

REDWOOD COMMUNITY ACTION AGENCY, INC.

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2017

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**REDWOOD COMMUNITY ACTION AGENCY, INC.
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

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IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Redwood Community Action Agency, Inc.
Eureka, California

Report on Financial Statements

We have audited the accompanying financial statements of Redwood Community Action Agency, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Redwood Community Action Agency, Inc. as of December 31, 2017, and the respective changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary contract information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 19, 2018 on our consideration of the Redwood Community Action Agency, Inc.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Redwood Community Action Agency, Inc.'s internal control over financial reporting and compliance.



San Francisco, California
July 19, 2018

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current Assets

| | |
|-----------------------------|------------------|
| Cash and Cash Equivalents | \$ 854,239 |
| Grants/Contracts Receivable | 1,049,207 |
| Revolving Loans | 858,196 |
| Prepays | 38,100 |
| Inventory | 41,918 |
| Total Current Assets | <u>2,841,660</u> |

| | |
|-----------------------------------------|----------------|
| Deposits, Reserves and Custodial | <u>297,387</u> |
|-----------------------------------------|----------------|

Fixed Assets

| | |
|--------------------------|--------------------|
| Land | 1,123,255 |
| Buildings | 4,658,511 |
| Leasehold Improvement | 867,500 |
| Equipment | 530,786 |
| Vehicles | 413,914 |
| Accumulated Depreciation | <u>(5,437,900)</u> |
| Total Fixed Assets | <u>2,156,066</u> |

| | |
|---------------------|----------------------------|
| TOTAL ASSETS | <u><u>\$ 5,295,113</u></u> |
|---------------------|----------------------------|

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|-----------------------------------|------------------|
| Accounts Payable | \$ 83,790 |
| Current Portion of Long-Term Debt | 52,990 |
| Accrued Expenses | 349,485 |
| Deferred Revenue | 958,691 |
| Deferred Revolving Loans | 858,196 |
| Total Current Liabilities | <u>2,303,152</u> |

Long Term Liabilities

| | |
|-------------------------------------|------------------|
| Security Deposits Payable | 57,576 |
| Long Term Debt less Current Portion | <u>3,729,997</u> |
| Total Long Term Liabilities | <u>3,787,573</u> |

| | |
|--------------------------|------------------|
| TOTAL LIABILITIES | <u>6,090,725</u> |
|--------------------------|------------------|

Net Assets

| | |
|-----------------------------|------------------|
| Unrestricted - Undesignated | <u>(795,612)</u> |
| Total Unrestricted | <u>(795,612)</u> |

| | |
|-------------------------|------------------|
| TOTAL NET ASSETS | <u>(795,612)</u> |
|-------------------------|------------------|

| | |
|-----------------------------------------|----------------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 5,295,113</u></u> |
|-----------------------------------------|----------------------------|

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | UNRESTRICTED | TEMPORARILY RESTRICTED | TOTAL |
|----------------------------------------------------------------|---------------------|-----------------------------------|------------------|
| REVENUE, GAINS AND OTHER SUPPORT | | | |
| Grant | \$ 6,477,112 | \$ - | \$ 6,477,112 |
| Contributions | 178,546 | - | 178,546 |
| Rents | 503,737 | - | 503,737 |
| Program Service Fees | 5,054 | - | 5,054 |
| Miscellaneous | 28,207 | - | 28,207 |
| Net Assets Released From Satisfaction of Usage Restrictions | 178,234 | (178,234) | - |
| Total Revenue | 7,370,890 | (178,234) | 7,192,656 |
| EXPENSES | | | |
| Personnel | 4,483,573 | - | 4,483,573 |
| Travel | 92,706 | - | 92,706 |
| Space | 458,886 | - | 458,886 |
| Equipment | 87,023 | - | 87,023 |
| Other Operating Cost | 1,003,538 | - | 1,003,538 |
| Interest | 21,007 | - | 21,007 |
| Professional Fees | 485,875 | - | 485,875 |
| Consultants & Contractors | 87,694 | - | 87,694 |
| Direct Services | 304,450 | - | 304,450 |
| Total Expenses Before Depreciation | 7,024,752 | - | 7,024,752 |
| REVENUE OVER/(UNDER) EXPENSES BEFORE DEPRECIATION | 346,138 | (178,234) | 167,904 |
| Accrued Interest Expense on Home Loans | 69,673 | - | 69,673 |
| Depreciation Expense | 98,174 | - | 98,174 |
| REVENUE OVER/(UNDER) EXPENSES | 178,291 | (178,234) | 57 |
| Fixed assets disposed purchased with grants funds | 16,023 | - | 16,023 |
| Depreciation of fixed assets purchased with grant funds | (74,638) | - | (74,638) |
| CHANGE IN NET ASSETS - UNRESTRICTED | 119,676 | (178,234) | (58,558) |
| Net Assets at Beginning of the Year | (915,288) | 178,234 | (737,054) |
| NET ASSETS AT END OF THE YEAR | \$ (795,612) | \$ - | \$ (795,612) |

