

REDWOOD COMMUNITY ACTION AGENCY, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

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

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CERTIFIED PUBLIC ACCOUNTANTS

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FOR THE YEAR ENDED DECEMBER 31, 2009

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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, 2009 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, 2009 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 10, 2010 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.

Isabal, Bernaciak & Company

San Francisco, California
September 10, 2010

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,277,943
Grants/Contracts Receivable	1,672,536
Accounts Receivable	5,648
Revolving Loans	823,243
Prepays	39,968
Inventory	49,625
Total Current Assets	<u>3,868,963</u>

Deposits, Reserves and Custodial

269,284

Fixed Assets

Land	1,071,730
Buildings	4,154,313
Leasehold Improvement	867,500
Equipment	223,670
Vehicles	212,326
Accumulated Depreciation	<u>(3,315,204)</u>
Total Fixed Assets	<u>3,214,335</u>

TOTAL ASSETS

\$ 7,352,582

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 281,866
Current Portion of Long-Term Debt	118,433
Accrued Expenses	380,979
Deferred Revenue	1,423,692
Deferred Revolving Loans	823,243
Total Current Liabilities	<u>3,028,213</u>

Long Term Liabilities

Deferred Revenue	58,171
Security Deposits Payable	47,944
Long Term Debt less Current Portion	3,649,193
Total Long Term Liabilities	<u>3,755,308</u>

TOTAL LIABILITIES

6,783,521

Net Assets

Unrestricted - Undesignated	531,306
Total Unrestricted	<u>531,306</u>

Temporarily Restricted	<u>37,755</u>
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TOTAL NET ASSETS

569,061

TOTAL LIABILITIES AND NET ASSETS

\$ 7,352,582

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND OTHER SUPPORT			
Grant	\$ 6,242,094	\$ 0	\$ 6,242,094
Contributions	58,491	0	58,491
Rents	399,692	0	399,692
Program Service Fees	830,910	0	830,910
Miscellaneous	313,907	0	313,907
Temporarily restricted assets released from restriction	5,351	(5,351)	0
	<u>7,850,445</u>	<u>(5,351)</u>	<u>7,845,094</u>
EXPENSES			
Personnel	4,365,086	0	4,365,086
Travel	139,941	0	139,941
Space	573,204	0	573,204
Equipment	110,927	0	110,927
Other Operating Cost	839,789	0	839,789
Interest	106,307	0	106,307
Consultants & Contractors	583,130	0	583,130
Direct Services	873,693	0	873,693
	<u>7,592,077</u>	<u>0</u>	<u>7,592,077</u>
REVENUE IN EXCESS OF EXPENSES BEFORE DEPRECIATION	258,368	(5,351)	253,017
Depreciation Expense	145,945	0	145,945
REVENUE IN EXCESS OF EXPENSES	112,423	(5,351)	107,072
Fixed assets purchased with grant funds	128,895	0	128,895
Depreciation on fixed assets purchased with grant funds	(169,641)	0	(169,641)
CHANGE IN NET ASSETS - UNRESTRICTED	71,677	(5,351)	66,326
Net Assets at Beginning of the Year	459,629	43,106	502,735
NET ASSETS AT END OF THE YEAR	<u>\$ 531,306</u>	<u>\$ 37,755</u>	<u>\$ 569,061</u>

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	107,072
Depreciation Expense		145,945
<i>(Increase)/Decrease In:</i>		
Grants/Contracts Receivable		(302,533)
Accounts Receivable		(3,010)
Prepays		12,509
Inventory		(1,896)
Deposits, reserves and custodial		(431)
<i>Increase/(Decrease) In:</i>		
Accounts Payable		(37,041)
Accrued Expenses		38,038
Security Deposits Payable		(12,695)
Deferred Revenue		835,100
Net Cash Provided by Operations		<u>781,058</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property		<u>(56,849)</u>
Net Cash Used by Investing Activities		<u>(56,849)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Paydowns on Long Term Debt		<u>(47,857)</u>
Net Cash Provided by Financing Activities		<u>(47,857)</u>

NET DECREASE IN CASH

676,352

Cash and Cash Equivalents Balance at 12/31/08		<u>601,591</u>
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CASH AND CASH EQUIVALENTS BALANCE AT 12/31/09	\$	<u><u>1,277,943</u></u>
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SUPPLEMENTAL DISCLOSURES

Cash Used by Payments of Interest	\$	<u><u>36,634</u></u>
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See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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.

