

REDWOOD COMMUNITY ACTION AGENCY, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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

REDWOOD COMMUNITY ACTION AGENCY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE OF CONTENTS

	<u>Page</u>
<u>AUDITED FINANCIAL STATEMENTS</u>	
Independent Auditors' Report.....	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Cash Flows.....	4
Notes to Financial Statements.....	5-16

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, 2010 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, 2010 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 August 22, 2011 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
August 22, 2011

**REDWOOD COMMUNITY ACTION AGENCY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 566,363
Grants/Contracts Receivable	2,764,848
Accounts Receivable	593
Revolving Loans	840,595
Prepays	61,515
Inventory	<u>102,233</u>
Total Current Assets	<u>4,336,147</u>

Deposits, Reserves and Custodial

256,549

Fixed Assets

Land	1,071,730
Buildings	4,209,413
Leasehold Improvement	867,500
Equipment	223,236
Vehicles	384,430
Accumulated Depreciation	<u>(3,599,987)</u>
Total Fixed Assets	<u>3,156,322</u>

TOTAL ASSETS

\$ 7,749,018

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 568,950
Current Portion of Long-Term Debt	571,034
Accrued Expenses	433,758
Deferred Revenue	1,143,356
Deferred Revolving Loans	<u>840,595</u>
Total Current Liabilities	<u>3,557,693</u>

Long Term Liabilities

Security Deposits Payable	60,501
Long Term Debt less Current Portion	<u>3,598,555</u>
Total Long Term Liabilities	<u>3,659,056</u>

TOTAL LIABILITIES

7,216,749

Net Assets

Unrestricted - Undesignated	<u>511,031</u>
Total Unrestricted	<u>511,031</u>

Temporarily Restricted

21,238

TOTAL NET ASSETS

532,269

TOTAL LIABILITIES AND NET ASSETS

\$ 7,749,018

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND OTHER SUPPORT			
Grant	\$ 10,309,881	\$ -	\$ 10,309,881
Contributions	128,193	-	128,193
Rents	425,253	-	425,253
Miscellaneous	597,100	-	597,100
Temporarily restricted Assets released from restriction	<u>16,517</u>	<u>(16,517)</u>	<u>-</u>
 Total Revenue	 <u>11,476,944</u>	 <u>(16,517)</u>	 <u>11,460,427</u>
EXPENSES			
Personnel	5,488,224	-	5,488,224
Travel	207,249	-	207,249
Space	675,261	-	675,261
Equipment	359,217	-	359,217
Other Operating Cost	1,139,235	-	1,139,235
Interest	105,080	-	105,080
Consultants & Contractors	1,365,428	-	1,365,428
Direct Services	<u>1,939,023</u>	<u>-</u>	<u>1,939,023</u>
 Total Expenses Before Depreciation	 <u>11,278,717</u>	 <u>-</u>	 <u>11,278,717</u>
REVENUE IN EXCESS OF EXPENSES BEFORE DEPRECIATION, AND MAJOR REPAIRS & EARTHQUAKE DAMAGE	198,227	(16,517)	181,710
Depreciation Expense	127,797	-	127,797
Major Repairs & Earthquake Damage	<u>114,322</u>	<u>-</u>	<u>114,322</u>
REVENUE OVER / (UNDER) EXPENSES	(43,892)	(16,517)	(60,409)
Fixed assets purchased with grant funds	229,994	-	229,994
Fixed assets disposed that were purchased with grants funds	(17,715)	-	(17,715)
Depreciation on fixed assets purchased with grant funds	<u>(188,662)</u>	<u>-</u>	<u>(188,662)</u>
CHANGE IN NET ASSETS - UNRESTRICTED	(20,275)	(16,517)	(36,792)
Net Assets at Beginning of the Year	<u>531,306</u>	<u>37,755</u>	<u>569,061</u>
NET ASSETS AT END OF THE YEAR	<u>\$ 511,031</u>	<u>\$ 21,238</u>	<u>\$ 532,269</u>

