<u>2022</u>
Dividends and interest		
Without donor restrictions	\$ 2,176,179	\$ 443,240
With donor restrictions	<u>1,307,867</u>	<u>131,488</u>
Total Dividends and Interest	3,484,046	574,728
Net Realized Gains (Losses)		
Without donor restrictions	-	-
With donor restrictions	-	380
Change in Unrealized Gains (Losses)		
Without donor restrictions	-	-
With donor restrictions	<u>34,691</u>	<u>(46,642)</u>
Total return on cash and investments	<u>\$ 3,518,737</u>	<u>\$ 528,466</u>

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.



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

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, 2023 and 2022.

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).

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, 2023:

	<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	\$ -	\$ 270,041	\$ -	\$ 270,041
Land held for investment	-	-	1,900,000	1,900,000
U.S. Government and Agencies	10,060	-	-	10,060
Other investments	<u>227,151</u>	<u>-</u>	<u>-</u>	<u>227,151</u>
Total investments at fair value	<u>\$ 237,211</u>	<u>\$ 270,041</u>	<u>\$ 1,900,000</u>	<u>\$ 2,407,252</u>

During the year, RCAC's cash in bank balances exceeded the Federally insured limits of \$250,000 per organization per institution. At September 30, 2023, RCAC's uninsured cash balances totaled \$72,490,035. RCAC has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.



**RURAL COMMUNITY ASSISTANCE CORPORATION
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SEPTEMBER 30, 2023, AND 2022**

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

During the year ending September 30, 2023, 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, 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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4: LIQUIDITY AND AVAILABILITY

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

	<u>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 73,412,065	\$ 84,527,372
Accounts receivable, net	628,359	430,172
Grants & contracts receivables, net	13,688,244	7,732,943
Interest receivable	474,348	912,765
Investments convertible to cash in the next 12 months	<u>507,253</u>	<u>573,048</u>
Total financial assets at year-end	\$ <u>88,710,269</u>	\$ <u>94,176,300</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 10,682,020	\$ 8,650,882
Accounts receivable, net	628,359	430,172
Grants & contracts receivables, net	13,688,244	7,732,943
Interest receivable	474,348	912,765
Investments not encumbered by donor or board restrictions	<u>507,253</u>	<u>573,048</u>
Total financial assets available to meet general expenditures over the next 12 months:	\$ <u>25,980,224</u>	\$ <u>18,299,810</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, 2023, AND 2022

NOTE 5: LOANS RECEIVABLE (Continued)

Loans receivable as of September 30, 2023 and 2022 were composed of the following:

	<u>2023</u>		<u>2022</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	\$ 607,951	11	\$ 5,784,650
Other loans due within 12 months	<u>52</u>	32,100,673	<u>45</u>	34,132,970
Current portion of amortizing loans		<u>2,348,128</u>		<u>3,753,237</u>
Loans receivable current portion	<u>63</u>	<u>35,056,752</u>	<u>56</u>	<u>43,670,857</u>
Non-current receivables				
Non-amortizing				
Loans due in one to five years	39	23,099,022	26	18,974,708
Loans due, more than five, less than ten years	4	153,500	2	128,500
Loans due in more than ten years	17	5,439,851	7	2,321,637
Amortizing	<u>271</u>		<u>302</u>	
Principal due in one to five years		10,279,944		13,661,847
Principal due in five to ten years		6,143,127		7,110,514
Principal due in more than ten years		<u>27,398,799</u>		<u>17,536,396</u>
Loans receivable non-current portion	<u>331</u>	<u>72,514,243</u>	<u>337</u>	<u>59,733,602</u>
Total loans receivable	<u>394</u>	<u>\$107,570,995</u>	<u>393</u>	<u>\$103,404,459</u>
Weighted average maturity (in months)		<u>111</u>		<u>109</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

NOTE 5: LOANS RECEIVABLE (Continued)

	<u>2023</u>		<u>2022</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	58	\$ 44,536,254	51	\$ 35,724,712
Low income housing - other security	1	469,000	4	3,045,934
Community facilities - real estate secured	32	22,048,968	31	20,886,636
Community facilities - other security	5	437,067	5	468,903
Water/wastewater/solid waste systems	218	18,955,441	218	20,229,930
Small business loans	80	21,124,265	83	23,048,344
Nonprofit operating lines of credit	-	-	1	-
Total loans receivable	<u>394</u>	<u>\$ 107,570,995</u>	<u>393</u>	<u>\$ 103,404,459</u>

	<u>2023</u>		<u>2022</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	16	\$ 3,775,400	8	\$ 2,387,106
1%	146	7,179,279	169	11,626,674
2.00%-2.99%	3	971,765	3	972,897
3.00%-3.99%	40	4,974,755	35	4,688,035
4.00%-4.99%	26	20,654,371	23	19,198,688
5.00%-5.99%	133	59,816,005	125	61,381,671
6.00%-6.99%	8	7,870,552	7	1,032,868
7.00%-9.50%	<u>22</u>	<u>2,328,868</u>	<u>23</u>	<u>2,116,520</u>
Total loans receivable	<u>394</u>	<u>\$ 107,570,995</u>	<u>393</u>	<u>\$ 103,404,459</u>

Weighted average interest rate	<u>4.59%</u>	<u>4.39%</u>
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**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

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>2023</u>		<u>2022</u>	
	<u>Number of Loans</u>	<u>Loans Receivable</u>	<u>Number of Loans</u>	<u>Loans Receivable</u>
Default	2	\$ 6,996,547	2	\$ 5,733,733
Doubtful	3	3,713,871	3	3,784,378
Substandard	-	-	-	-
Special mention	-	-	-	-
Total criticized asset loans	<u>5</u>	<u>\$10,710,418</u>	<u>5</u>	<u>\$ 9,518,111</u>
Percent of total loan receivable portfolio		<u>10%</u>		<u>9%</u>
Related allowance for loan loss		<u>\$ 2,402,309</u>		<u>\$ 2,118,927</u>
Total allowance for loan loss		<u>\$ 7,899,030</u>		<u>\$ 7,908,940</u>
Percent of total allowance for loan loss		<u>30%</u>		<u>27%</u>

Non-accrual loans:

As of September 30, 2023, RCAC had one loan on non-accrual status with a balance of \$175,862 and two loans on non-accrual status with a balance of \$5,733,733 as of September 30, 2022.