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|-----------------------------------------------|----|----------------|
| Change in Net Assets | \$ | 57 |
| Depreciation Expense | | 98,174 |
| MAC Center Loan Amortization | | 24,500 |
| Fixed Assets Purchased with Grant Funds | | 16,023 |
| <i>(Increase)/Decrease In:</i> | | |
| Grants/Contracts Receivable | | 348,246 |
| Revolving Loans | | (6,718) |
| Prepays | | 3,622 |
| Inventory | | 5,559 |
| Deposits, reserves and custodial | | (61,019) |
| <i>Increase/(Decrease) In:</i> | | |
| Accounts Payable | | (165,254) |
| Accrued Expenses | | (14,124) |
| Security Deposits Payable | | 7,537 |
| Deferred Revenue | | 267,496 |
| Deferred Revolving Loans | | 6,718 |
| Net Cash Provided/(Used) by Operations | | <u>530,817</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|---------------------------------------------------------|--|------------------|
| Fixed Asset Purchases | | <u>(345,672)</u> |
| Net Cash Provided/(Used) by Investing Activities | | <u>(345,672)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---------------------------------------------------------|--|---------------|
| Increase on Long Term Debt | | <u>14,856</u> |
| Net Cash Provided/(Used) by Financing Activities | | <u>14,856</u> |

NET INCREASE/(DECREASE) IN CASH 200,001

Cash and Cash Equivalents Balance at 12/31/16 654,238

CASH AND CASH EQUIVALENTS BALANCE AT 12/31/17 \$ 854,239

SUPPLEMENTAL DISCLOSURES

Cash Used by Payments of Interest \$ 21,007

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Redwood Community Action Agency, Inc. (RCAA) was designated the Community Action Agency for Humboldt County on July 1, 1980. The purpose of this organization is to mobilize and coordinate anti-poverty resources within Humboldt County and to preserve land for scenic, scientific educational and open space opportunities.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

Redwood Community Action Agency, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2017, RCAA did not have any temporarily restricted and permanently restricted net assets.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of the donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income taxes under Section 23701(d) of the California Revenue and Taxation Code.

Management believes RCAA has no uncertain tax positions as of December 31, 2017.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts / Contracts / Grants Receivable

The Organization considers accounts / contracts / grants receivable to be fully collectable; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventory

At December 31, 2017 inventory is comprised of supplies used by the Agency in its energy weatherization programs. The inventory is stated at cost determined on the FIFO method.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of, assets and liabilities, disclosure of contingent assets and liabilities and the reported revenue and expenses.

Depreciation

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which range as follows:

| | |
|-----------|----------------|
| Buildings | 20 to 30 years |
| Equipment | 3 to 5 years |
| Vehicles | 3 to 5 years |

Depreciation expense for the fiscal year ended December 31, 2017 amounted to \$98,174 for unrestricted general operations and \$74,638 for grant fixed assets.

Assets purchased or donated to unrestricted general operation funds are capitalized and depreciated as an operating expense. Assets purchased with grant funds are recorded as operating expenditures in the period in which they were purchased. Capitalization and depreciation for assets purchased with grant funds are accounted for as adjustments in the Statement of Changes in Net Assets.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B: GRANTS/ CONTRACTS RECEIVABLE

Grant/ Contracts receivable represents the amount due for revenues earned but not yet reimbursed at December 31, 2017.