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	(60,409)
Depreciation Expense		127,797
<i>(Increase)/Decrease In:</i>		
Grants/Contracts Receivable		(1,092,312)
Accounts Receivable		5,055
Revolving Loans		(17,352)
Prepays		(21,547)
Inventory		(52,608)
Deposits, reserves and custodial		12,735
<i>Increase/(Decrease) In:</i>		
Accounts Payable		287,084
Accrued Expenses		52,779
Security Deposits Payable		12,557
Deferred Revenue		(338,507)
Deferred Revolving Loans		17,352
Net Cash Provided by Operations		<u>(1,067,376)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed Asset Purchases		(68,099)
Disposal of Fixed Assets		21,932
Net Cash Used by Investing Activities		<u>(46,167)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Paydowns on Long Term Debt		401,963
Net Cash Provided by Financing Activities		<u>401,963</u>

NET DECREASE IN CASH

(711,580)

Cash and Cash Equivalents Balance at 12/31/09		<u>1,277,943</u>
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CASH AND CASH EQUIVALENTS BALANCE AT 12/31/10	\$	<u><u>566,363</u></u>
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SUPPLEMENTAL DISCLOSURES

Cash Used by Payments of Interest	\$	<u><u>35,407</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, 2010

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 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, 2010, RCAA did not have any 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, 2010.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010 amounted to \$127,797 for unrestricted general operations and \$210,508 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, 2010

NOTE B: GRANTS/CONTRACTS RECEIVABLE

Grant/Contracts receivable represents the amount due for revenues earned but not yet reimbursed at December 31, 2010. The following amounts are due Redwood Community Action Agency, Inc. at December 31, 2010:

<u>Account</u>	<u>Description</u>	<u>Amount</u>
1100211	Supportive Hsg - TLP 2010 - 2011	\$ 5,251.67
1100511	Supportive Hsg - MAC	12,775.25
1200111	Raven	1,813.08
1200211	Basic Center	17,783.48
1200309	Basic Center 2008 -2011	829.68
1200311	Basic Center Demo	3,524.21
120041	Launch Pad	23,691.02
1250110	AmeriCorp	16,280.00
1250211	AmeriCorp VISTA	7,240.13
1300109	McDaniel Slough	1,053.47
1400210	USDA FS - Road Inventory	29,777.00
1400411	Six Rivers Ntl Forest - Mad River	13,792.32
1400611	Six Rivers Ntl Forest - Goose Creek	656.74
1500213	BLM - King's Range	5,362.00
21004109	Blue Lake CDBG - GA	6,611.66
2100411	CDBG MAC Kids	43,697.46
21004209	Blue Lake PD	82,326.19
2100511	Humboldt County - HMIS	6,074.82
21005910	City of Eureka - Veterans Center	1,615.00
210059211	HCAR FLS	578.39
21007109	Fortuna GA	0.00
21007209	Fortuna Pd	0.00
2101209	Rio Dell Portfolio	1,494.75
21010311	Rio Dell - HOME	4,978.29
2101211	ARRA Lead 09L-2078	171,101.34
2150511	ARRA WX Humboldt 09C-1810	391,021.10
2150611	Humboldt DOE WX 09C-1760	1,319.19
2150711	ARRA WX Modoc 09C-1825	52,011.94
2150811	MODOC DOE WX 09C-1773	11,209.12
22002210	CalWorks - MAC	54,981.43
2200309	LIHEAP Humboldt 09B-5510	119,876.10
2200310	LIHEAP Humboldt 10B-5610	225,225.92
2200509	LIHEAP Modoc 09B-5530	30,659.69
2200510	LIHEAP Modoc 10B-5630	84,504.34
2200810	CSBG 10F-4013	63,966.11
2201211	VITA CSBG 11F-4283	948.34
31501109	Mad River Parkway - Bluffs	176,173.00
31501309	Mad River Parkway -Signs	81,911.52

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE B: GRANTS/CONTRACTS RECEIVABLE (CONTINUED)

