

REDWOOD COMMUNITY ACTION AGENCY, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

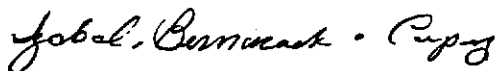
Board of Directors
Redwood Community Action Agency, Inc.
Eureka, California

We have audited the accompanying statement of financial position of Redwood Community Action Agency, Inc. as of and for the year ended December 31, 2007 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, 2007 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 June 6, 2008 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
June 6, 2008

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

ASSETS

Current Assets

Cash	\$ 731,981
Grants/Contracts Receivable	1,546,551
Accounts Receivable	1,764
Prepays	52,737
Inventory	34,960
Total Current Assets	<u>2,367,993</u>

Deposits, Reserves and Custodial

246,320

Fixed Assets

Land	1,071,730
Buildings	4,154,313
Leasehold Improvement	579,713
Equipment	272,143
Vehicles	241,833
Accumulated Depreciation	<u>(2,613,017)</u>
Total Fixed Assets	<u>3,706,715</u>

TOTAL ASSETS

\$ 6,321,028

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 416,636
Current Portion of Long-Term Debt	604,843
Accrued Expenses	302,352
Deferred Revenue	744,304
Total Current Liabilities	<u>2,068,135</u>

Long Term Liabilities

Deferred Revenue	96,951
Security Deposits Payable	54,726
Long Term Debt less Current Portion	3,754,880
Total Long Term Liabilities	<u>3,906,557</u>

TOTAL LIABILITIES

5,974,692

Net Assets

Unrestricted - Designated	150,570
Unrestricted - Undesignated	195,766
TOTAL NET ASSETS	<u>346,336</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 6,321,028

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	UNRESTRICTED
REVENUE, GAINS AND OTHER SUPPORT	
Grant	\$ 7,528,007
Contributions	20,979
Rents	544,814
Miscellaneous	883,066
Total Revenue	8,976,866
EXPENSES	
Personnel	4,148,701
Travel	95,831
Space	440,503
Equipment	81,477
Other Operating Cost	392,046
Interest	136,332
Consultants & Contractors	856,611
Direct Services	2,445,126
Property Purchase	191,214
Cost of Goods Sold	86
Total Expenses Before Depreciation	8,787,927
REVENUE IN EXCESS OF EXPENSES BEFORE DEPRECIATION	188,939
Depreciation Expense	120,499
REVENUE IN EXCESS OF EXPENSES	68,440
Fixed assets purchased with grant funds	40,488
Depreciation on fixed assets purchased with grant funds	(184,068)
CHANGE IN NET ASSETS - UNRESTRICTED	(75,140)
Net Assets at Beginning of the Year	421,476
NET ASSETS AT END OF THE YEAR	\$ 346,336

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (75,140)
Depreciation Expense	120,499
MAC center depreciation	(95,929)
Grant fixed assets depreciation	184,068
Fixed assets purchased with grant funds	(40,488)

(Increase)/Decrease In:

Grants/Contracts Receivable	(638,199)
Accounts Receivable	(707)
Prepays	(11,347)
Inventory	247,174
Deposits, reserves and custodial	(18,090)

Increase/(Decrease) In:

Accounts Payable	102,430
Accrued Expenses	60,255
Security Deposits Payable	5,320
Other Payables	0
Deferred Revenue	(36,933)
Net Cash Provided by Operations	<u>(197,087)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investments	0
Land	0
Building	0
Leasehold Improvement	95,929
Net Cash Used by Investing Activities	<u>95,929</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in Long Term Debt	499,000
Paydowns on Long Term Debt	(152,386)
Net Cash Provided by Financing Activities	<u>346,614</u>

NET INCREASE IN CASH

245,456

Cash Balance at 12/31/06

486,525

CASH BALANCE AT 12/31/07

\$ 731,981

SUPPLEMENTAL DISCLOSURES

Cash Used by Payments of Interest

\$ 51,660

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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, 2007 amounted to \$120,499 for unrestricted general operations and \$184,068 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, 2007. The following amounts are due Redwood Community Action Agency, Inc. at December 31, 2007:

<u>Description</u>	<u>Acct</u>	<u>Amount</u>
COE Alzheimers	(127)	\$ 1,263
Raven CDBG	(129)	21,576
VISTA Partners	(138)	2,000
VISTA Supervisor – CNS	(139)	15,097
CSBG	(157)	32,414
Americorps Inclusion Project	(171)	5,000
Americorps 06/07	(187)	13,967
HAF Mini Grants	(202)	1,236
MAC Food Program	(207)	9,923
Title XIX 06/07	(221)	15,521
Title XIX 07/08	(222)	94,223
FESG – 06/08 Scattered Sites	(233)	22,476
FESG – 07/08 MAC	(234)	5,000
First 5 Humboldt	(245)	1,558
County MAC Year 4	(258)	75,259
EHAP CD – Bridgehouse	(285)	16,647
SHP-HUD	(290)	61,983
Rural Housing Service	(334)	1,495
Rio Dell Portfolio	(342)	1,550
Rio Dell 05 CDBG Gen Admin	(344)	1,629
Rio Dell 05 CDBG PD	(345)	26,610
Blue Lake 05CDBG Program Delivery	(353)	9,537
City of Eureka Rehab-HOME	(361)	21,297
County Cal HOME	(374)	20,026
RCAA Cal HOME	(382)	2,804
Fortuna 05CDBG GA	(394)	4,702
Fortuna 05CDBG AD	(395)	31,879
PG&E Refrigerator Replacement	(408)	95,393
LIHEAP Assurance 16	(431)	10,686
LIHEAP WPO	(432)	63,936
Indian Pathways	(456)	13,605
DOE 06/07	(465)	41,060
Duct Blasters	(470)	70
LEAD 06/07	(478)	31,574
LEAD 07/08	(479)	26,771
School Lunch	(503)	2,326

<u>Description</u>	<u>Acct</u>	<u>Amount</u>
MediCal Title XIX 06/07	(521)	2,848
MediCal Title XIX 07/08	(522)	17,585
CSBG Thrift	(580)	8,391
SHP	(590)	7,256
Hum Pal Impact Assessment	(611)	10,613
HB Water Trails	(630)	2,814
Trinity Gateway	(635)	1,018
NP3	(661)	36,592
Fay Slough Core	(663)	22,354
DFG Core	(664)	13,508
Mad River Watershed	(680)	30,655
Wood Creek Enhance	(944)	25,507
Trinidad ASBS	(945)	6,757
Humboldt Bay Martin Slough	(950)	2,138
Freshwater Creek / Elk River	(951)	1,501
Humboldt Bay Sediment	(952)	32,968
Salmon Pass	(956)	16,609
Barri Rach Lot	(968)	993
Hole in the Hammond	(972)	364
Hammond Construction	(973)	117,276
MRP Phase I Hammond	(974)	338,488
MRP Phase I Signs	(975)	1,403
MRP Phase I Bluffs	(976)	106
McDaniel Slough	(990)	46,714
TOTAL GRANTS/CONTRACTS RECEIVABLE		<u>\$1,546,551</u>

NOTE C: DEFERRED REVENUE

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2007:

<u>Description</u>	<u>Acct</u>	<u>Amount</u>
Community Development	(100)	\$ 49,573
EHAP Capital	(124)	2,652
RCH Labor Standards	(125)	13,509
Raven CDBG	(129)	2,010
Northcoast Mentor Program-EMS	(137)	3,209
Disaster Preparedness	(144)	11,967
AFACTR Americorp Year 3	(182)	119
AFACTR Americorp Year 4	(183)	1,095
Americorp Year 3	(187)	49,436

<u>Description</u>	<u>Acct</u>	<u>Amount</u>
Americorp Year 4	(188)	30,939
California Endowment	(225)	783
First Five	(246)	25,663
MAC County Supplemental	(259)	105,297
MAC COE 07/08	(264)	18,853
EHAP XIX	(276)	13,622
Revolving Loan Fund	(305)	68,755
Cal HOME Revolving Loan Fund	(306)	1,724
Blue Lake CDBG – GA	(352)	5,756
Care II	(418)	223
ULTS	(419)	2,824
LIHEAP Wx	(420)	5,956
LIHEAP Assurance 16	(421)	294
LIHEAP WPO	(422)	20,574
LIHEAP Wx	(430)	52,160
Alturas LIHEAP	(480)	28,538
Pacific Corps	(481)	45,800
Raven Activities	(502)	13,228
Fundraising	(505)	7,428
YSB Travel	(509)	1,186
CWF	(520)	110,123
St. Joseph Healthcare 07/08	(529)	18,369
Launch Pad TLP	(585)	2,728
HumPal Partnership	(609)	132
HumPal Reducing Disparities	(610)	13,176
Humboldt Bay EBM	(615)	1,293
Simpson Vance House	(800)	4,452
Agency Vehicles	(810)	156
Ford Found	(930)	4,702
Green Diamond-YSB Van		5,000
HAF-YSB Van		<u>1,000</u>
Total Current Deferred Revenue		\$ 744,304
Total Long Term Deferred Revenue:		
AGENCY FUND: 1100 California Street		<u>96,951</u>
TOTAL DEFERRED REVENUE		<u>\$ 841,255</u>

