

REDWOOD COMMUNITY ACTION AGENCY, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

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

REDWOOD COMMUNITY ACTION AGENCY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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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

Report on Financial Statements

We have audited the accompanying financial statements of Redwood Community Action Agency, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Redwood Community Action Agency, Inc.'s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Redwood Community Action Agency, Inc.'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

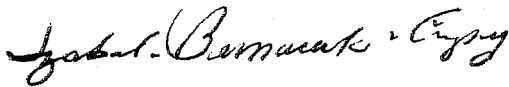
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2013, on our consideration of Redwood Community Action Agency, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Redwood Community Action Agency, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Jacob Bernacki".

San Francisco, California
September 2, 2013

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 650,752
Grants/Contracts Receivable	1,700,549
Revolving Loans	844,091
Prepays	72,070
Inventory	46,707
Total Current Assets	<u>3,314,169</u>

Deposits, Reserves and Custodial	<u>135,295</u>
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Fixed Assets

Land	1,071,730
Buildings	4,363,701
Leasehold Improvement	867,500
Equipment	312,078
Vehicles	467,067
Accumulated Depreciation	<u>(4,319,350)</u>
Total Fixed Assets	<u>2,762,726</u>

TOTAL ASSETS	<u>\$ 6,212,190</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 317,021
Current Portion of Long-Term Debt	166,774
Accrued Expenses	304,806
Deferred Revenue	687,304
Deferred Revolving Loans	844,091
Total Current Liabilities	<u>2,319,996</u>

Long Term Liabilities

Security Deposits Payable	52,136
Long Term Debt less Current Portion	3,641,187
Total Long Term Liabilities	<u>3,693,323</u>

TOTAL LIABILITIES	<u>6,013,319</u>
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Net Assets

Unrestricted - Undesignated	-
Unrestricted - Board Designated	177,633
Total Unrestricted	<u>177,633</u>

Temporarily Restricted	<u>21,238</u>
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TOTAL NET ASSETS	<u>198,871</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,212,190</u>
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REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND OTHER SUPPORT			
Grant	\$ 8,454,491	\$ -	\$ 8,454,491
Contributions	103,774	-	103,774
Rents	416,138	-	416,138
Program Service Fees	323,780	-	323,780
Miscellaneous	112,534	-	112,534
Temporarily restricted Assets released from restriction	-	-	-
	<u>9,410,717</u>	<u>-</u>	<u>9,410,717</u>
EXPENSES			
Personnel	4,894,989	-	4,894,989
Travel	172,598	-	172,598
Space	421,187	-	421,187
Equipment	108,016	-	108,016
Other Operating Cost	1,793,481	-	1,793,481
Interest	118,154	-	118,154
Consultants & Contractors	1,471,730	-	1,471,730
Direct Services	438,700	-	438,700
	<u>9,418,855</u>	<u>-</u>	<u>9,418,855</u>
REVENUE IN EXCESS OF EXPENSES BEFORE DEPRECIATION	(8,138)	-	(8,138)
Depreciation Expense	65,302	-	65,302
	<u>(73,440)</u>	<u>-</u>	<u>(73,440)</u>
REVENUE IN EXCESS OF EXPENSES	(73,440)	-	(73,440)
Fixed assets purchased with grant funds	194,346	-	194,346
Depreciation on fixed assets purchased with grant funds	(236,344)	-	(236,344)
	<u>(115,438)</u>	<u>-</u>	<u>(115,438)</u>
CHANGE IN NET ASSETS - UNRESTRICTED	(115,438)	-	(115,438)
Net Assets at Beginning of the Year	293,071	21,238	314,309
	<u>293,071</u>	<u>21,238</u>	<u>314,309</u>
NET ASSETS AT END OF THE YEAR	<u>\$ 177,633</u>	<u>\$ 21,238</u>	<u>\$ 198,871</u>

