

REDWOOD COMMUNITY ACTION AGENCY, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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

REDWOOD COMMUNITY ACTION AGENCY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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IZABAL, BERNACIAK & COMPANY
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, 2008 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, 2008 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 September 3, 2009 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
September 3, 2009

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 601,591
Grants/Contracts Receivable	1,370,003
Accounts Receivable	2,638
Prepays	52,477
Inventory	47,729
Total Current Assets	<u>2,074,438</u>

Deposits, Reserves and Custodial

268,853

Fixed Assets

Land	1,071,730
Buildings	4,154,314
Leasehold Improvement	483,783
Equipment	203,437
Vehicles	257,702
Accumulated Depreciation	<u>(2,826,789)</u>
Total Fixed Assets	<u>3,344,177</u>

TOTAL ASSETS

\$ 5,687,468

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 318,907
Current Portion of Long-Term Debt	106,681
Accrued Expenses	342,941
Deferred Revenue	569,202
Total Current Liabilities	<u>1,337,731</u>

Long Term Liabilities

Deferred Revenue	77,561
Security Deposits Payable	60,639
Long Term Debt less Current Portion	<u>3,708,802</u>
Total Long Term Liabilities	<u>3,847,002</u>

TOTAL LIABILITIES

5,184,733

Net Assets

Unrestricted - Designated	231,994
Unrestricted - Undesignated	<u>227,635</u>
Total Unrestricted	<u>459,629</u>

Temporarily Restricted

43,106

TOTAL NET ASSETS

502,735

TOTAL LIABILITIES AND NET ASSETS

\$ 5,687,468

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND OTHER SUPPORT			
Grant	\$ 6,665,862	\$ 43,106	\$ 6,708,968
Contributions	15,372	0	15,372
Rents	660,344	0	660,344
Miscellaneous	<u>443,277</u>	<u>0</u>	<u>443,277</u>
Total Revenue	<u>7,784,855</u>	<u>43,106</u>	<u>7,827,961</u>
EXPENSES			
Personnel	3,392,117	0	3,392,117
Travel	81,438	0	81,438
Space	418,384	0	418,384
Equipment	41,317	0	41,317
Other Operating Cost	169,821	0	169,821
Interest	137,301	0	137,301
Consultants & Contractors	645,015	0	645,015
Direct Services	<u>2,423,891</u>	<u>0</u>	<u>2,423,891</u>
Total Expenses Before Depreciation	<u>7,309,284</u>	<u>0</u>	<u>7,309,284</u>
REVENUE IN EXCESS OF EXPENSES BEFORE DEPRECIATION	475,571	43,106	518,677
Depreciation Expense	<u>123,489</u>	<u>0</u>	<u>123,489</u>
REVENUE IN EXCESS OF EXPENSES	352,082	43,106	395,188
Fixed assets purchased with grant funds	22,007	0	22,007
Fixed assets disposed that were purchased with grants funds	(74,843)	0	(74,843)
Depreciation on fixed assets purchased with grant funds	<u>(185,953)</u>	<u>0</u>	<u>(185,953)</u>
CHANGE IN NET ASSETS - UNRESTRICTED	113,293	43,106	156,399
Net Assets at Beginning of the Year	<u>346,336</u>	<u>0</u>	<u>346,336</u>
NET ASSETS AT END OF THE YEAR	<u>\$ 459,629</u>	<u>\$ 43,106</u>	<u>\$ 502,735</u>

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 156,399
Depreciation Expense	123,489
MAC center depreciation	(95,930)
Grant fixed assets depreciation	186,214
Fixed assets purchased with grant funds	(22,007)
Fixed assets disposed of purchased with grant funds	74,843
 <i>(Increase)/Decrease In:</i>	
Grants/Contracts Receivable	176,548
Accounts Receivable	(874)
Prepays	260
Inventory	(12,769)
Deposits, reserves and custodial	(22,533)
 <i>Increase/(Decrease) In:</i>	
Accounts Payable	(97,729)
Accrued Expenses	40,589
Security Deposits Payable	5,913
Deferred Revenue	(194,492)
Net Cash Provided by Operations	<u>317,921</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Leasehold Improvement	<u>95,930</u>
Net Cash Used by Investing Activities	<u>95,929</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Paydowns on Long Term Debt	<u>(544,240)</u>
Net Cash Provided by Financing Activities	<u>(544,240)</u>
 NET DECREASE IN CASH	 (130,390)
 Cash and Cash Equivalents Balance at 12/31/07	 <u>731,981</u>
 CASH AND CASH EQUIVALENTS BALANCE AT 12/31/08	 \$ <u>601,591</u>
 <u>SUPPLEMENTAL DISCLOSURES</u>	
Cash Used by Payments of Interest	<u>\$ 53,991</u>

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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.

