REDWOOD COMMUNITY ACTION AGENCY, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011 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, 2011 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 28, 2012 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.

Izabal Bernaciak & Company

San Francisco, California
August 28, 2012

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 590,235
Grants/Contracts Receivable	2,115,937
Accounts Receivable	286
Revolving Loans	826,873
Prepaids	91,392
Inventory	147,554
Total Current Assets	3,772,277
Deposits, Reserves and Custodial	187,734
Fixed Assets	
Land	1,071,730
Buildings	4,218,040
Leasehold Improvement	867,500
Equipment	255,678
Vehicles	435,367
Accumulated Depreciation	(3,993,204)
Total Fixed Assets	2,855,111
TOTAL ASSETS	$ 6,815,122
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 377,598
Current Portion of Long-Term Debt	48,640
Accrued Expenses	377,768
Deferred Revenue	1,203,973
Deferred Revolving Loans	826,873
Total Current Liabilities	2,834,852
Long Term Liabilities	
Security Deposits Payable	46,489
Long Term Debt less Current Portion	3,619,472
Total Long Term Liabilities	3,665,961
TOTAL LIABILITIES	6,500,813
Net Assets	
Unrestricted - Undesignated	293,071
Total Unrestricted	293,071
Temporarily Restricted	21,238
TOTAL NET ASSETS	314,309
TOTAL LIABILITIES AND NET ASSETS	$ 6,815,122

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE, GAINS AND OTHER SUPPORT			
Grant	$ 9,785,935	$ 0	$ 9,785,935
Contributions	42,647	0	42,647
Rents	416,112	0	416,112
Program Service Fees	530,622	0	530,622
Miscellaneous	199,290	0	199,290
Temporarily restricted assets released from restriction	0	0	0
Total Revenue	10,974,606	0	10,974,606
EXPENSES			
Personnel	5,774,744	0	5,774,744
Travel	225,824	0	225,824
Space	622,173	0	622,173
Equipment	170,669	0	170,669
Other Operating Cost	1,609,806	0	1,609,806
Interest	111,536	0	111,536
Consultants & Contractors	1,079,615	0	1,079,615
Direct Services	1,288,361	0	1,288,361
Total Expenses Before Depreciation	10,882,728	0	10,882,728
REVENUE IN EXCESS OF EXPENSES BEFORE DEPRECIATION	91,878	0	91,878
Depreciation Expense	159,780	0	159,780
REVENUE IN EXCESS OF EXPENSES	(67,902)	0	(67,902)
Fixed assets purchased with grant funds	92,209	0	92,209
Fixed assets disposed that were purchased with grants funds	(25,669)	0	(25,669)
Depreciation on fixed assets purchased with grant funds	(216,598)	0	(216,598)
CHANGE IN NET ASSETS - UNRESTRICTED	(217,960)	0	(217,960)
Net Assets at Beginning of the Year	511,031	21,238	532,269
NET ASSETS AT END OF THE YEAR	$ 293,071	$ 21,238	$ 314,309

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$	(67,902)
Depreciation Expense		159,780
(Increase)/Decrease In:		
Grants/Contracts Receivable		648,911
Accounts Receivable		16,304
Revolving Loans		(2,275)
Prepaids		(29,877)
Inventory		(45,321)
Deposits, reserves and custodial		68,815
Increase/(Decrease) In:		
Accounts Payable		(191,352)
Accrued Expenses		(55,990)
Security Deposits Payable		(14,012)
Deferred Revenue		44,620
Deferred Revolving Loans		2,275
Net Cash Provided by Operations		533,976
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed Asset Purchases		(8,627)
Net Cash Used by Investing Activities		(8,627)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paydowns on Long Term Debt		(501,477)
Net Cash USED for Financing Activities		(501,477)
NET DECREASE IN CASH		23,872
Cash and Cash Equivalents Balance at 12/31/10		566,363
CASH AND CASH EQUIVALENTS BALANCE AT 12/31/11	$	590,235

SUPPLEMENTAL DISCLOSURES

Cash Used by Payments of Interest	$	44,117

See notes to the financial statements

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. At December 31, 2011, 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, 2011.

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, 2011 amounted to $159,780 for unrestricted general operations and $216,598 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, 2011. The following amounts are due Redwood Community Action Agency, Inc. at December 31, 2011.