<u>Account</u>	<u>Description</u>	<u>Amount</u>
3350209	CA Dept F&G-Wood Creek Enhance	92.04
3400109	Eureka Tree Planting	1,512.71
3400212	Eureka Urban Tree Planting	993.52
3501009	Safe Haven	214,738.00
3500110	Cal HOME - Mobile Homes	182,423.42
3501110	Bridgehouse Capital Development	3,479.96
3600411	Humboldt Coastal Trail	207,630.05
3600109	Fay Slough Core	8,091.83
3650110	NP3	35,025.38
3650209	Mad River Watershed Mgmt	26,609.26
36503110	Freshwater Creek	4,851.82
36503210	Martin Slough	55,632.04
36503310	Humboldt Bay Sediment	30,717.82
37300110	HCRC Mid Van Duzen Project	2,600.00
4050211	First 5 Humboldt - TOOTH 10/11	23,001.54
4050212	First 5 Humboldt - MAC Children's Ctr	7,504.82
4100199	Richard Heath & Assoc - Lifeline	13,174.51
4450309	Redwood Coast Regional Center	31,344.37
4450311	Redwood Coast Regional Center - Ongoing	855.50
4600609	Leland Creek - FLS	0.24
4600610	McDaniel Slough Pond 4 FLS	3,000.00
4703111	Eureka Safe Routes to School	2,691.04
50501210	Fern St Erosion Control 2	21,246.00
50502010	AFACTR AmeriCorps 09/10	8,107.59
6050111	Fortuna PI Rehab	14,780.06
61027	HAF - Circle of Smiles	10,000.00
61028	HAF - Humboldt Bay Rec Phase II	17.39
610910	CA Family Health Council	11,914.08
62031	RCHDC Redwood Courts FLS	241.40
62045	LACO Assoc	982.92
62083	McLean Mobilituy Mgmt Mini Grant	437.94
630211	North Coast Land Trust	100.21
640111	CAN - HMIS	880.54
6550110	Trinidad Museum Soiciety - Sign	2,496.14
72021	PG&E - CARE	2,708.53
720411	PG&E - Refrigerator Replacement	26,424.59
72111	PacifiCorp WX MODOC	13,322.85
7220110	Buhne Point Wetlands	30,930.74
7230110	PG&E Burleson Consulting - Buhne Pt	1,839.00
7230212	PG&E Burleson Consulting - Wetlands	1,603.97
	Community Programs	8,728.10
	Total Grants/Contracts Receivable	<u>\$ 2,764,847.67</u>

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE C: DEFERRED REVENUE

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2010:

<u>Account</u>	<u>Description</u>	<u>Amount</u>
	Community Programs	\$ 30,286.28
	Natural Resources Division - Program Support	16,953.38
1050109	Revolving Loan Fund - Fees	91,617.36
1200111	Street Outreach - Raven	327.99
1200411	Runaway & Homeless Youth - Launch Pad	435.00
1400210	Six Rivers Nt'l Forest - Road Inventory	10,063.45
1400310	Six Rivers Nt'l Forest - Win Road	12,404.02
1400411	Six Rivers Nt'l Forest - Mad River Road Assessment	41,596.36
1400510	Six Rivers Nt'l Forest - USFS Weeds 2010	1,608.00
1400611	Six Rivers Nt'l Forest - Goose Creek Rd Assessment	226.67
1500113	BLM - Lack's Creek Trail Design	8,079.53
20503109	National School Breakfast	546.41
2050499	Meals - MAC	89,533.56
21010311	City Rio Dell - HOME	937.89
2102110	Homelessness Prevention & Rapid Re-Housing Prog	61,819.34
2150309	MODOC LIHEAP WX 09B-5530	23,846.72
2150811	Modoc DOE WX 09C-1773	419.57
2200300	LIHEAP Humboldt LIHEAP Carry Over	12,112.00
2200500	MODOC LIHEAP Carry Over	17,190.28
2200911	CSBG Discr 10F-4106	2,006.56
31501109	Mad River Parkway - Phase I Bluffs	11,135.17
31501209	Mad River Parkway - Phase I Hammonds	43,531.61
3400109	Eureka Tree Planting I	4,360.23
3500209	CalHOME - Revolving Loan Fund - Mobile Homes Fees	12,598.15
3500311	CalHOME - County Wide	2,089.44
3501009	Capital Development - Safe Haven	65,088.13
3600411	Humboldt Coastal Trail	13,197.84
3650110	NP3	10,819.97
3650209	Mad River Watershed Mgmt	4,002.41
36503110	Freshwater Creek, Elk River	4,811.80
36503210	Humboldt Bay - Martin Slough	9,244.31
36503310	Humboldt Bay - Sediment	16,129.55
4450211	Title XIX - MAC & YSB	62,403.22
4450511	Humboldt Cty - Transitional Housing Program - Plus	21,523.53