As of September 30, 2023, RCAC had zero interest income foregone from loans on non-accrual status and \$46,654 interest income foregone from the loans on non-accrual as of September 30, 2022.

On July 19, 2023, RCAC made a loan of \$85,000 to Trauma Recovery Services of Arizona, PLLC, an Arizona corporation. \$45,000 of that loan was advanced to the borrower at the same time. The loan was intended to be assigned to RCAC Rooted Equity Fund, LLC which was formed but did not have a Federal Tax ID number at that time. The transfer was made in November of the subsequent fiscal year. The \$45,000 loan was categorized as Non-current Assets - Non-amortizing - Loans Due in one to five years.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

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 the 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>2023</u>		<u>2022</u>	
	<u>Number of Forgivable Loans</u>	<u>Amount</u>	<u>Number of Forgivable Loans</u>	<u>Amount</u>
Forgivable loans	<u>129</u>	<u>\$ 2,672,258</u>	<u>89</u>	<u>\$ 1,720,180</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, 2023, AND 2022

NOTE 6: ALLOWANCE FOR LOAN LOSS (Continued)

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

	<u>2023</u>	<u>2022</u>
Beginning of year	\$ 7,908,940	\$ 7,915,000
Additions to allowance	60	-
Charges against allowance	<u>(9,970)</u>	<u>(6,060)</u>
Allowance for loan losses	<u>\$ 7,899,030</u>	<u>\$ 7,908,940</u>
Allowance/loans receivable	<u>7.35%</u>	<u>7.65%</u>
Consisting of allowance for:		
Current loans receivable	\$ 3,489,754	\$ 3,207,940
Noncurrent loans receivable	<u>4,409,276</u>	<u>4,701,000</u>
Total allowance for loan loss	<u>\$ 7,899,030</u>	<u>\$ 7,908,940</u>

RCAC expensed no provision for loan loss during the fiscal years ended September 30, 2023 and 2022, respectively.

RCAC made an adjustment of \$60 in the first quarter to round off the Allowance for Loan Loss.

Other activity in the allowance for loan loss during the year ended September 30, 2023 consisted of:

RCAC wrote off a loan to a New Mexico limited liability company for a Line of Credit. The loan was unsecured. The loan balance was \$9,970. The loan had defaulted. This transaction resulted in a charge to the Allowance for loan loss in the amount of \$9,970.

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 the 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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

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	2023		Coverage/loan Receivable Ratio
	Loans receivable	Primary loss coverage	
USDA Community Facility or Business & Industry guarantee	\$ 10,285,218	\$ 6,528,983	63.48%
Golden State Acquisition Fund	5,264,620	1,172,684	22.27%
State of California Small Business Credit Initiative guarantee	307,796	246,237	80.00%
Small Business Administration guarantee	1,985,315	1,808,442	91.09%
Bureau of Indian Affairs guarantee	<u>1,283,338</u>	<u>1,155,005</u>	<u>90.00%</u>
Total loans with guarantees	<u>\$ 19,126,287</u>	<u>\$ 10,911,351</u>	<u>57.05%</u>
	2022		
Name of loan/guarantee program	Loans receivable	Primary loss coverage	Coverage/loan Receivable Ratio
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	<u>1,314,799</u>	<u>1,183,319</u>	<u>90.00%</u>
Total loans with guarantees	<u>\$ 13,944,050</u>	<u>\$ 11,804,983</u>	<u>84.66%</u>

RCAC is a participant in the Community Advantage (CA) Pilot Program Loan Guaranty Agreement with the Small Business Administration (SBA). Under the terms of the SBA CA program, the SBA provides a guaranty under its 7(a) loan program covering risk of loss against approved loans meeting program requirements. The Guaranty covers 85% of loans originated for less than \$150,000 and 75% guaranty for loans greater than \$15,000 and less than \$250,000. The maximum interest rate allowable under these loans is prime rate plus 6 percent. The SBA CA program requires the establishment of loan reserves equal to at least 5% of the unguaranteed portion of the SBA CA portfolio. At September 30, 2023 and 2022, RCAC was in compliance with all compliance requirements.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

NOTE 7: RECEIVABLES, PREPAIDS, AND DEPOSITS:

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

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 628,359	\$ 430,172
Grants & contracts receivable, net	13,688,244	7,732,943
Interest receivable	474,348	912,765
Prepaids, deposits, & other	<u>615,441</u>	<u>265,783</u>
Total receivables, prepaids and deposits	<u>\$ 15,406,392</u>	<u>\$ 9,341,663</u>

The grants & contract receivable amounts are net of an allowance for doubtful accounts of \$45,000 and \$45,000 as of September 30, 2023 and 2022, respectively.

NOTE 8: LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment was composed of the following at September 30, 2023:

	<u>September 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2023</u>
Land (office building)	\$ 427,000	\$ -	\$ -	\$ 427,000
Office building improvements	4,517,266	59,682	-	4,576,948
Less: Accumulated depreciation	(3,529,589)	(188,833)	-	(3,718,422)
Equipment and software	1,056,372	7,500	-	1,063,872
Less: Accumulated depreciation	<u>(853,889)</u>	<u>(76,300)</u>	<u>-</u>	<u>(930,189)</u>
Total land, building & equipment	<u>\$ 1,617,160</u>	<u>\$ (197,951)</u>	<u>\$ -</u>	<u>\$ 1,419,209</u>

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

	<u>September 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2022</u>
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	<u>(743,805)</u>	<u>(110,084)</u>	<u>-</u>	<u>(853,889)</u>
Total land, building & equipment	<u>\$ 1,739,992</u>	<u>\$ (122,832)</u>	<u>\$ -</u>	<u>\$ 1,617,160</u>

Depreciation expense for the years ended September 30, 2023 and 2022 was \$265,133 and \$319,972, respectively.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

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

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

	<u>2023</u>	<u>2022</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>2023</u>	<u>2022</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, 2023, AND 2022