| <u>Account</u> | <u>Description</u> | <u>Amount</u> |
|----------------|------------------------------------------|---------------------|
| 1200116 | Street Out Reach | \$ 21,874 |
| 1200216 | Basic Center | 28,580 |
| 1250120 | AmeriCortp Oral Health | 50,546 |
| 1400619 | Sims Weeds | 4,773 |
| 1400621 | Horse Mountain | 1,375 |
| 21005217 | HMIS 2017 | 3,245 |
| 2101215 | Healthy Houses | 11,207 |
| 22001514 | 15B-3010 Modoc | 16,015 |
| 22001614 | 16B-4009 Modoc | 57,816 |
| 22001714 | 17B-3009 MODOC | 100,930 |
| 22001813 | 18B-4009 HUM | 2,065 |
| 2200820 | CSBG 2017 | 49,503 |
| 3600516 | WCB KNOTWEED | 43,497 |
| 3600518 | 2016 ETC | 5,731 |
| 3600520 | Prop 1 Spartina | 8,224 |
| 3650116 | Drops Project | 23,342 |
| 3650118 | SWPP Educ. 2017 | 1,553 |
| 36503215 | Freshwater Ck | 14,377 |
| 36503240 | NOAA-Martn Slough | 28,062 |
| 36503241 | SCC-Martin Slough | 28,708 |
| 4050418 | First5 Tooth | 2,361 |
| 4450315 | Title 19 YSB | 15,698 |
| 4450320 | Title 19 C.S. | 48,442 |
| 4450518 | HHS TH Plus 17/18 | 8,424 |
| 4551204 | Fam Housing 17 | 65,583 |
| 4556217 | CF 2017 CSD | 8,442 |
| 4556417 | CF 2017 Energy | 7,083 |
| 4556517 | CF 2017 YSB | 6,774 |
| 4556617 | CF 2017 NRS | 10,564 |
| 4556817 | CF 2017 TOOTH | 1,297 |
| 50504017 | AFACTR 16-17 | 22,341 |
| 50504019 | AFACTR 17/18 | 75,560 |
| 50504022 | Probation Mgmt | 3,356 |
| 50504024 | Dental Tran. In | 53,344 |
| 5056128 | Transit Service Line Feasibility | 4,623 |
| 5056130 | Willow Creek Walkability | 3,059 |
| 5056152 | WIOA Youth Step-Up | 7,493 |
| 6083113 | Rohner Creek | 8,409 |
| 620817 | McLean YSB 2017 | 2,250 |
| 621005 | St. Joeph Waterfront Recovery | 73,420 |
| 6550214 | Hum Bay Harbor, Recreation & Cons. Dist. | 8,500 |
| 72017 | Bed Fee Hum | 10,335 |
| 7240517 | Buhne PT SWS9 | 12,586 |
| 7260116 | Chah-GAH-Cho | 23,206 |
| 7260117 | FWS Spartina | 34,811 |
| 7260119 | Rohner Ck Plant | 2,958 |
| 7260215 | Eureka Stormwat | 6,567 |
| 8000315 | RCAA to WCIA | 17,675 |
| | Miscellaneous Under \$1,000 | 2,623 |
| | | <hr/> |
| | Total Grants/ Contracts Receivable | <u>\$ 1,049,207</u> |

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE C: DEFERRED REVENUE

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2017.

| <u>Account</u> | <u>Description</u> | <u>Amount</u> |
|----------------|---------------------------------------------|-------------------|
| 0 | No Specific Rev | \$ 98,337 |
| 1050109 | Revolve Loan Fund | 83,710 |
| 1150216 | EFS Phase 33 | 2,296 |
| 1200102 | TOOTH Plus | 24,984 |
| 1250116 | AmerCorp Housing | 12,695 |
| 22001513 | 15B-3010 HUM | 16,015 |
| 22001613 | 16B-4009 HUM | 57,816 |
| 22001713 | 17B-3009 HUM | 126,144 |
| 22004111 | LIHEAP Del Nort 11B-5748 | 10,054 |
| 3500209 | CalHome - Revolving Loan Fund - Mobile Home | 9,922 |
| 350021 | CalHome - Revolving Loan Fund - Mobile Home | 142,038 |
| 350022 | CalHome - Revolving Loan Fund - Mobile Home | 31,893 |
| 3500311 | CalHOME County | 1,655 |
| 36503230 | DWR-Martin Slough | 5,108 |
| 4450514 | HHS TH Plus 14/17 | 22,948 |
| 505017 | DHHS Oral Health 16/17 | 5,000 |
| 5055118 | Redwood Mobility Education | 15,719 |
| 5055119 | Lafayette Safe Routes | 10,932 |
| 5056120 | Fortuna Safe Routes | 6,016 |
| 5056122 | Eureka Water Front | 1,806 |
| 600 | NRS Excess Rev | 30,761 |
| 61030 | Hum Area Found Corcoran | 2,621 |
| 61045 | Sealant Program | 6,787 |
| 6105317 | CBI Coaching | 45,926 |
| 6105319 | Sam Pen CBI Imp | 47,153 |
| 61058 | StJoeseph EFS 14/15 | 10,944 |
| 610628 | StJoeseph Rent 17 | 24,878 |
| 610851 | Hum Sponor RAVEN17 | 1,200 |
| 61087 | Hum Area Foundation Youth 2016 | 1,500 |
| 646 | NRS Contribution | 3,737 |
| 647 | YSB Contribution | 2,466 |
| 648 | Special Contributions | 1,712 |
| 700 | RCAA Rental | 22,561 |
| 7201 | FEE MAC Meals | 25,890 |
| 72014 | Fee PACT | 13,498 |
| 720415 | PG&E | 1,223 |
| 72111 | PacifiCorp WX | 5,224 |
| 7240318 | Stillwater/ARMM | 2,763 |
| 728114 | Henderson Garden | 8,315 |
| 728115 | Bike Kitchen | 8,178 |
| 7302 | Simpson Vance | 2,928 |
| | Miscellaneous Under \$1000 | 3,338 |
| | Total Deferred Revenue | <u>\$ 958,691</u> |