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (73,440)
Depreciation Expense	65,302
MAC Center Loan Amortization	24,500
Fixed Assets Purchased with Grant Funds	194,346
 <i>(Increase)/Decrease In:</i>	
Grants/Contracts Receivable	415,388
Accounts Receivable	286
Revolving Loans	(17,218)
Prepays	19,322
Inventory	100,847
Deposits, reserves and custodial	52,439
 <i>Increase/(Decrease) In:</i>	
Accounts Payable	(60,577)
Accrued Expenses	(72,962)
Security Deposits Payable	5,647
Deferred Revenue	(516,669)
Deferred Revolving Loans	17,218
Net Cash Provided by Operations	<u>154,429</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Fixed Asset Purchases	(233,761)
Net Cash Used by Investing Activities	<u>(233,761)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Paydowns on Long Term Debt	139,849
Net Cash Provided by Financing Activities	<u>139,849</u>
 NET DECREASE IN CASH	 60,517
 Cash and Cash Equivalents Balance at 12/31/11	 <u>590,235</u>
 CASH AND CASH EQUIVALENTS BALANCE AT 12/31/12	 \$ <u><u>650,752</u></u>

SUPPLEMENTAL DISCLOSURES

Cash Used by Payments of Interest	\$ <u><u>48,480</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, 2012

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, 2012, 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, 2012.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012 amounted to \$65,302 for unrestricted general operations and \$236,344 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, 2012

NOTE B: GRANTS/CONTRACTS RECEIVABLE

Grant/Contracts receivable represents the amount due for revenues earned but not yet reimbursed at December 31, 2012. The following amounts are due Redwood Community Action Agency, Inc. at December 31, 2012.

<u>Account</u>	<u>Description</u>	<u>Amount</u>
1100212	Supportive Hsg - TLP	\$ 4,258
1100513	Supportive Hsg - MAC	23,617
1200113	Street Outreach - Raven	19,723
1200213	Runaway & Homeless Youth - Basic Center	12,359
1400411	Mad River Road Assessment	9
1500311	Cache Creek Sign	1,983
2100411	CDBG - MAC Kids	6,420
21005212	Humboldt Cty CDBG - HMIS	20,036
210059211	City Eureka / CDBG - HCAR FLS	1,358
2102110	Homelessness Prevention & Rapid Re-Housing	220
2101214	HUD Lead Hazard Control	1,776
2150612	Hum WX 11C-1809	15,152
2150812	Hum WX 11C-1809	8,229
2150912	Hum WX 11C-1809	9,987
22002413	Humboldt Cty CalWorks - MAC	37,185
2200312	LIHEAP 11B-5710 WX Ass 16 EHA	187,058
2200313	LIHEAP 12B-5809 Humboldt WX Ass 16 EHA	157,113
22004111	LIHEAP Del Norte 11B-5748 WX Ass 16EHA	88,318
2200413	LIHEAP 12B-5809 Del Norte WX Ass 16 EHA	71,962
2200512	Modoc LIHEAP 11B-5730 WX Ass 16	18,204
2200812	CSBG 12F-4412	26,634
2200813	CSBG 12F-4503 SOFTWARE	1,645
2201213	VITA IRS V13244	3,505
31501414	Elk River Parkway	311,348
3350209	Wood Creek Enhance	92
3400109	Eureka Tree Planting	84
3400312	Six Rivers National Forest	6,673
3500110	CalHOME - Loan Fund - Mobile Homes	61
3501110	Emerg Hsg Assist Pgm - Capital Development	14
3501012	10-EHAP-7069	38,386
3501112	Fed Emerg Shelter Grant Pgm 11-FESG-7855	30,999
3600412	Humboldt Coastal Trail	21
3650110	NP3	41,474
36503110	Freshwater Creek, Elk River	9,477

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE B: GRANTS/CONTRACTS RECEIVABLE (CONTINUED)