NOTE 9: NOTES PAYABLE

Notes payable consisted of the following at September 30:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>2023</u>	<u>2022</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
Ballyhall Trust	2.50 %	Dec 2026	1,500,000	1,500,000
Bank of America	3.00 %	June 2026	-	2,000,000
Bank of America-CF Relending Collateral	1.00 %	Jan 2025	988,906	1,483,358
BMO Bank N.A.	2.00 %	Aug 2027	1,500,000	1,500,000
BSW Wealth Partners	2.00 %	Mar 2024	500,000	500,000
California Coalition for Rural Housing	2.75 %	Feb 2023	1,500,000	1,500,000
California Wellness Foundation	3.00 %	Dec 2025	1,000,000	1,000,000
CDFI Community Investment Fund I, LLC	3.00 %	May 2032	1,000,000	1,000,000
Christensen Fund	2.00 %	Aug 2027	150,000	190,000
CIT Bank, N.A.	2.75 %	April 2026	3,500,000	3,500,000
Colorado Capital Management	2.50 %	Dec 2026	75,000	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
Delsar LLC	2.50 %	Apr 2026	1,000,000	1,000,000
Dominican Sisters of Hope	2.00 %	June 2026	50,000	50,000
First Republic Bank	2.75 %	May 2023	-	3,000,000
GSAF, LLC (Note 1)	2.00 %	Dec 2029	1,172,788	308,700
Hawai'i Community Foundation	1.00 %	Aug 2032	1,000,000	1,000,000
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	606,625
Kalliopeia Foundation	2.50 %	Mar 2026	2,000,000	2,000,000
Mechanics Banks	2.66 %	Aug 2024	2,000,000	2,000,000
Mercy Investment Services, Inc.	3.00 %	Dec 2022	1,500,000	1,000,000
Merrick Bank Corporation	2.75 %	Sept 2023	1,000,000	1,000,000
National Housing Law Project	2.75 %	Mar 2025	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	1,130,000
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



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022

NOTE 9: NOTES PAYABLE (Continued)

	<u>Interest Rate</u>	<u>Maturity</u>	<u>2023</u>	<u>2022</u>
Plumas Bank	2.50 %	July 2032	50,000	50,000
PNC Bank	2.75 %	Jan 2029	6,000,000	6,000,000
Providence St. Joseph Health System	3.00 %	June 2026	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	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
Sisters of St. Francis of Philadelphia	1.00 %	Oct 2022	-	50,000
Sisters of the Holy Names of Jesus and Mary	2.00 %	Nov 2024	250,000	250,000
The California Endowment	- %	Mar 2032	11,700,000	11,700,000
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	750,000
The Grove Foundation	2.00 %	Sept 2024	500,000	500,000
The Northern Trust Company	2.00 %	Mar 2027	1,000,000	1,000,000
The Oregon Community Foundation	3.00 %	Jun 2026	1,000,000	1,000,000
The Sustainability Group of Loring, Wolcott & Coolidge	2.50 %	Various	400,000	400,000
The Winlo Trust Dated September 28, 2021	2.50 %	Mar 2024	1,000,000	1,000,000
Tiedemann Advisors	2.00%- 2.625%	Various	1,840,000	1,740,000
Trillium Asset Management	2.00% - 2.50%	Various	1,465,000	1,465,000
Trinity Health Corporation	2.50 %	Dec 2023	1,500,000	1,500,000
Umpqua Bank	2.00 %	Various	1,450,000	1,450,000
US Bank	3.00 %	April 2024	1,000,000	1,000,000
US Department of Agriculture, CF Relending	2.38 %	Dec 2056	11,555,255	11,822,628
US Department of Agriculture, IRP 2	1.00 %	Mar 2025	167,069	249,474
US Department of Agriculture, IRP 3	1.00 %	Sept 2038	441,340	468,492
US Department of Agriculture, IRP 4-A	1.00 %	Aug 2039	468,492	495,376
US Department of Agriculture, IRP 4-B	1.00 %	Dec 2039	165,123	173,996
US Department of Agriculture, IRP 5	1.00 %	Sept 2041	521,993	548,348
US Department of Agriculture, IRP 6	1.00 %	Jan 2044	320,147	333,789
US Department of Agriculture, IRP 7	1.00 %	Nov 2044	834,472	868,240
US Department of Agriculture, IRP 8	1.00 %	Sept 2047	450,837	467,388
US Department of Agriculture, IRP 9	1.00 %	Sept 2048	934,776	967,550
US Department of Agriculture, IRP 10	1.00 %	Oct 2049	996,390	1,000,000
US Department of Agriculture, IRP 11	1.00 %	Nov 2050	1,000,000	451,060
US Department of Agriculture, IRP 12	1.00 %	Mar 2053	415,148	-
US Department of Treasury, CDFI Fund	1.95 %	June 2028	558,864	558,864



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

NOTE 9: NOTES PAYABLE (Continued)

	<u>Interest Rate</u>	<u>Maturity</u>	<u>2023</u>	<u>2022</u>
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			97,453,862	104,992,745
Less: amounts payable within one year			<u>(17,923,758)</u>	<u>(14,040,376)</u>
Notes payable, net current portion			<u>\$ 79,530,104</u>	<u>\$ 90,952,369</u>
Weighted average maturity (monthly)			<u>106</u>	<u>107</u>
Weighted average interest rate			<u>2.05%</u>	<u>2.08%</u>

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

<u>Year Ended September 30,</u>	
2024	\$ 17,923,758
2025	5,164,178
2026	20,348,393
2027	10,228,477
2028	4,925,241
Thereafter	<u>38,863,815</u>
Total	<u>\$ 97,453,862</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, 2023 and 2022. The line of credit expires (or renews) on April 30, 2024. During the years ending September 30, 2023 and 2022, 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, 2023 and 2022.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

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 \$105,403 and \$110,103 as of September 30, 2023 and 2022, respectively, is included on the consolidated balance sheets in other long-term liabilities.