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, 2009

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, 2009 amounted to \$145,945 for unrestricted general operations and \$169,641 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, 2009

NOTE B: GRANTS/CONTRACTS RECEIVABLE

Grant/Contracts receivable represents the amount due for revenues earned but not yet reimbursed at December 31, 2009. The following amounts are due Redwood Community Action Agency, Inc. at December 31, 2009:

<u>Revenue Source Code</u>	<u>Description</u>	<u>Amount</u>
1100109	Supportive Hsg - TLP 2008-2009	9,378.00
1100210	Supportive Hsg - TLP 2009-2010	60,325.54
1100410	Supportive Hsg - MAC	49,530.00
1200110	Raven 09/10	1,249.64
1200210	Basic Center 09/10	14,267.57
1200310	Basic Center Demo 09/10	10,271.73
1200410	Launch Pad 09/10	22,123.39
1250109	Straight Up AmeriCorps	2,561.29
1250110	ARRA Straight Up AmeriCorps	122,917.48
1250210	VISTA ARRA	15,237.27
1300109	McDaniel Slough	2,224.38
1350110	Cochran Redmond	1.00
1400210	USDA FS - Road Inventory	33,008.60
1500213	Kings Range	910.76
2100411	CDBG MAC Kids	43,592.71
2100310	Humboldt Co - CDBG - HMIS	6,959.74
21004109	Blue Lake GA	2,650.23
21004209	Blue Lake PD	53,829.79
2100599	Alzheimer's Ctr	8,768.57
21007209	Fortuna PD	68,226.51
21010109	Rio Dell GA	12,099.98
2101211	ARRA Lead RD15 09L-2078	4,905.53
2150511	ARRA WX Humboldt 09C-1810	23,794.66
2150711	ARRA WX Modoc 09C-1825	12,120.79
22002210	CalWorks - MAC	78,583.89
2200309	LIHEAP Humboldt 09B-5510	270,597.89
2200509	LIHEAP Modoc 09B-5530	50,195.79
2200709	CSBG 08F-4913	54,720.66
2200809	CSBG ASSET BUILDING	3,462.04
2201009	CSBG Mentoring 09F-5006	754.85
2201110	ARRA CSBG 09F-5113	8,182.76
2201210	EITC ARRA	1,954.32
31501109	Mad River Parkway - Bluffs	3,429.94
31501309	Mad River Parkway -Signs	60,641.79
3350209	CA Dept F&G-Wood Creek Enhance	17,095.87

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE B: GRANTS/CONTRACTS RECEIVABLE (CONTINUED)

Revenue Source Code	Description	Amount
3501009	Safe Haven	\$ 68,652.72
3501110	Bridgehouse Capital Development	1,519.22
3600109	Fay Slough Core	6,808.43
3600411	Humboldt Coastal Trail	12,697.54
3650110	NPE	22,119.08
3650209	Mad River Watershed Mgmt	12,145.54
36503110	Freshwater Creek	2014.48
36503210	Martin Slough	2,703.00
36503310	Humboldt Bay Sediment	40,326.01
4050212	First 5 Humboldt	7,167.18
4050312	TOOTH	1,757.54
4100199	Richard Heath-Lifeline	12,991.12
4450109	Title XIX	43,850.89
4450309	Redwood Coast Regional Center	21,771.67
4450312	TOOTH	18,396.64
4450409	Transitional Housing Program-Plus	6,360.64
4600509	City of Arcata - McDaniel Slough	4,657.00
4600609	Leland Creek - FLS	590.24
4600709	Howe/Price Creek	724.95
4600809	Winzler & Kelly	2,141.95
47001210	Healthy Rural Roads-Trans Coord	1,945.04
4705310	Arcata Rail with Trail Design	208.16
5050209	AFACTR AmeriCorps 08/09	23,083.28
50502010	AFACTR AmeriCorps 09/10	1,407.81
5050810	Freshwater Park	8,055.00
61024	Hum Bay Rec	128.13
61031	AmeriCorp Transportation	693.20
61090	CA Family Health Council	20,000.00
62031	RCHDC Redwood Courts FLS	241.40
62041	Sanctuary Forest Tank & Well	534.56
62091	ERRG, Inc.	29,719.00
640111	CAN - HMIS	281.01
72039	PG&E Refrige Replacement	72,489.00
72111	PacifiCorp	77,392.98
7220110	Buhne Point Wetlands	5,820.00
	Workers Comp Refund Receivable	10,566.47
	Total Grants/Contracts Receivable	<u>\$ 1,672,535.84</u>

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE C: DEFERRED REVENUE

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2009:

Revenue Source Code	Description	Amount
0	Housing Rehab	\$ 496.45
1050109	Housing Revolving Loan	74,927.01
1100410	SHP	515.79
1250110	ARRA AmeriCorp	55,434.65
1400113	Six Rivers Coop Weed Control	845.53
1400210	Six Rivers Road Inventory	10,778.58
1400310	Six Rivers Win Road	833.70
1500113	Lack's Creek	15,842.14
2050499	MAC Meals	29,056.61
21007209	Fortuna Program Delivery	30,000.00
2102110	HPRP	327,046.90
2200219	CalWorks Changing Tides	7,796.00
2200309	LIHEAP Humboldt 09B-5510	38,332.46
20503109	School Breakfast YSB	322.72
20503209	School Lunch YSB	680.83
2201110	CSBG-ARRA	85,859.75
31501209	CA Resources Hammonds	2,255.70
3350209	Fish & Game Wood Creek	9,833.17
3400109	Eureka Tree Planting	3,974.98
3500110	CAL Home Mobile	2,554.56
3500209	Mobile Revolving	1,510.92
3500311	Cal HOME County	148,567.07
3550109	Head Hunter Road	991.92
3600209	Hammond Construction	1,521.24
3600411	Humboldt Coastal Trail	1,695.28
3650110	NP3	6,601.97
47001110	HRR II Admin	1,103.90
47001310	HRR II Program & Guide	4,695.73
47001410	HRR II Presentation	711.70
4705110	Regional Trail	1,386.55
4705210	Transportation Corridor	1,777.71
5050810	Freshwater Park	2,266.36
5050909	Humboldt County Rube Creek	911.23
640	Family Services Contributions	759.90