Account	Description		Amount
1050311	Hsg Preservation Grant - Rural Development	$	10,162
1100512	Supportive Hsg - MAC		3,841
1200112	Street Outreach - Raven 11-12		2,600
1200212	Runaway & Homeless Youth - Basic Center		35,170
1200309	Runaway & Homeless Youth - BC Demo		2,363
1200412	Runaway & Homeless Youth - Launch Pad		21,833
1250212	AmeriCorps VISTA		21,000
20503109	National School Breakfast		11,733
2100411	Humboldt Cty / CDBG - MAC Kids		101,341
21005211	Humboldt Cty / CDBG - HMIS		9,198
210059211	City Eureka / CDBG - HCAR FLS		3,500
2101211	ARRA Lead Hazard Control 09L-2078		2,893
2150511	Humboldt ARRA WX 09C-1810		1,011,622
2150611	Hum WX 09C-1760		40,148
2150711	Modoc ARRA WX 09C-1825		50,282
21509109	Del Norte ARRA WX 09C-1856		13,251
21509209	Del Norte WX 09C-1796		1,519
22001011	CSBG Discr Del Norte 11F-4288		20,712
22002412	CalWorks - MAC		79,312
22004210	Del Norte LIHEAP 10B-5649		11,506
2200510	Modoc LIHEAP 10B-5630		3,784
2200811	CSBG 11F-4213		12,479
2201211	VITA - CSBG 11F-4283		7,744
31501109	Mad River Parkway - Phase I Bluffs		979
31501414	Elk River Parkway		16,871
3350209	Wood Creek Enhance		92
3400212	Eureka Urban Tree Planting		13,695
3501012	10-EHAP-7069		6,085
3501110	EHAP - Capital Dev - Bridgehouse		12,331
3600109	Fay Slough Core		27,271
3650110	NP3		21,968
36503110	Freshwater Creek, Elk River		59,546
36503210	Humboldt Bay - Martin Slough		66,800
36503310	Humboldt Bay - Sediment		49,429

NOTE B: GRANTS/CONTRACTS RECEIVABLE (CONTINUED)

Account	Description	Amount
4050211	First 5 Humboldt / TOOTH 10-12	2,976
4050212	First 5 Humboldt / MAC Children's Center	1
4050412	First 5 Humboldt / TOOTH 11-12	20,157
4100199	Richard Heath & Assoc / Lifeline	12,534
4450212	Title XIX - MAC & YSB	6,818
4600412	Mattole Restoration Council	853
46007211	City of Eureka / Parcel 4 Feasibility Study	14,528
50502011	AFACTR - AmeriCorps	12,669
5055112	Regional Safe Routes to School (SR2S) Tool	90
6025112	Yurok Transp Plan	6,071
6030111	Gateway Improvements - Contruction Mgmt	1,740
6040111	Blue Lake PI Rehab	3,638
6050111	Fortuna PI Rehab	99,926
6050211	Fortuna Elementary School FLS	336
6083114	Humboldt Bay Watershed Coordinator	7,127
6085111	Garberville CSD (Laco)	3,750
6090112	Redway CSD	6,230
61027	Circle of Smiles 10-11	3,749
6102712	Circle of Smiles 11-12	9,757
6107412	California Wellness Foundation / YSB 11/12	723
610911	CA Family Health Council, Inc.	4,419
6128212	NC Grantmaking Partnership/ Safety Net	3,930
62031	Rural Community Housing Development Corp	241
62071	Eureka Tree Planting Program	96
62084	McLean Foundation / Gotta Get ID	1,207
62912	Union Labor Health Fdn. / Comm. Garden	4,553
630211	Freshwater Nature Trail	301
630311	Freshwater Nature Trail Construction Design	1,860
640111	Community Assistance Network / HMIS	286
7101	VISTA-Partners	1,078
72021	PG&E / CARE	2,629
720412	PG&E Refrigerator Replace	25,917
720511	Friends of the Dunes / Nature Center Trailhead	1,153
72111	PacifiCorp / Weatherization MODOC	78,250
7220110	Buhne Pt Wetlands	1,965
7230212	Buhne Pt Project2 Wetlands	1,357
7240112	Buhne Pt Interim Maintenances	4,470
7260113	Safeway SMA Implementation	6,761
	Miscellaneous	8,731
	Total Grants / Contracts Receivable	$ 2,115,937

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE C: DEFERRED REVENUE

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2011.