NOTE 11: RETIREMENT AND DEFERRED COMPENSATION PLANS

RCAC maintains a tax-deferred annuity plan qualified under section 403(b) of the Internal Revenue Code (IRC). All employees may make voluntary pre-tax contributions to the plan, up to the maximum amount allowed by the Internal Revenue Service. Under the plan, RCAC may also contribute to the account of eligible participants. Employees become eligible for RCAC contributions after six months of full-time employment. The RCAC employer contribution was 4% and 4%, based on qualified employee gross salaries for the years ended September 30, 2023 and 2022, respectively. The retirement plan expense recognized by RCAC (as a component of fringe benefits) for the years ended September 30, 2023 and 2022 was \$577,161 and \$497,590, 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, 2023 and 2022 were \$189,603 and \$138,859, respectively. The asset is included in other non-current assets on the consolidated balance sheets and the corresponding liability is included in other long-term liabilities.

NOTE 12: BONDS PAYABLE

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

On June 2, 2014 RCAC initiated a partial redemption of the bonds in the amount of \$800,000. On July 16, 2014, an alternate letter of credit, with an annual fee of 1.45%, was issued in the amount of \$2,060,033 by Union Bank of California. On December 1, 2020, a principal payment was made in the amount of \$730,000. The letter of credit is secured by a first lien position on the aforementioned headquarters building and expires on June 1, 2029.

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



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

NOTE 12: BONDS PAYABLE (Continued)

RCAC capitalized bond issuance cost of \$96,462, and US Bank (Formerly Union Bank) 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, 2023 and 2022.

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

	2023	2022
Bond related assets		
Bank balance in bond sinking fund	\$ 401,143	\$ 258,729
Unamortized bond issuance costs	21,897	25,755
Unamortized letter of credit origination	26,776	31,399
Land, building, improvements, net	1,419,208	1,617,160
Total bond related assets	\$ 1,869,024	\$ 1,933,043
Bond related liabilities		
Bonds payable	\$ 1,300,000	\$ 1,300,000

Bond related expenses consisted of the following at September 30:

	2023	2022
Amortization of bond and letter of credit costs	\$ 8,482	\$ 8,482
Letter of credit fees	20,301	15,763
Interest expense	40,474	8,182
Trustee and administration fees	7,000	8,040
Total bond expenses	\$ 76,257	\$ 40,467
Interest rate range, rate determined weekly	1.72% - 4.54%	0.08% - 2.50%
Weighted average annualized interest rate	3.11%	0.63%
Weighted average bond annualized expense rate	5.87%	3.11%



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

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 US Bank (Formerly Union Bank). Per the agreement, the following are the annual sinking fund payments:

<u>Year Ended September 30,</u>	
2024	\$ 146,247
2025	151,251
2026	156,252
2027	161,247
2028	165,000
Thereafter	123,730
Total	\$ 903,727

NOTE 13: NET ASSETS WITH DONOR RESTRICTIONS

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

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

	<u>2023</u>	<u>2022</u>
<u>Lending capital - subject to the passage of time</u>		
Banner Bank	\$ 119,562	\$ 119,562
Biomass Utilization Fund	1,349,052	-
California Endowment (Sinking Fund - accumulated earnings)	4,027,040	3,605,209
California Endowment (Polanco Park)	545,000	-
California State Water Resources Control Board	36,152	75,754
Relief funds	326,139	326,139
State of Idaho	421,491	312,586
USDA Rural Utility Service	7,041	56,219
USDCEA Revolving Loan Fun	920,000	-
U.S. Treasury, Capital Magnet Fund	10,095,709	12,608,761
U.S. Treasury, CDFI Fund	3,676,265	3,230,265
Wells Fargo Foundation	330,070	295,043
Total net assets with donor restrictions-lending capital	21,853,521	20,629,538



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

NOTE 13: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2023</u>	<u>2022</u>
Other - subject to expenditure for specified purpose supports various environmental and housing programs		
Ally Bank	\$ -	\$ 24,727
Bank of America	175,967	193,236
Biomass Utilization Fund	2,567,778	-
California Endowment (Tall Trees)	640,000	640,000
California Endowment	238,801	750,474
California State Water Resources Control Board	333,310	510,388
California Wellness Foundation	-	58,725
Capital One Service	9,287	22,897
Charles Schwab Bank	-	28,955
CIT Bank	-	2,600
COBANK	50,000	50,000
Comm. Dev. Corp. of Brownsville	497,774	257,748
Environmental Defense Fund	66,391	-
FAHE Strength in Numbers	922,084	93,567
FB Heron Foundation	8,584	150,000
JP Morgan Chase	34,582	-
Joe Serna Jr Farmworker Housing Loan Servicing Fund	1,237,111	1,198,132
Kauffman Foundation	176,669	218,811
KeyBank Foundation	50,000	-
Lift to Rise	-	75,000
Mary Reynolds Babcock Foundation	861,938	908,062
MacKenzie Scott	12,937,412	14,470,304
Morgan Stanley Bank, NA	55,891	10,505
NeighborWorks America	178,614	59,324
Opportunity Finance Network	100,000	147,218
RCAP, Inc.	245,000	245,000
State of Idaho	29,822	22,500
Tides Foundation - Bare Bones	237,424	343,500
USDA Rural Development	-	74
USDA Rural Utility Service	7,910	160,008
U.S. Bank	80,777	83,167
U.S. Treasury, Capital Magnet Fund	477,740	536,730
Union Bank	5,065	57,882
W K Kellogg Foundation	-	180,632
Water Foundation	161,143	-
Wells Fargo Foundation	515,125	1,383,765
Yocha Dehe Wintun Nation	-	77,086
Other various donors	<u>27,679</u>	<u>84,809</u>
Total other - subject to expenditure for specified purpose supports various environmental and housing programs	<u>22,929,878</u>	<u>23,045,826</u>
Total net assets with donor restrictions	<u>\$ 44,783,399</u>	<u>\$ 43,675,364</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

NOTE 14: CONCENTRATION OF REVENUE SOURCES

During the fiscal years ended September 30, 2023, and 2022, RCAC's operations and program activities were funded by the following sources of revenue:

	<u>2023</u>	<u>2022</u>
Revenue with donor restrictions		
Housing Community Development	\$ 4,823,630	\$ -
Investment Income with Donor Restrictions	1,342,559	85,226
U.S. Treasury, CDFI Fund	1,160,000	690,000
FAHE	1,150,676	177,500
Loan Interest Income With Donor Restrictions	1,111,020	1,134,788
U.S. Department of Commerce	920,000	-
Wells Fargo Foundation	600,000	650,000
Water Foundation	350,000	-
Worth Implementation PRT	257,500	257,500
Idaho Septic System Grant, State of Idaho	131,405	189,269
Environmental Defense Fund	113,000	51,500
Morgan Stanley Bank	100,000	20,000
U.S. Bankcorp Foundation	80,000	57,500
The Bank of America Corporation	70,000	70,000
Keybank Foundation	50,000	-
American Express	50,000	50,000
Capital One	40,000	40,000
JP Morgan Chase Foundation	35,000	35,000
Mechanics Bank	20,000	-
California Bank and Trust	10,000	7,500
County of San Diego	7,000	-
Campbell Foundation	5,000	-
Capitol Magnet Fund	-	4,500,000
Tides Foundation Bare Bones	-	350,000
Yocha Dehe Winrun Nation	-	170,000
W.K. Kellogg Foundation	-	168,131
FB Heron Foundation	-	150,000
Kauffman Foundation	-	125,000
Opportunity Finance Network	-	100,000
Charles Schwab	-	70,000
Union Bank	-	50,000
Ally Bank	-	35,000
Umpqua Bank Charitable Foundation	-	15,000
Community Development Corp. Brownsville	-	10,000
Uplift America Fund	-	(85,010)
Keith Campbell Foundation	-	5,000
CA Household Waterwells	(216,680)	186,047
USDA Rural Utilities Service	(145,130)	166,345
NeighborWorks America Corporation	(91,938)	731,298
Community Facilities Relending Program	(31,635)	-
All others	<u>86,131</u>	<u>44,943</u>
Total revenue with donor restrictions	<u>\$ 12,027,538</u>	<u>\$ 10,307,537</u>



RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022

NOTE 14: CONCENTRATION OF REVENUE SOURCES (Continued)

	<u>2023</u>	<u>2022</u>
Grants & contracts without donor restrictions		
U.S. Department of Agriculture	\$ 5,338,124	\$ 5,069,049
U.S. Environmental Protection Agency	5,059,331	4,178,408
U.S. Department of Housing & Urban Development	1,657,912	2,177,376
U.S. Department of Health & Human Services	1,480,231	1,491,439
U.S. Department of Commerce	35,166	12,642
San Diego County Water Authority	697,920	236,384
State Water Resources Control Board	6,280,317	4,168,017
New Mexico Environmental Depart. Drinking Water Bureau	-	146,019
All others	<u>1,211,082</u>	<u>737,653</u>
Total grants & contracts without donor restrictions	\$ <u>21,760,083</u>	\$ <u>18,216,987</u>
Lending income without donor restrictions:		
Loan interest income	\$ 3,591,147	\$ 3,074,316
Loan fees	<u>1,246,243</u>	<u>868,665</u>
Total lending income without donor restrictions:	<u>4,837,390</u>	<u>3,942,981</u>
Other revenue sources		
Investment income without donor restrictions	2,176,178	443,241
(Paid to)/Revenue from partnership	69,273	198,919
Other and rental income	<u>106,945</u>	<u>101,214</u>
Total other revenue sources	<u>2,352,396</u>	<u>743,374</u>
Total revenue with and without donor restrictions	\$ <u>40,977,407</u>	\$ <u>33,210,879</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.

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.



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

NOTE 15: CONCENTRATIONS OF RISK (Continued)

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

NOTE 16: GRANT AND OTHER LIENS

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

	<u>2023</u>		<u>2022</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 20323	<u>6</u>	<u>715,795</u>	<u>5</u>	<u>448,739</u>
Total grants and other liens	<u>13</u>	<u>\$ 1,437,786</u>	<u>12</u>	<u>\$ 1,170,730</u>

Other Liens

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

NOTE 17: OTHER LOAN SERVICING COMMITMENTS

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



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

NOTE 17: OTHER LOAN SERVICING COMMITMENTS (Continued)

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

	<u>2023</u>		<u>2022</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	\$ 29,652,584	46	\$ 30,712,088
Loan servicing provided for loans and grants made by the California Department of Housing and Community Development	4	1,956,800	2	1,050,000
Other loans serviced by RCAC	<u>5</u>	<u>2,433,269</u>	<u>4</u>	<u>2,406,351</u>
Total loan servicing provided to other lenders	<u>55</u>	<u>\$ 34,042,653</u>	<u>52</u>	<u>\$ 34,168,439</u>

NOTE 18: COMMITMENTS AND CONTINGENCIES

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

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

	<u>2023</u>	<u>2022</u>
Undisbursed portion of existing loans	\$ 58,762,299	\$ 20,860,496
Conditional commitments to make new loans	<u>38,279,166</u>	<u>41,393,354</u>
Total	<u>\$ 97,041,465</u>	<u>\$ 62,253,850</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

NOTE 18: COMMITMENTS AND CONTINGENCIES (Continued)

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

Operating Leases: RCAC rents office spaces under operating leases expiring at various dates through 2024. Rent expense under these operating leases amounted to \$135,755 and \$156,288 for the years ended September 30, 2023 and 2022, respectively. The minimum future lease payments over the next five years are as follows:

Year ending September 30:	
2024	\$ 16,800
2025	<u>18,480</u>
Total payments	<u>\$ 35,280</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 2023, \$69,374 was received toward Developer fees.

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). In 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



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

NOTE 18: COMMITMENTS AND CONTINGENCIES (Continued)

CALP.

The Joint Development Agreement dated July 28, 2019 between RCAC and Recapitalization Montana, LLC provided that RCAC receive 54% of the developer fee. RCAC received the full payment of \$254,880 developer fee as of January 2021. Of this amount \$36,836 was recognized as guaranteed fee for guaranteeing the construction loan.

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 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. CALP agreed to a settlement with a Contractor, sub-Contractor and Design firm for \$125,000 in September 2023. RILLC and Recapitalization Montana expect to receive \$62,500 each from the settlement in FY24 to pay down the loan, and the remainder of the loans will be repaid as operating cash flow is available in FY24 and beyond.

Meadowlark Vista Apartments, MT.