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE C: DEFERRED REVENUE (CONTINUED)

<u>Account</u>	<u>Description</u>	<u>Amount</u>
4703111	Eureka Safe Routes to Schools - Washington School	5,673.19
61021	HAF Mini Grants	1,140.29
61026	HAF - HPRP	20,127.55
61042	Sisters of Orange - MAC Children's Center 2008	59,563.43
61043	Sisters of Orange - Family Shelters 2009	8,960.22
61051	Sisters of Saint Joseph Health Care Foundation 08/09	32,019.73
610510	Sisters of Saint Joseph Health Care Foundation 09/10	8,262.02
610511	Sisters of Saint Joseph Health Care Foundation 10/11	3,779.02
6105210	Sisters of Saint Joseph Health Care Foundation - Garden Collaborative	1,183.58
61061	The California Endowment - Capacity Bldg for Active Living	47,308.67
610611	Sisters of Saint Joseph Health Care Foundation	50,030.28
6106211	The California Endowment	33,469.56
61073	The California Wellness Foundation - RHY Operating Support	25,000.00
61082	Humboldt Sponsor - Summer Recreation	160.10
62071	Eureka Tree Planting Program	694.30
62083	McLean Mobility Mgmt Mini Grant	296.45
62084	McLean Foundation - Gotta Get ID	2,230.53
6350110	Umpqua Bank - Summer Recreation	753.53
640	Contributions - Non-Specific	1,941.88
640111	Community Assistance Network - HMIS	367.71
645	Contributions - Bike Map	7,539.85
7101	VISTA-Partners	43,679.34
7220110	PG&E - Buhne Pt Wetlands	9,606.96
7230110	PG&E - Burleson Consulting Buhne Pt Landscaping	17,376.63
728114	Henderson Center Community Garden	1,703.76
7301	Agency Vehicles	5,698.70
7303	T Street Properties	13,062.40
	Total Current Deferred Revenue	<u>1,104,575.41</u>
	Long Term Deferred Revenue	
	AGENCY FUND: 1100 California	<u>38,780.73</u>
	Total Deferred Revenue	<u>\$ 1,143,356</u>

**REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE D: NOTES PAYABLE

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

**Lender: California Department of Housing and
Community Development - HOME** **\$ 623,150**

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** **1,028,500**

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** **483,800**

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 **8,405**

Interest Rate: 5.25%

Maturity Date: August 15, 2012

Collateral: 1528 Third St., Eureka

**Lender: Department of Housing and
Community Development - HOME** **321,522**

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, 2010

NOTE D: NOTES PAYABLE (CONTINUED)