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, 2008 amounted to \$123,489 for unrestricted general operations and \$185,953 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, 2008

NOTE B: GRANTS/CONTRACTS RECEIVABLE

Grant/Contracts receivable represents the amount due for revenues earned but not yet reimbursed at December 31, 2008. The following amounts are due Redwood Community Action Agency, Inc. at December 31, 2008:

<u>Description</u>	<u>Acct</u>		<u>Amount</u>
HAF-EITC Riches	104	\$	1,500
CSBG Asset Building	105		4,908
HMIS	106		646
Raven CDBG	129		22,023
Mentoring CSBG	132		16,876
ECS Mentor	135		9,212
Vista Program	138		1,000
CSBG	158		29,835
AFACTR Yr 2	181		10,365
AFACTR Americorp	183		2,868
Transportation for Members	184		4,342
MAC Food Program	207		6,037
Title XIX 08/09	223		14,718
MAC Children's Rm HAF	254		6,471
ERDP year 3	262		72,630
EHAP XV	277		9,322
Bridgehouse Annex Loan & PM	285		238
Safehaven Loan & PM	286		96,204
Project CA5436	290		15,548
Rio Dell 3rd & 4th Ave	310		4,996
Ferndale Housing Conditions	313		17,520
State Parks FLS	314		1,000
Weatport City Water Rehab	315		716
Leland Creek	316		620
County Portfolio Management	317		134
County General Admin	318		1,025
HPG Rehab Program	334		32,286
CDBG 05	344		1,549
Rio Dell CDBF General Admin	345		19,506
Blue Lake CDBG PD 06/07	353		41,221
CalHome Mobile Home 07/08	382		38,681
Fortuna 05 CDBG PD	395		5,289
PG&E Refrigerator Replace	409		11,352
ULTS	419		24,985
LIHEAP Wx	420		1,170
Wood Propane	422		67,559
LIHEAP Assurance 16 2007	431		3,402

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE B: GRANTS/CONTRACTS RECEIVABLE (CONTINUED)

<u>Description</u>	<u>Acct</u>	<u>Amount</u>
LIHEAP WPO 2007	432	33,175
LIHEAP Wx 2008	440	60,611
LIHEAP WPO 2008	442	88,740
Energy Education Pilot Project	455	8,675
DOE 08/09	466	3,265
Lead 2007-2009	479	54,019
Modoc Wx 2008	483	28,291
Modoc Assurance 16 2008	484	5,846
Modoc DOE 08/09	485	8,307
Shelter Activities	501	11,377
School Lunch	503	2,276
BCP Demonstration	530	2,685
Basic Center 07/08	533	4,803
Basic Center 08/09	534	4,432
Launch Pad 08/09	536	9,968
Raven 08/09	540	7,249
TLP HHS 07/08	585	7,477
HUD	590	14,458
HUD SHP 08/09	591	2,835
Division Grant Research	603	1,069
Hum Pal II	611	3,403
Trinidad Gateway	635	9,000
HHR II Admin	655	3,484
HHR II Transport Coord	656	10,257
HHR II Program & Guide	657	4,037
HHR II Presentation	658	1,207
Fay Slough Core	663	80,719
Cochran Redmond Crk Estuary	665	5,193
Humboldt Coastal Trail	670	4,746
Mad River Watershed Mgmt Plan	680	33,047
Wood Creek Enhancement Plan	944	17,526
Trinidad ASBS	945	3,000
Hum Bay Martin Slough Enhance	950	20,797
Freshwater Ck Elk River TMDL	951	572
Humboldt Bay Sediment Monitoring	952	43,316
MRP Phase I Hammond	974	52,791
MRP Phase I Sign	975	91,697
MRP Phase 1 Bluffs	976	4,849
McDonald Slough	990	4,915
Regional Coordinator # 2	993	15,990
Bluff Creek Fish Lake	994	2,145
		\$ 1,370,003

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE C: DEFERRED REVENUE

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2008:

<u>Description</u>	<u>Acct</u>	<u>Amount</u>
Community Development	100	\$ 8,951
Dept of Ed Consultant	131	249
Disaster Preparedness	144	1,270
Americorp year 4	188	43,422
Americorp 2008	189	38,661
First Five	246	11,854
Sisters of Orange MAC 2008	247	50,191
First 5 Humboldt Child Care	253	16,592
MAC County Supplement	259	69
Revolving Loan Fund	305	91,354
Cal HOME Revolving Loan Fund	306	1,724
Blue Lake CDBG GA	352	6,167
Fortuna 05 CDBG GA	394	4,106
Fortuna 05 CDBG PD	395	24,002
LIHEAP Assurance 16	421	294
LIHEAP WX 2007	430	2,155
LIHEAP Assurance 16 2008	441	38,753
YSB Travel	509	2,659
HOPES House 02/03	512	1,000
WIA Eureka 05/06	523	7,746
St. Joe's Healthcare 08/09	525	32,602
Humboldt Bay Area Bike Map	605	260
RAFT's	608	105
HumPal II	613	149,750
Eureka Tree Planting Program	640	2,126
HP 3	661	4,927
Simpson Vance House	800	9,286
Agency Vehicles	801	4,564
Ford Foundation	930	2,559
Hammond Construction	973	11,804
Total Current Deferred Revenue		569,202
Total Long Term Deferred Revenue:		
AGENCY FUND: 1100 California St.		77,561
 TOTAL DEFERRED REVENUE		\$ 646,763

**REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE D: NOTES PAYABLE

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

**Lender: California Department of Housing and
Community Development - HOME** **\$ 592,250**

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** **977,500**

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: California Department of Housing and
Community Development - HOME** **459,200**

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 **17,629**

Interest Rate: 9.50%

Maturity Date: August 15, 2012

Collateral: 1528 Third St., Eureka

**Lender: Department of Housing and
Community Development - HOME** **307,722**

Interest Rate: 3%

Maturity Date: August 2027

Collateral: 1528 Third Street, Eureka, California

**REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE D: NOTES PAYABLE (CONTINUED)

<p>Lender: Umpqua Bank Interest Rate: 9.50% Maturity Date: October, 2018 Collateral: 523, 525, 537 9th Street, Eureka, California & 825 G Street, Eureka, California</p>	<p>53,920</p>
<p>Lender: Crossland Mortgage Corp. Interest Rate: 7% Maturity Date: August, 2028 Collateral: 924 & 926 G Street, Eureka, California</p>	<p>98,481</p>
<p>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</p>	<p>346,001</p>
<p>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.</p>	<p>269,500</p>
<p>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.</p>	<p>214,284</p>
<p>Lender: Redwood Capital Bank 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</p>	<p>168,541</p>

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE D: NOTES PAYABLE (CONTINUED)

Lender: *Redwood Capital Bank* **170,456**
 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 **\$ 3,815,483**
 Less: Current Portion **(106,681)**

Long-Term Notes Payable, December 31, 2008 **\$ 3,708,802**

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

Year ended December 31:	
2009	\$ 106,681
2010	107,580
2011	108,551
2012	34,836
2013	<u>32,656</u>
Total	\$ 390,304
Thereafter,	\$3,425,179

Interest expense for the fiscal year ended December 31, 2008 amounted to \$137,301.

NOTE E: INVENTORY

At December 31, 2008 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.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE F: TEMPORARILY RESTRICTED AND DESIGNATED NET ASSETS

Temporarily restricted net assets consists of excess revenue from Liheap contracts in the amount of \$43,106 as of December 31, 2008. The excess revenue is required to be utilized for future LIHEAP activities.

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

Shelter	(200)	\$ 5,878
Housing	(300)	14,145
Energy	(400)	181,716
Youth Services	(500)	8,181
MAC Support	(201)	21,177
Mentoring	(130)	<u>897</u>
Total Designated Fund Balance		<u>\$ 231,994</u>

NOTE G: CLASSIFICATION OF EXPENSES

Expenses by function for the year ended December 31, 2008 are as follows:

Program Expense	\$6,798,394
Management and General	616,357
Fundraising	<u>18,565</u>
Total	<u>\$7,433,316</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

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE H: RETIREMENT PLAN (CONTINUED)

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 2008 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, 2008 the Agency's contribution of \$53,141 is included with accrued expenses.

NOTE I: LEASE COMMITMENT

As of December 31, 2008, RCAA has entered into various noncancelable operating lease agreements for the rental of office and residential facilities, expiring from February 2009 to September 2018. Minimum rentals, on an annual basis, are as follows:

2009	\$	1
2010		1
2011		1
2012		1
2013		1
Thereafter		5
		<u>10</u>
	\$	<u>10</u>

Note J: DEPOSIT COLLATERAL AGREEMENT

RCAA maintains a Tri-party collateral agreement with Umpqua Bank and Federal Home Loan Bank in Seattle, WA.

The collateral is a \$400,000 Municipal Bond matures on July 5, 2014 with 5% interest. The purpose of the collateral is for short term financing of selected accounts receivable of RCAA's Natural Resource Division. There was no amount on this collateral agreement on December 31, 2008.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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 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.

Note L: CONTINGENCIES

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.