NOTE D: NOTES PAYABLE

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

Lender: California Department of Housing and Community Development - HOME	\$ 576,800
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	952,000
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	249,000
Interest Rate: 6%	
Maturity Date: June 2010	
Collateral: Unsecured	
Lender: Redwood Capital Bank	250,000
Interest Rate: 8.25%	
Maturity Date: June 2008	
Collateral: Unsecured	
Lender: California Department of Housing and Community Development - HOME	446,900
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	21,554
Interest Rate: 9.50%	
Maturity Date: August 15, 2012	
Collateral: 1528 Third St., Eureka	

**Lender: Department of Housing and
Community Development - HOME** 300,822

Interest Rate: 3%

Maturity Date: August 2027

Collateral: 1528 Third Street, Eureka, California

Lender: Umpqua Bank 57,273

Interest Rate: 9.50%

Maturity Date: October, 2018

Collateral: 523, 525, 537 9th Street, Eureka, California
& 825 G Street, Eureka, California

Lender: Crossland Mortgage Corp. 101,084

Interest Rate: 7%

Maturity Date: August, 2028

Collateral: 924 & 926 G Street, Eureka, California

**Lender: Department of Housing and
Community Development - Home** 336,478

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

Lender: Umpqua Bank 294,000

Interest Rate: 0%

Maturity Date: December 2019

Collateral: 139 Y Street, Eureka California

Restrictive Comment: Provide temporary housing for
homeless families and individuals.

**Lender: Department of Housing and
Community Development - EHAP** 285,713

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.

Lender: Redwood Capital Bank **173,066**
 Interest Rate: 8.25%
 Maturity Date: *Until paid in full*
 Collateral: *523 T Street and 3020 17th Street, Eureka, California*
 Restrictive Comment: *Business and Real Estate Investment*

Lender: Redwood Capital Bank **175,033**
 Interest Rate: 8.25%
 Maturity Date: *Until paid in full*
 Collateral: *539 T Street, Eureka, California*
 Restrictive Comment: *Business and Real Estate Investment*

Lender: The County of Humboldt **140,000**
 Interest: 1%
 Maturity Date: *Upon Sale of the property or discontinuance of use as an RCAA program.*
 Collateral: *523 T Street, Eureka, California*
 Restrictive Comment: *RCAA intends to continue to use the properties as office space and drop in services for youth programs*

Total Notes Payable	\$ 4,359,723
Less: Current Portion	<u>(604,843)</u>
 Long-Term Notes Payable, December 31, 2007	 <u>\$ 3,754,880</u>

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

Year ended December 31:	
2008	\$ 604,843
2009	106,681
2010	107,580
2011	108,551
2012	<u>34,836</u>
Total	<u>\$ 962,491</u>
Thereafter,	\$3,397,232

Interest expense for the fiscal year ended December 31, 2007 amounted to \$136,333.

NOTE E: INVENTORY

At December 31, 2007 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 determined on the first-in, first-out method.

NOTE F: DESIGNATED NET ASSETS

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

Shelter	(200)	\$ 3,839
Housing	(300)	11,413
Energy	(400)	111,968
Youth Services		17,370
MAC Support		5,083
Mentoring		<u>897</u>
Total Designated Fund Balance		<u>\$150,570</u>

NOTE G: CLASSIFICATION OF EXPENSES

Expenses by function for the year ended December 31, 2007 are as follows:

Program Expense	\$8,326,895
Management and General	573,539
Fundraising	<u>7,994</u>
Total	<u>\$8,908,428</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 2007 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, and 100% with 7 years or more of service. For the year ended December 31, 2007 the Agency's contribution of \$54,431 is included with accrued expenses.

NOTE I: LEASE COMMITMENT

As of December 31, 2007, 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:

2008	\$ 7,801
2009	1
2010	1
2011	1
2012	1
Thereafter	<u>6</u>
	<u>\$ 7,811</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.