<p>Lender: <i>Umpqua Bank</i> Interest Rate: 9.50% Maturity Date: <i>October, 2018</i> Collateral: <i>523, 525, 537 9th Street, Eureka, California</i> & <i>825 G Street, Eureka, California</i></p>	44,937
<p>Lender: <i>Crossland Mortgage Corp.</i> Interest Rate: 7% Maturity Date: <i>August, 2028</i> Collateral: <i>924 & 926 G Street, Eureka, California</i></p>	92,438
<p>Lender: <i>Department of Housing and Community Development - Home</i> Interest Rate: <i>3% annually beginning Jan. 2006</i> Maturity Date: <i>July 2036</i> Collateral: <i>829 C Street, Eureka, California</i> Restrictive Comment: <i>Provide regulated rent housing until loan is paid</i></p>	365,047
<p>Lender: <i>Umpqua Bank</i> Interest Rate: 0% Maturity Date: <i>December 2019</i> Collateral: <i>139 Y Street, Eureka California</i> Restrictive Comment: <i>Provide temporary housing for homeless families and individuals.</i></p>	220,500
<p>Lender: <i>Department of Housing and Community Development - EHAP</i> Interest Rate: 3% Maturity Date: <i>7 years from Date of Recordation by County Recorder</i> Collateral: <i>2415 Second Street, Eureka, California</i> Restrictive Comment: <i>Provide temporary housing for homeless families and individuals.</i></p>	71,429
<p>Lender: <i>Redwood Capital Bank</i> Interest Rate: 8.25% Maturity Date: <i>Until paid in full</i> Collateral: <i>523 T Street and 3020 17th Street, Eureka, California</i> Restrictive Comment: <i>Business and Real Estate Investment</i></p>	158,479

**REDWOOD COMMUNITY ACTION AGENCY, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE D: NOTES PAYABLE (CONTINUED)

Lender: Redwood Capital Bank **160,280**
 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 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*

Lender: Umpqua Bank **451,106**
 Interest Rate: 6.50%
 Maturity Date: *September 25, 2015*
 Collateral: *904 G Street, Eureka, California*
 Restrictive Comment: *Must have a zero balance for 30 days every year.*

Total Notes Payable **\$ 4,169,593**
 Less: Current Portion (571,034)

Long-Term Notes Payable, December 31, 2010 **\$ 3,598,559**

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

Year ended December 31:	
2011	\$ 571,034
2012	48,287
2013	46,254
2014	47,758
2015	<u>49,365</u>
Total	\$ 762,698
Thereafter,	\$3,406,895

Interest expense for the fiscal year ended December 31, 2010 amounted to \$105,080.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE E: INVENTORY

At December 31, 2010 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 \$21,238 as of December 31, 2010. The excess revenue is required to be utilized for future LIHEAP activities.

NOTE G: CLASSIFICATION OF EXPENSES

Expenses by function for the year ended December 31, 2010 are as follows:

Program Expense	\$10,266,075
Management and General	1,127,113
Fundraising	<u>127,648</u>
Total	<u>\$11,520,836</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 \$160,000 for the 2010 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, 2010 the Agency's contribution of \$69,984 is included with accrued expenses.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE I: LEASE COMMITMENT

As of December 31, 2010, RCAA has entered into various noncancelable operating lease agreements for the rental of office and residential facilities, expiring from February 2010 to September 2018. Minimum rentals, on an annual basis, are as follows:

2011	\$	1
2012		1
2013		1
2014		1
2015		1
Thereafter		<u>3</u>
	\$	<u>8</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 \$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: 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, 2010

NOTE L: LIENS AND 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 M: UNUSUAL EXPENSES

The Organization incurred the following unusual expenses resulting in a loss of \$60,409:

2010 Operating Excess Revenue		\$ 53,913
Major Repairs & Earthquake Damage		
924/926/934 G St	9,781	
SW Corner 9th & G St	7,747	
McKinleyville Apts	33,673	
Fortuna 9th St Apts	20,601	
Loni Drive Apts	8,164	
C St Apts	7,369	
3rd St Apts	9,627	
1100 California - YSB	17,360	
Total Major Repairs & Earthquake Damage	(114,322)	
Revenue Over / (Under) Expenses		\$ (60,409)

NOTE N: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through August 17, 2011, the date the financial statements were available to be issued, and concluded that no additional adjustments to the financial statements or disclosures are required.