

REDWOOD COMMUNITY ACTION AGENCY, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

**IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

REDWOOD COMMUNITY ACTION AGENCY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

One Market, Spear Street Tower, Suite 344
San Francisco, California 94105

TEL: (415) 896-5551
FAX: (415) 896-0584

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Redwood Community Action Agency, Inc. as of and for the year ended December 31, 2006 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Redwood Community Action Agency, Inc.'s management. 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, *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Community Action Agency, Inc. for the year ended December 31, 2006 and the change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2007 on our consideration of Redwood Community Action Agency, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



San Francisco, California
March 23, 2007

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

ASSETS

Current Assets

Cash	\$ 486,525
Grants/Contracts Receivable	908,352
Accounts Receivable	1,057
Prepays	41,390
Inventory	282,134
Total Current Assets	<u>1,719,458</u>

Deposits, Reserves and Custodial

228,230

Fixed Assets

Land	1,071,730
Buildings	4,154,313
Leasehold Improvement	675,642
Equipment	272,143
Vehicles	201,345
Accumulated Depreciation	<u>(2,404,379)</u>
Total Fixed Assets	<u>3,970,794</u>

TOTAL ASSETS

\$ 5,918,482

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 314,206
Current Portion of Long-Term Debt	216,490
Accrued Expenses	242,097
Deferred Revenue	761,846
Total Current Liabilities	<u>1,534,639</u>

Long Term Liabilities

Deferred Revenue	116,342
Security Deposits Payable	49,406
Long Term Debt less Current Portion	<u>3,796,619</u>
Total Long Term Liabilities	<u>3,962,367</u>

TOTAL LIABILITIES

5,497,006

Net Assets

Unrestricted - Designated	130,004
Unrestricted - Undesignated	291,472
TOTAL NET ASSETS	<u>421,476</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 5,918,482

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>UNRESTRICTED</u>
REVENUE, GAINS AND OTHER SUPPORT	
Grant	\$ 6,143,487
Contributions	26,870
Rents	520,111
Miscellaneous	<u>753,170</u>
Total Revenue	<u>7,443,638</u>
EXPENSES	
Personnel	3,796,149
Travel	103,333
Space	360,032
Equipment	33,597
Other Operating Cost	312,697
Interest	127,227
Consultants & Contractors	677,428
Direct Services	1,941,677
Cost of Goods Sold	<u>465</u>
Total Expenses Before Depreciation	<u>7,352,605</u>
REVENUE IN EXCESS OF EXPENSES BEFORE DEPRECIATION	91,033
Depreciation Expense	<u>131,555</u>
REVENUE IN EXCESS OF EXPENSES	(40,522)
Depreciation on fixed assets purchased with grant funds	<u>(174,738)</u>
CHANGE IN NET ASSETS - UNRESTRICTED	(215,260)
Net Assets at Beginning of the Year	<u>636,736</u>
NET ASSETS AT END OF THE YEAR	<u>\$ 421,476</u>

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (215,260)
Depreciation Expense	131,555
MAC center depreciation	(95,929)
Grant fixed assets depreciation	174,737
<i>(Increase)/Decrease In:</i>	
Grants/Contracts Receivable	(41,094)
Accounts Receivable	2,080
Prepays	7,184
Inventory	(45,558)
Deposits, reserves and custodial	(16,808)
<i>Increase/(Decrease) In:</i>	
Accounts Payable	156,113
Accrued Expenses	(5,950)
Security Deposits Payable	720
Other Payables	(2,455)
Deferred Revenue	8,060
Net Cash Provided by Operations	<u>57,395</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments	2,455
Land	(280,000)
Building	(310,002)
Leasehold Improvement	95,929
Net Cash Used by Investing Activities	<u>(491,618)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in Long Term Debt	494,000
Paydowns on Long Term Debt	(96,879)
Net Cash Provided by Financing Activities	<u>397,121</u>
NET INCREASE IN CASH	(37,102)
Cash Balances at 12/31/05	<u>523,627</u>
CASH BALANCE AT 12/31/06	<u>\$ 486,525</u>
<u>SUPPLEMENTAL DISCLOSURES</u>	
Cash Used by Payments of Interest	<u>\$ 42,382</u>

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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. follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No.117, the Organization 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.

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.

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 / Grants Receivable

The Organization considers accounts / 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.

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 asset 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, 2006 amounted to \$131,555 for unrestricted general operations and \$174,738 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.