RCAC provides a joint and several guaranty of all obligations in the partnership agreement. This includes the obligation for operations and construction completion. As construction was completed in 2021, the construction completion obligation is no longer required. In addition, guarantee coverage of operating deficits up to a maximum of \$78,000 is required in the event of an operational deficit. The operating deficit guaranty terminates after five years provided the last two consecutive years meet the minimum Debt Service Coverage. We currently have an operational shortfall, and it is likely that we will have to cover this shortfall. The amount is currently being determined and is estimated to be \$35,000 or less at this juncture.

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



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

NOTE 18: COMMITMENTS AND CONTINGENCIES (Continued)

Wingate Village Townhomes, UT.

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

In FY23 RCAC did not receive any developer fee or distributions.

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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, 2009, THROUGH 2023

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
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	40,203,696	40,019,903	80,223,599
2021	21,225,735	9,949,802	23,789,909	7,385,628	31,293,241	(9,949,802)	21,343,439	28,729,067	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
2023	28,949,869	10,919,503	34,250,989	5,618,383	12,027,538	(10,919,503)	1,108,035	6,726,418	47,131,005	44,783,399	91,914,404

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, 2023**

<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	\$ 408,309	\$ -
Rural Housing Service Self-Help Housing 22	12-31ME-18-C-0005	2,370,648	2,918
Rural Housing Service Self-Help Housing 23 - 28	12RADA22 R0003	95,793	-
Rural Utilities Service Technical Assistance & Training Project 23 (Pass-through from RCAP)	10.761	1,195,917	12,000
Rural Utilities Service Technical Assistance & Training Project 24 (Pass-through from RCAP)	10.761	47,108	-
Tribal Rural Utilities Service Technical Assistance & Training Project 22 (Pass-through from RCAP)	10.761	75	-
Tribal Rural Utilities Service Technical Assistance & Training Project 23 (Pass-through from RCAP)	10.761	94,774	-
Tribal Rural Utilities Service Technical Assistance & Training Project 24 (Pass-through from RCAP)	10.761	693	-
WasteWater Treatment Works (Pass-through from RCAP)	10.761	365,199	-
Colonias Rural Utilities Service Technical Assistance & Training Project 23 (Pass-through from RCAP)	10.761	222,819	-
Colonias Rural Utilities Service Technical Assistance & Training Project 24 (Pass-through from RCAP)	10.761	38	-
Community Facilities Funding Application TA (Pass-Through from RCAP)	10.890	16	-
Community Facilities TA to Disaster Relief Recipients (Pass-Through from RCAP)	10.766	273	-
Partners for Rural Transformation	10.890	14,032	-
Rural Community Development Initiative 20	10.446	122,557	19,805
Rural Community Development Initiative 21	10.446	110,551	26,902
Rural Community Development Initiative 22	10.446	60,641	-
Solid Waste Management (Pass-through from RCAP) 23	10.762	129,480	-
Rural Business Development Grant UT	10.351	10,747	-
2022 Rural Placemaking Innovation Challenge	10.890	88,380	-
Rural Utilities Service, Household Water Wells	10.862	74	-
Total U.S. Department of Agriculture		<u>5,338,124</u>	<u>61,625</u>

See notes to the Schedule of Expenditures of Federal Awards



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Grantor:	Federal AL Number	Expenditures	Pass-throughs
U.S. Department of Health and Human Services			
Community Services Block Grant 23 (Pass-through from State of California) (Contract # 23F-4303)	93.569	142,618	-
Community Services Block Grant 22 (Pass-through from State of California) (Contract # 22F-5303)	93.569	55,431	6,923
Rural Community Facilities Development 23	93.570	1,281,975	-
Rural Community Facilities Development 22	93.570	<u>207</u>	<u>-</u>
Total U.S. Department of Health and Human Services		<u>1,480,231</u>	<u>6,923</u>
U.S. Department of Commerce			
Economic Adjustment Assistance	11.307	<u>35,166</u>	<u>-</u>
Total U.S. Department of Commerce		<u>35,166</u>	<u>-</u>
U.S. Environmental Protection Agency			
Compliance Advisors for Sustainable Water Systems Office of Compliance FY23	n/a	127,779	-
Compliance Advisors for Sustainable Water Systems Office of Compliance FY24	n/a	11,495	-
Circuit Rider Services for Direct Implementation of the Safe Drinking Water Act Public Water System Supervision Program FY23	n/a	355,505	-
Circuit Rider Services for Direct Implementation of the Safe Drinking Water Act Public Water System Supervision Program FY24	n/a	67,345	-
Tribal Circuit Rider Region 9	n/a	919,296	-
National Priority Area 1 Training & TA for Small Drinking Water Systems	66.424	111,156	-
National Priority Area 1 Training & TA for Small Drinking Water Systems	66.424	1,191,526	-
National Priority Area 3 Improving Water Quality through Training and TA	66.424	76,467	-
National Priority Area 4 Training & TA for Small Drinking Water Systems	66.424	27,920	-
National Priority Area 4 Training & TA for Small Drinking Water Systems	66.424	54,187	-

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, 2023**

<u>Grantor:</u>	<u>Federal AL Number</u>	<u>Expenditures</u>	<u>Pass-throughs</u>
Environmental Finance Center to provide multimedia environmental Finance expertise and outreach to regulate communities to help them meet environmental requirements Region 10	66.203	121,060	-
Environmental Finance Center Region 9	66.203	140,688	-
Environmental Finance Center Region 10 Category 1-Multi	66.603	20,346	-
Environmental Finance Center Region 10 Category 2-BIL Funding	66.203	108,264	-
Environmental Finance Center Region 8 pass through from RCAP	66.203	4,282	-
Innovative Water Infrastructure Workforce Development Program to train and credential drinking water administrative professionals	66.445	6,822	-
Water Boards Leadership Institute Training for the Yurok Tribe	66.604	20	-
EJ Technical Assistance Centers EPA Region 10	66.309	7,013	-
Public Water System Supervision & Training Region 9 (Pass-through from Horsley Witten Group, LLC.)	66.468	30,000	-
Public Water System Supervision & Training Region 9 (Pass-through from Horsley Witten Group, LLC.)	66.468	68,552	-
Waste Water Sanitary Surveys for designated Tribal wastewater systems	66.468	13,593	-
Indian Health Services Blanket purchase order for various trainings	66.468	99,493	-
Water Quality Control Drinking Water TA in Colorado	66.468	27,006	-
Environmental Quality TA as directed by AZDEQ	66.468	109,639	-
Environmental Quality TA as directed by AZDEQ	66.468	14,656	-
New Mexico Environmental Department	66.468	452,500	-
Department of Conservation and Natural Resources a division of Environmental Protection	66.468	492,471	-
Department of Conservation and Natural Resources a division of Environmental Protection	66.468	94,855	-
Capacity Development Assistance (Pass through from State of Hawaii Dept of Health)	66.468	121,417	-
Capacity Development Assistance (Pass through from State of Hawaii Dept of Health)	66.468	1,686	-
Drinking Water Training and Outreach 19 (Pass-through from State of Washington)	66.468	(4)	-
Drinking Water Training and Outreach 23 (Pass-through from State of Washington)	66.468	<u>182,296</u>	<u>-</u>
Total U.S. Environmental Protection Agency		<u>5,059,331</u>	<u>-</u>