Account	Description		Amount
0	No Specific Revenue Source	$	4,052
1050109	Revolving Loan Fund - Fees		73,873
1400411	Six Rivers Nt'l Forest / Mad River Road Assessment		3,210
1500113	BLM - Lack's Creek Trail Design		983
2050499	Meals - MAC		48,329
2102110	Homelessness Prevention & Rapid Re-Housing Prog		21,834
2150811	Modoc DOE WX 09C-1773		6
2200219	CalWorks - Changing Tides		16,113
2200300	LIHEAP Humboldt LIHEAP Carry Over		9,938
2200310	LIHEAP 10B-5610		161,488
2200312	LIHEAP 11B-5710		166,475
22004111	LIHEAP Del Norte 11B-5748		19,519
2200500	Modoc LIHEAP Carry Over		8,663
2200512	Modoc LIHEAP 11B-5730		14,698
3400109	Eureka Tree Planting I		14
3500110	CalHOME - Loan Fund - Mobile Homes		65,559
3500209	CalHOME - Revolving Loan - Mobile Homes / 2003		11,957
350021	CalHOME - Revolving Loan - Mobile Homes / 2006		21,193
3500311	CalHOME County Wide		36,223
3501009	EHAP - Capital Development - Safe Haven		63,379
4450512	Transitional Housing Program - Plus		56,490
470411	Mendo Rail with Trail Design		1,574
50501110	Humboldt Bay Area Bike Map Update		200
6010211	Blue Lake Rancheria Transp Plan		917
6102X	Humboldt Area Foundation		9,636
61042	Sisters of Orange / MAC Children's Center		59,620
61043	Sisters of Orange / Family Shelters / 2009		8,919
Various	Sisters of Saint Joseph Health Care		150,357
6106211	The California Endowment		40,726
6107313	The California Wellness Foundation / YSB 11/13		47,858
6107512	The California Endowment Foundation / TOOTH		9,997
6350110	Umpqua Bank / Summer Recreation YSB		754
64X	Contributions		5,549
7201X	MAC		17,103
728114	Henderson Community Garden		1,778
7301	Agency Vehicles		7,015
7303	T Street Properties		18,584
	AGENCY FUND: 1100 California		19,390
	Total Deferred Revenue	$	1,203,973

NOTE D: NOTES PAYABLE

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

California Department of Housing and Community Development – HOME LOANS:

Interest Rate: 3% per annum, simple interest 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.	**$ 638,600**
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.	**1,054,000**
Interest Rate: 3% per annum, simple interest Maturity Date: March 2035 Collateral: 1015 Loni Drive, Fortuna, California Restricted Covenant: Provide regulated rent housing until loan is paid in full.	**496,100**
Interest Rate: 3% per annum, simple interest Annually beginning Jan. 2006 Maturity Date: July 2036 Collateral: 829 C Street, Eureka, California Restrictive Comment: Provide regulated rent housing until loan is paid in full.	**374,570**
Interest Rate: 3% per annum, simple interest Maturity Date: August 2027 Collateral: 1528 Third Street, Eureka, California Restrictive Comment: Provide regulated rent housing until loan is paid in full.	**328,422**

NOTE D: NOTES PAYABLE (CONTINUED)

Umpqua Bank:

Interest Rate: 5.25% Maturity Date: August 15, 2012 Collateral: 1528 Third St., Eureka	**3,832**
Interest Rate: 4.50% Maturity Date: October, 2018 Collateral: 523, 525, 537 9th Street, Eureka, California & 825 G Street, Eureka, California	**40,042**
Interest Rate: 0% Maturity Date: December 2019 Collateral: 139 Y Street, Eureka California Restrictive Comment: Provide temporary housing for homeless families and individuals.	**196,000**

Redwood Capital Bank:

Interest Rate: 6.25% Maturity Date: Until paid in full Collateral: 523 T Street and 3020 17th Street, Eureka, California Restrictive Comment: Business and Real Estate Investment	**153,545**
Interest Rate: 6.25% Maturity Date: Until paid in full Collateral: 539 T Street, Eureka, California Restrictive Comment: Business and Real Estate Investment	**153,790**

Crossland Mortgage Corporation Interest Rate: 7% Maturity Date: August, 2028 Collateral: 924 & 926 G Street, Eureka, California	**89,211**

NOTE D: NOTES PAYABLE (CONTINUED)

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	**$ 3,668,112**
Less: Current Portion	(48,640)
Long-Term Notes Payable, December 31, 2011	$ 3,619,472

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

Year ended December 31:

2012	$ 48,640
2013	46,211
2014	47,712
2015	49,316
2016	51,032
Subtotal	242,911
Thereafter,	$ 3,425,200

Interest expense for the fiscal year ended December 31, 2011 amounted to $111,536.

NOTE E: INVENTORY

At December 31, 2011 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 moving average method.

NOTE F: TEMPORARILY RESTRICTED AND DESIGNATED NET ASSETS

Temporarily restricted net assets consist of excess revenue from LIHEAP contracts in the amount of $21,238 as of December 31, 2011. 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, 2011 are as follows:

Program Expense	$ 9,844,872
Management and General	1,150,111
Fundraising	47,525
Total	$ 11,042,508

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 2011 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, 2011 the Agency's contribution of $71,181 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.

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.

NOTE K: 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 L: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through July 30, 2012, the date the financial statements were available to be issued.