NOTE B: GRANTS/CONTRACTS RECEIVABLE

Grant/Contracts receivable represents the amount due for revenues earned but not yet reimbursed at December 31, 2006. The following amounts are due Redwood Community Action Agency, Inc. at December 31, 2006:

<u>Description</u>	<u>Acct</u>	<u>Amount</u>
COA Home Labor Stds	(124)	\$ 6,475
COE Alzheimers	(127)	661
COE Home Admin	(128)	8,908
Union Labor Health	(136)	11,308
Mentoring Children of Prisoners	(142)	5,260
CSBG	(157)	31,177
HAF Americorps	(170)	389
AFACTR Americorps	(181)	9,231
AFACTR Americorps	(182)	3,792
Americorps 05/06	(186)	171
Americorps 06/07	(187)	12,755
1 st Time Homebuyers Hum Co	(198)	8,219
1 st Time Homebuyers04	(199)	15,169
Nutrition	(202)	1,529
McLean Children's	(204)	2,716
ESP Vouchers	(205)	2,000
Shelter Office	(206)	997
MAP	(210)	1,692
Title XIX	(221)	2,536
FESG-MAC	(232)	19,265
FESG-06-08	(233)	19,283
Mentoring Children of Prisoners	(242)	2,319
1 st 5 Humboldt	(244)	7,290
County MAC Y3	(257)	24,577
County CDBG-PS	(280)	14,193
County CDBG-AD	(281)	570
SHP-HUD	(290)	21,651
City of Arcata 01 HOME	(328)	20,895
Rio Dell 04 CDBG Gen Admin	(340)	4,509
Rio Dell 04 CDBG PD	(341)	6,610
Rio Dell Portfolio	(342)	2,620
Rio Dell 05 CDBG Gen Admin	(344)	514
Rio Dell 05 CDBG PD	(345)	49,471
Blue Lake 05CDBG General Admin	(352)	1,438
Blue Lake 05CDBG Program Delivery	(353)	13,083
Blue Lake CDBG General Admin	(358)	579
Blue Lake CDBG Program Delivery	(359)	99,620
City of Eureka Rehab-HOME	(361)	39,511

<u>Description</u>	<u>Acct</u>	<u>Amount</u>
County HOME04	(372)	4,675
Fortuna CDBG GA	(392)	2,590
Fortuna CDBG AD	(393)	16,757
Fortuna 05CDBG GA	(394)	634
Fortuna 05CDBG AD	(395)	35,164
PG&E Refrigerator Replace	(407)	1,298
Care	(418)	107
Solar Pilot	(454)	3,370
Energy Education Pilot	(455)	3,503
Pressure Balancing	(457)	8,065
DOE 06/07	(462)	50,083
Duct Blasters	(470)	18,262
LEAD	(478)	70,069
Pacific Corps	(481)	7,321
School Lunch	(503)	1,990
Meth Project	(504)	1,318
MediCal Title XIX	(521)	635
WIA-Eureka Y3	(524)	694
Basic Center 06/07	(532)	4,698
Raven-HHS 06/07	(538)	4,070
SHP	(590)	4,921
HB Water Trails	(630)	799
Trinity Gateway	(635)	1,840
HB3	(661)	8,920
Fay Slough Core	(663)	30,755
DFG Core	(664)	23,370
Lindsay Creek	(690)	8,274
HBWAC	(693)	23,241
Wood Creek Enhance	(944)	11,127
Trinidad ASBS	(945)	10,840
Salmon Pass	(956)	33,404
Barri Rach Lot	(968)	3,695
Hole in the Hammond	(972)	32,501
McDaniel Slough	(990)	6,379
TOTAL GRANTS/CONTRACTS		\$908,352
RECEIVABLE		

NOTE C: DEFERRED REVENUE

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2006:

<u>Description</u>	<u>Acct</u>	<u>Amount</u>
Raven CDBG rehab	(129)	183
Northcoast Mentor Program-EMS	(137)	2,783
VISTA-Partners	(138)	13,161
Americorps 05/06	(186)	26,247
CalEndow	(225)	15,838
St. Joe's CNS	(227)	978
COE MAC	(263)	48,064
EHAP XIII	(275)	6,363
Revolving Loan Fund	(305)	226,441
CalHome Revolving	(306)	22,597
County HOME	(371)	6,305
County-CalHome	(374)	4,226
LIHEAP 2006 WX	(420)	5,168
Assurance 16	(421)	2,234
Wood/Propane 03	(422)	46,748
ECF ECIP	(423)	910
Alturas LIHEAP	(480)	19,992
Fundraising	(505)	4,533
CWF	(520)	151,361
St. Joseph Healthcare06/07	(528)	40,639
CSBG-Thrift	(580)	4,010
Division Consulting	(602)	792
HumPal Partnership	(609)	569
HumPal	(612)	3,924
Ford Found	(930)	33,097
City of Eureka FTHB Match		68,683
Green Diamond-YSB Van		5,000
HAF-YSB Van		1,000
Total Current Deferred Revenue		\$ 761,846
Total Long Term Deferred Revenue:		
AGENCY FUND: 1100 California Street		<u>116,342</u>
TOTAL DEFERRED REVENUE		<u>\$ 878,188</u>