See notes to the Schedule of Expenditures of Federal Awards



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<u>Grantor:</u>	<u>Federal AL Number</u>	<u>Expenditures</u>	<u>Pass-throughs</u>
U.S. Department of Housing and Urban Development			
Housing Counseling Program 21	14.169	20,601	-
Housing Counseling Program 22	14.169	579,255	369,986
Housing Counseling Training 20	14.169	91	-
Housing Counseling Training 21	14.169	67,802	-
Housing Counseling Training 22	14.169	292,583	-
National Disaster Resilience Competition	14.272	261,086	68,486
Community Compass Technical Assistance 16 Tribal	14.259	(9)	-
Rural Capacity Building 18	14.265	90,157	19,061
Rural Capacity Building 20	14.265	327,619	34,876
Rural Capacity Building 22	14.265	16,514	-
RuralLISC Seminar Travel to Seminar (Pass-through from RuralLISC)	14.252	495	-
Provide Counseling & Education to assist farmworkers in becoming homeowners (Pass-through from Rural Local Initiatives Support Corporation)	14.252	1,718	-
Total U.S. Department of Housing and Urban Development		<u>1,657,912</u>	<u>492,409</u>
Total Federal Awards Expended		<u>\$ 13,570,764</u>	<u>\$ 560,957</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, 2023**

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 Rural Housing Service Self-Help Housing, Rural Utilities Service, Tribal Rural Utilities Service, Wastewater Treatment Works, Colonias Rural Utility Service, Rural Community Facilities Development, Compliance Advisors for Sustainable Water Systems, Circuit Rider Services and Tribal Circuit Rider Region 9, represent major federal award programs and other grants with fiscal 2023 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, 2023. This schedule has been prepared on the accrual basis of accounting. Grant and contract revenue is recorded for financial reporting purposes when RCAC has met the qualifications for the respective grants and contracts. Grants that have expired and procurement contracts that do not have an individual CFDA number, have been identified by contract number in the SEFA.

NOTE 3: RELATIONSHIP TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4: AMOUNTS PROVIDED TO SUB-RECIPIENTS

Amounts provided to sub-recipients under Federal and non-federal award programs during the year ended September 30, 2023 were as follows:

HHS Community Services Block Grants	\$ 6,923
USDA Technitrain	12,000
Rural Community Development Initiative	46,707
Rural Housing Service Self-Help	2,918
HUD National Disaster Resilience Competition	68,486
*NeighborWorks Housing Stability Counseling Program	(238,363)
HUD Housing Community Development	423,923
Non-Federal Award Program Grants and Pass-through Awards	<u>2,744,950</u>
Total Grants and Pass-through Awards	<u>\$ 3,067,544</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

*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 FEDERAL AL NUMBER

When there is more than one program under a single Federal AL number, the Schedule of Expenditures of Federal Awards totals all programs under the one Federal AL number. Occasionally, however, this total could not be conveniently displayed because all programs under one Federal AL 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	\$ 293,750
10.761	1,926,623
10.890	102,428
12-31ME-18-C-0005	2,778,975
14.169	960,332
14.252	2,213
14.265	434,290
66.203	394,640
66.424	1,461,257
66.468	1,708,159
93.570	1,282,182
93.569	198,059



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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. \$78,000 and \$72,000 were disbursed in FY23 and FY22 respectively.

On February 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. \$1,031,856 and \$60,000 were disbursed in FY23 and FY22 respectively.

On February 11, 2022, RCAC received a \$660,000 award from the U.S. Treasury, Community Development Financial Institution (CDFI) for lending capital to be lent to qualified borrowers. As of September 2023, \$128,841 was disbursed.

On June 24, 2022, RCAC received a \$500,000 award from the U.S. Treasury, Community Development Financial Institution (CDFI) for lending capital to be lent to qualified borrowers. As of September 2023, none of these funds have been 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. \$947,249 and none were disbursed in FY23 and FY22 respectively.

On May 29, 2020, 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. \$865,000 and \$707,776 were disbursed in FY23 and FY22 respectively.

On September 10, 2021, 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. \$38,790 and none were disbursed in FY23 and FY22 respectively.

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. \$58,116 and \$6,337 were disbursed in FY23 and FY22 respectively.

On September 1, 2020, RCAC received a \$333,000 award from USDA Rural Utilities Service (RUS) for



**RURAL COMMUNITY ASSISTANCE CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 8: GRANTS TO LENDING CAPITAL (Continued)

lending capital to be lent to qualified borrowers. \$160,008 were obligated to RUS #10.

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. \$136,968 and none were disbursed in FY23 and FY22 respectively.

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. \$235,781 and \$451,060 were disbursed in FY23 and FY22 respectively.

On March 20, 2023, RCAC received a \$1,000,000 award from USDA Intermediary Relending Program (IRP), 30 years 1% interest rate, with a maturity date of March 2053 for lending capital to be lent to qualified borrowers. As of September 30, 2023, \$115,148 was disbursed.

On November 12, 2020, RCAC received a \$2,375,000 award from the U.S. Department of Commerce, Economic Development Administration (EDA) for lending capital to be lent to qualified borrowers. As of September 30, 2023, \$379,424 was disbursed.