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE C: DEFERRED REVENUE (CONTINUED)

<u>Revenue Source Code</u>	<u>Description</u>	<u>Amount</u>
645	Bike Map	3,400.00
61022	HAF Children Center	46.83
61023	HAF Respns Grant	752.04
61041	Sisters of Orange MAC 07	8,044.38
61042	Sisters of Orange MAC 08	78,131.82
61043	Sisters of Orange MAC 09	40,258.11
61051	St Joseph 08/09	31,951.22
610510	St Joseph 09/10	15,561.77
61061	Capacity Bldg	132,751.19
61072	Wellness Foundation	50,631.41
62071	Keep Eureka Beautiful - Tree Planting	7,219.73
62082	Garden Collabative	1,818.65
62083	McLean Mobility	670.74
62084	Gotta Get ID	4,985.40
630110	North Coast Land Trust - Dialogues	496.95
640111	CAN - HMIS	199.56
66903	Straight Up Escript	0.66
66904	Straight Up Massage	127.60
670199	Travel Account YSB	2,126.56
7101	VISTA Partners	39,766.20
7201	Fee MAC Meals	13,876.10
72012	Fee MAC & TLP	2,256.40
7220110	Buhne Pt Wetland	116,729.46
	Total Current Deferred Revenue	1,423,691.79
	Long Term Deferred Revenue:	
	AGENCY FUND: 1100 California	58,171.00
	Total Deferred Revenue	<u>\$ 1,481,862.79</u>

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE D: NOTES PAYABLE

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

**Lender: *California Department of Housing and
Community Development - HOME*** **\$ 607,700**

Interest Rate: 3%

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

Collateral: Apartment Building, Fortuna, California

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

**Lender: *California Department of Housing and
Community Development - HOME*** **1,003,000**

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 rental housing
until loan is paid in full.

**Lender: *California Department of Housing and
Community Development - HOME*** **471,500**

Interest Rate: 3%

Collateral: 1015 Loni Drive, Fortuna, California

Maturity Date: March 2035

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

Lender: *Umpqua Bank* **13,152**

Interest Rate: 9.50%

Maturity Date: August 15, 2012

Collateral: 1528 Third St., Eureka

**Lender: *Department of Housing and
Community Development - HOME*** **314,622**

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, 2009**

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>49,616</p>
<p>Lender: Crossland Mortgage Corp. Interest Rate: 7% Maturity Date: August, 2028 Collateral: 924 & 926 G Street, Eureka, California</p>	<p>95,449</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 rental housing until loan is paid in full.</p>	<p>355,524</p>
<p>Lender: Umpqua Bank Interest Rate: 0% Maturity Date: December 2019 Collateral: 139 Y Street, Eureka California Restrictive Comment: Provide temporary housing for the homeless.</p>	<p>245,000</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 the homeless.</p>	<p>142,855</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>163,674</p>
<p>Lender: Redwood Capital Bank Interest Rate: 8.25% Maturity Date: Until paid in full Collateral: 539 T Street, Eureka, California Restrictive Comment: Business and Real Estate Investment</p>	<p>165,534</p>

**REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE D: NOTES PAYABLE (CONTINUED)

Lender: *The County of Humboldt* 140,000
Interest Rate: 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	\$ 3,767,626
Less: Current Portion	<u>(118,433)</u>
Long-Term Notes Payable, December 31, 2009	<u>\$ 3,649,193</u>

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

Year ended December 31:

2010		\$ 118,433
2011		119,912
2012		48,290
2013		46,232
2014		<u>47,734</u>
Total		\$ 380,601
Thereafter,		\$ 3,387,025

Interest expense for the fiscal year ended December 31, 2009 amounted to \$106,307.

NOTE E: INVENTORY

At December 31, 2009 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: TEMPORARILY RESTRICTED AND DESIGNATED NET ASSETS

Temporarily restricted net assets consists of excess revenue from LIHEAP contracts in the amount of \$37,755 as of December 31, 2009. The excess revenue is required to be utilized for future LIHEAP activities.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE G: CLASSIFICATION OF EXPENSES

Expenses by function for the year ended December 31, 2009 are as follows:

Program Expense	\$ 6,895,533
Management and General	807,081
Fundraising	<u>35,408</u>
Total	<u>\$ 7,738,022</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 2009 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, 2009 the Agency's contribution of \$57,251 is included with accrued expenses.

Note I: 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.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

**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 \$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.

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 that matures on July 5, 2014 with 5% interest. The purpose of the collateral is to reduce losses in the event of a bank failure.

NOTE K: REVOLOVING 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.