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE D: NOTES PAYABLE

Redwood Community Action Agency, Inc. has the following notes payables:

**California Department of Housing and
Community Development – HOME LOANS:**

Interest Rate: 3% per annum, simple interest **\$ 731,300**

Maturity Date: 40 years from Certificate of Occupancy,
projected at September 2034.

Collateral: Apartment Building, Fortuna, California

Restricted Covenant: Provide regulated rent housing
until loan is paid in full.

Interest Rate: 3% per annum, simple interest **1,207,000**

Maturity Date: 40 years from Certificate of Occupancy,
projected at December 2033

Collateral: Duplexes, McKinleyville, California

Restrictive Covenant: Provide regulated rent housing
until loan is paid in full.

Interest Rate: 3% per annum, simple interest **569,900**

Maturity Date: March 2035

Collateral: 1015 Loni Drive, Fortuna, California

Restricted Covenant: Provide regulated rent housing
until loan is paid in full.

Interest Rate: 3% per annum, simple interest **431,708**

Annually beginning Jan. 2006

Maturity Date: July 2036

Collateral: 829 C Street, Eureka, California

Restrictive Comment: Provide regulated rent housing
until loan is paid in full.

Interest Rate: 3% per annum, simple interest **369,822**

Maturity Date: August 2027

Collateral: 1528 Third Street, Eureka, California

Restrictive Comment: Provide regulated rent housing
until loan is paid in full.

If Redwood Community Action Agency, Inc. is in full compliance with the conditions set forth in the HOME loan agreements, the remaining principal balance and accrued interest will be forgiven and the loan and accrued interest shall become grant income. It is management's intent to comply with the loan restrictions throughout the terms of the loans.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE D: NOTES PAYABLE (CONTINUED)

| | |
|-------------------------------------------------------------------------------|----------------------------|
| Crossland Mortgage Corporation | 54,542 |
| Interest Rate: 7% | |
| Maturity Date: August 2028 | |
| Collateral: 924 & 926 G Street, Eureka, California | |
| | |
| Umpqua Bank: | |
| Interest Rate: 0% | |
| Maturity Date: December 2019 | |
| Collateral: 139 Y Street, Eureka California | |
| Restrictive Comment: Provide temporary housing | |
| | 49,000 |
| | |
| Interest Rate: 4.5% | |
| Maturity Date: October 2018 | |
| Collateral: 523, 525, 537 9 th Street & 825 G Street, Eureka, Ca | |
| | 4,323 |
| | |
| Redwood Capital Bank: | |
| Interest Rate: 6.5% | |
| Maturity Date: Until paid in full | |
| Collateral: 523 T Street and 3020 17 th Street, Eureka, California | |
| Restrictive Comment: Business and Real Estate Investment | |
| | 112,057 |
| | |
| Interest Rate: 6.5% | |
| Maturity Date: Until paid in full | |
| Collateral: 539 T Street, Eureka, California | |
| Restrictive Comment: Business and Real Estate Investment | |
| | 113,335 |
| | |
| County of Humboldt | 140,000 |
| Interest Rate: 1% | |
| Maturity Date: Upon Sale of the property or intended use | |
| Collateral: 523 T Street, Eureka, California | |
| Restrictive Comment: RCAA intends for program use | |
| | |
| Total Notes Payable | 3,782,987 |
| Less: Current Portion | <u>52,990</u> |
| Long-Term Notes Payable | \$ <u><u>3,729,997</u></u> |

Principal payments for the next five fiscal years are project as follows:

Year ended December 31:

| | | |
|---------------------|----|-------------------------|
| 2018 | \$ | 52,990 |
| 2019 | | 50,320 |
| 2020 | | 27,586 |
| 2021 | | 29,473 |
| 2022 | | 31,489 |
| Thereafter | | <u>3,591,129</u> |
| Total Notes Payable | \$ | <u><u>3,782,987</u></u> |

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE E: LINE OF CREDIT

RCAA draws funds on a line of credit to pay program expenditures in cases where payments from funding sources have not been received in a timely manner. The line of credit is with Umpqua Bank. The line of credit balance is repaid when program funds are received from funding sources. Outstanding balances are secured by real property. Outstanding balances incur interest rates at 4.25%. The outstanding balance on the line of credit at December 31, 2017 was \$0. The line of credit matures in March of 2021.

NOTE F: RETIREMENT PLAN

RCAA has established a profit sharing plan. A participant must have attained the age of 21, completed 12 months of service, and been credited with 1000 hours of service during the eligibility computation period. Each plan year, the Board of Directors will determine the amount of the employer base contribution (if any) that the employer will make for all eligible participants who are actively employed as of the last day of the plan year. Contributions will be allocated to the accounts of eligible participants on the basis of the ratio that each eligible participant's compensation bears to the total compensation of all participants for the plan year. This employer base contribution will be made whether or not eligible participants are making contributions. If a participant is not a key employee in any year in which the plan is top-heavy, the employer contribution must be at least 3% of the participant's compensation. A key employee is generally defined as an officer whose annual earnings are greater than \$160,000 for the 2017 plan year (adjusted annually). A plan will be considered top-heavy if the account balances for key employees exceeded 60% of the total account balances for all plan participants. Participants become vested 20% with 2 years of service, 40% with 3 years, 60% with 4 years, 80% with 5 years, and 100% with 6 years or more of service. For the year ended December 31, 2017 the Agency's contribution of \$59,334 is included with accrued expenses.

NOTE G: CLASSIFICATION OF EXPENSES

Expenses by function for the year ended December 31, 2017 are as follows:

| | |
|------------------------|---------------------|
| Program Expense | \$ 6,569,528 |
| Management and General | 611,871 |
| Fundraising | <u>11,200</u> |
| Total | \$ <u>7,192,599</u> |

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE H: INTERFUND RECEIVABLE/PAYABLE – HOME PROPERTIES

RCAA's general fund provides the operating fund needs of the other programs as the situation may arise. RCAA is reimbursed upon receipts of funds under these programs from the grantors. Inter-fund receivables and payables for HOME Properties to the General fund as of December 31, 2017 is \$366,241. These funds are an accumulation of funds payable to RCAA beginning January 2009. These funds are being repaid to RCAA over time based upon available cash flow and HCD approval.

NOTE I: LEASE OBLIGATIONS

RCAA leases copier equipment with varying expirations dated through 2021. Future minimum principle payments are as follows:

| | | |
|-------|----|--------|
| 2018 | \$ | 5,801 |
| 2019 | | 5,801 |
| 2020 | | 5,801 |
| 2021 | | 4,249 |
| 2022 | | - |
| Total | \$ | 21,652 |

NOTE K: CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

RCAA maintains its cash balances in various financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. While RCAA maintains cash in amounts which at times, exceed the federally insured limits. RCAA has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE L: CONTINGENCIES

State and Federal Allowances, Award, and Grants

RCAA received a substantial amount of its support from federal, state, and county governments. A significant reduction in the level of this support, if this were to occur, may have an effect on RCAA's program and activities.

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. RCAA deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of RCAA to the provisions of the grants. RCAA's management is of the opinion that RCAA has complied with the terms of all grants.

Lawsuits

RCAA has one pending claim asserted against them by a former employee. It is management's opinion that the outcome of the lawsuit will not have a material adverse effect on the accompanying financial statements.

NOTE M: REVOLVING LOANS / DEFERRED REVOLVING LOANS

Housing Preservation Grant (HPG) programs provide funds for rehabilitation of residences of qualifying low-income owner/occupants. Provisions of the rehabilitation contracts result in loans to the owners in the amount of the cost to rehabilitate the properties benefiting from the HPG programs. All loans are recorded as liens and secured by rehabilitated properties. RCAA follows default and foreclosure policies as contained in HPG Housing Rehabilitation Guidelines. Loan payments are recorded as program income and are restricted for use in connection with HPG program eligible activities.

NOTE N: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through July 19, 2018, the date the financial statements were available to be issued.