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF FEDERAL AWARD PASS-THROUGH AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Assistance Listing</u>	
U.S. Department of Health and Human Services		
Community Services Development Block Grant 21/22	93.569	
Self-Help Enterprises		<u>6,923</u>
Total U.S. Department of Health and Human Services		<u>6,923</u>
U.S. Department of Agriculture		
Technitrain National Demonstration Water Project 23	10.761	
Self-Help Enterprises		12,000
Rural Community Development Initiative	10.446	
Blue Sky Sustainable living Center		7,233
Custer County Economic Development Corp.		2,256
Foundation for Little Colorado Revitalization		9,005
Hoy Recovery Program Inc.		10,705
Logan County Economic Dev Corp		6,708
Shiprock Community Development Corp		10,800
	12-31ME-18- C-0005	
Rural Housing Services - Self Help 22		
Community Action Partnership of Northwest Montana		<u>2,918</u>
Total U.S. Department of Agriculture		<u>61,625</u>
U.S. Department of Housing and Urban Development		
California Department of Housing Community Development	14.272	
Impact Finance Center		61,043
Mother Lode Job Training		<u>7,443</u>
Total California Department of Housing Community Development		<u>68,486</u>
U.S. Department of Housing and Urban Development: Rural Capacity Building Program:	14.265	
Blue Sky Center		4,000
Collaborative Visions		9,999
Peninsula Housing Authority		9,062
Plenty Doors Community Development Corp.		12,023
Southeast Idaho Council of Governments, Inc		2,266
Washoe Development Corp		9,170
Washoe Tribe of Nevada and Ca		<u>7,417</u>
Total Rural Capacity Building Program:		<u>53,937</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF FEDERAL AWARD PASS-THROUGH AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>AL</u>	
Housing Counseling 2020/2021:	14.169	
Access		34,467
Comite de Bien Estar, Inc.		16,611
Community Housing Council of Fresno		50,006
Community In Action		10,173
Hawaiian Community Assets, Inc.		24,689
Homes Fund		39,202
Housing Solutions of Northern Arizona		40,171
Inland Fair Housing and Mediation Board		19,920
Nanakuli Housing Corporation		18,125
National Affordable Housing Network		20,297
Neighborhood Nonprofit Housing Corporation		29,080
Ventura County Community Development Corporation		38,875
Western Arizona Council of Governments		<u>28,370</u>
Total Housing Counseling 2020/2021		<u>369,986</u>
Total U.S. Department of Housing and Urban Development		<u>492,409</u>
NeighborWorks Housing - Stability Counseling Program	99.U19	
Community Housing Council of Fresno		(105,359)
Hawaiian Community Assets, Inc.		(87,492)
Lutheran Social Services of So. Cal.		(61,097)
Ventura County Community Dev. Corp.		<u>15,585</u>
Total NeighborWorks Housing - Stability Counseling Program		<u>(238,363)</u>
Total Federal Award Pass-through Expenditures		<u>\$ 322,594</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULES OF INDIRECT COSTS BY EXPENDITURE TYPE
FOR THE YEARS ENDED SEPTEMBER 30, 2023, AND 2022**

Expenditures:	2023	2022
Direct salaries	\$ 2,839,493	\$ 2,277,910
Fringe benefits	1,339,276	1,062,814
Project specific expenses-fringe benefits	13,696	-
Consulting	759,997	622,711
Consumable supplies	182,933	148,818
Project specific expense - supplies	5,765	424
Telephone	323,591	250,108
Postage	17,707	26,420
Project specific expense - postage	2,242	2,870
Office space	514,265	492,308
Equipment rental & maintenance	438,333	115,896
Printing and copying	3,705	8,051
Staff educational materials	216	2,006
Other training costs	215,017	180,478
Travel	283,729	165,367
Depreciation	47,870	53,225
Insurance	130,631	108,170
Dues and subscriptions	52,620	21,016
Conference registration/staff training	14,729	12,296
Taxes, licenses and fees	10,724	9,809
Recruitment	<u>97,707</u>	<u>123,165</u>
Total indirect costs	<u>\$ 7,294,246</u>	<u>\$ 5,683,862</u>



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULES OF INDIRECT COST RATES
FOR THE YEARS ENDED SEPTEMBER 30, 2023, AND 2022**

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

	<u>2023</u>	<u>2022</u>
Total expenditures	\$ 34,250,989	\$ 28,246,492
Less: indirect costs	<u>(7,294,246)</u>	<u>(5,683,862)</u>
Total direct costs	<u>26,956,743</u>	<u>22,562,630</u>
Excluded items		
Contributions	11,461	10,938
Capitalization of eligible development costs	(109,318)	(215,051)
Consultants excluded from indirect	2,548,268	1,040,378
Depreciation	217,263	266,747
Bank service charge	32,797	33,743
Interest on notes payable	2,081,488	2,253,343
Grants excluded from indirect	2,381,136	1,256,431
Scholarship	215,708	46,900
Provision for bad debt	141	143
Provision for loan loss	138	-
Rental operations	<u>118,708</u>	<u>105,193</u>
Total excluded items	<u>7,497,790</u>	<u>4,798,765</u>
Total adjusted direct costs	<u>\$ 19,458,953</u>	<u>\$ 17,763,865</u>
Total indirect costs	<u>\$ 7,294,246</u>	<u>\$ 5,683,862</u>
Indirect cost rate	<u>37.49%</u>	<u>32.00%</u>

Note: RCAC's Negotiated Indirect Cost Rate Agreement (NICRA) with the U.S. Government is a predetermined rate of 32.00% for the years ended September 30, 2023 and 2022.

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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, 2023 and 2022, and the related consolidated statements of activities and changes in net asset, 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 19, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 consolidated 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.

MUN CPAs, LLP

Sacramento, California
December 19, 2023



**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, 2023. 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, 2023.

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.

MUN CPAs, LLP

Sacramento, California
December 19, 2023



**RURAL COMMUNITY ASSISTANCE CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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:

<u>AL</u>	<u>Name of Federal Program</u>
10.761	Rural Utilities Service
93.570	Rural Community Facilities Development Circuit Rider Services for Direct Implementation of the Safe Drinking Water Act Public Water System Supervision Program Rural Housing Services

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.