NOTE D: NOTES PAYABLE

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

**Lender: California Department of Housing and
Community Development - HOME** **\$561,350**

Interest Rate: 3%

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.

**Lender: California Department of Housing and
Community Development - HOME** **926,500**

Interest Rate: 3% per annum, simple interest

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.

Lender: Umpqua Bank **109,687**

Interest Rate: 6%

Maturity Date: January 2007

Collateral: 3303 Summer St., Eureka, California

Lender: Umpqua Bank **1,715**

Interest Rate: 7.750%

Maturity Date: April 2007

Collateral: Diesel Truck

**Lender: California Department of Housing and
Community Development - HOME** **434,600**

Interest Rate: 3%

Collateral: 1015 Loni Drive, Fortuna, California

Maturity Date: March 2035

Restricted Covenant: Provide regulated rental housing
until loan is paid

Lender: Umpqua Bank **25,059**

Interest Rate: 9.50%

Maturity Date: August 15, 2012

Collateral: 1528 Third St., Eureka

Lender: Department of Housing and Community Development - HOME Interest Rate: 3% Maturity Date: August 2027 Collateral: 1528 Third Street, Eureka, California	293,922
Lender: Umpqua Bank Interest Rate: 9.50% Maturity Date: October, 2018 Collateral: 523, 525, 537 9 th Street, Eureka, California & 825 G Street, Eureka, California	60,167
Lender: Crossland Mortgage Corp. Interest Rate: 7% Maturity Date: August, 2028 Collateral: 924 & 926 G Street, Eureka, California	103,512
Lender: Department of Housing and Community Development - Home Interest Rate: 3% annually beginning Jan. 2006 Maturity Date: July 2036 Collateral: 829 C Street, Eureka, California Restrictive Comment: Provide regulated rent housing until loan is paid	326,955
Lender: Umpqua Bank Interest Rate: 0% Maturity Date: December 2019 Collateral: 139 Y Street, Eureka California Restrictive Comment: Provide temporary housing for homeless families and individuals.	318,500
Lender: Department of Housing and Community Development - EHAP Interest Rate: 3% Maturity Date: 7 years from Date of Recordation by County Recorder Collateral: 2415 Second Street, Eureka, California Restrictive Comment: Provide temporary housing for homeless families and individuals.	357,142

NOTE E: INVENTORY

At December 31, 2006 inventory is comprised of supplies used by the Agency in its energy weatherization programs and houses held for resale. The inventory is stated at cost.

NOTE F: DESIGNATED NET ASSETS

The Board of Directors of RCAA has designated these funds for the following purposes:

Shelter	(200)	\$ 25,861
Housing	(300)	11,413
Energy	(400)	91,833
Mentoring		<u>897</u>
Total Designated Fund Balance		<u>\$130,004</u>

NOTE G: CLASSIFICATION OF EXPENSES

Expenses by function for the year ended December 31, 2006 are as follows:

Program Expense	\$6,991,282
Management and General	491,469
Fundraising	<u>1,409</u>
Total	<u>\$7,484,160</u>

NOTE H: 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 \$140,000 for the 2006 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 3 years of service, 40% with 4 years, 60% with 5 years, 80% with 6 years, 100% with 7 years or more of service. For the year ended December 31, 2006 the Agency's contribution of \$47,214 is included with accrued expenses.

NOTE I: LEASE COMMITMENT

As of December 31, 2006, RCAA has entered into various noncancelable operating lease agreements for the rental of office and residential facilities, expiring from February 2008 to September 2018. Minimum rentals, on an annual basis, are as follows:

2007	\$ 301
2008	51
2009	1
2010	1
2011	1
Thereafter	<u>7</u>
	<u>\$ 362</u>

NOTE J: 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 \$100,000. While RCAA maintains cash in banks and financial institutions 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.