<u>Account</u>	<u>Description</u>	<u>Amount</u>
36503X10	Humboldt Bay	55,344
4050X1X	First 5 Humboldt	28,241
4100199	Richard Heath & Assoc Lifeline	20,325
4450213	Humboldt Cty Title XIX - MAC	59,423
4450511	Transitional Housing Program - Plus	1,208
46007211	City of Eureka Parcel 4 Feasibility Study	3,001
4703111	Eureka Safe Routes to Schools	564
5050201X	Humboldt Cty DHHS TOOTH	14,476
50503012	Humboldt Cty AFACTR -AmeriCorps	45,783
5054112	TARC Rual SR2S Toolkit	4,610
5055112	Regional Safe Routes to School	469
5055113	ALTA Mendocino PCBR	2,378
5055115	Redwood Crossing Guard Prg	515
5055116	Community Transformation Grant	317
5056112	Grizzly Creek	535
5056113	McKay Tract Community Forest Planning	912
5056114	DAC Water Wastewater Survey	3,603
6025112	Yurok Transp Plan	8,819
6040112	Blue Lake Portfolio MT	233
6083112	Sequoia Park Zoo Watershed	1,566
6083114	Humboldt Bay Watershed Coordinator	26,172
6083214	Luffenholtz Creek Source Water Protection Plans	11,527
6084112	Hiksari' PG&E Trail DesignNRS	41,156
6085111	Community Service Districts Garberville CSD	138
6102XXX	Humboldt Area Foundation	14,068
6106211	California Endowment NRS	3,206
610912	Special Populations Partners Project	3,908
6128X12	North Coast Grantmaking Partnership	1,975
62031	RCHDC Redwood Courts FLS	241
62071	Eureka Tree Planting Program	175
630211	Freshwater Nature Trail	2,497
6550110	Interpretive Sign Project	166
6550212	Hum Bay Municipal Water Dist.	395
7101	VISTA-Partners	4,371
72111	PacifiCorp Weatherization MODOC	125,117
72X011X	PG&E	9,127
8000313	Jefferson Park & Community Center	48,608
	Total Grants / Contracts Receivable	<u>\$ 1,700,549</u>

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE C: DEFERRED REVENUE

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2012.

<u>Account</u>	<u>Description</u>	<u>Amount</u>
0	No Specific Revenue Source	\$ 35,014
1050109	Revolving Loan Fund	4,087
1500113	Lack's Creek Trail Design	637
2050499	DOE Meals - MAC	531
2200219	CalWorks - Changing Tides	29,127
2200300	Humboldt LIHEAP Carry Over	9,048
2200500	MODOC LIHEAP Carry Over	8,652
2200513	LIHEAP 12B-5809 Modoc WX Ass 16EHA	7,506
35002XX	CalHOME - Revolving Loan Fund - Mobile Homes	18,957
3501009	Haven	63,379
36503220	Martin Slough Enh Pj Designs	934
4450212	First 5 Humboldt MAC Children's Center	56,877
4450513	Humboldt Cty Transitional Housing Program - Plus	29,237
4450613	CalFresh Community Garden Program	51,816
4600412	Mattole Restoration Council	50
6010211	Blue Lake Rancheria Transp Plan	794
6050111	Fortuna PI Rehab	2,285
60850913	McKinleyville Family Resource Center AFACTR	8,300
6090112	Redway CSD	224
6102X	Humboldt Area Foundation	7,641
61043	Sisters of Orange - Family Shelters	8,914
610X1X	Sisters of Saint Joseph Health Care Foundation	97,793
6105313	Loleta Community Building Initiative Implementation	79,230
61054	St Joseph Health MAC	31,299
6107313	The California Wellness Foundation Operating Support	41,351
610911	CA Family Health Council, Inc.	1,901
6128512	Humboldt Area Foundation - Support VITA Grant	68
6128612	S.L. Gimbel Fnd Support TOOTH Program	25,000
62084	McLean Foundation Gotta Get ID	993
630311	Freshwater Nature Trail Construction Design	444
6350110	Umpqua Bank Summer Recreation	754
64X	Contributions Non-Specific	5,898
7201	MAC Meals	35,878
72010	Humboldt County DHHS Bed Fee	741
72021	PG&E Care	5,555
720412	PG&E Refrigerator Replace	10,649
7260X13	Safeway SMA	2,771
728114	Henderson Communtiy Garden	884
728115	Bike Kitchen	2,085
	Total Deferred Revenue	<u>\$ 687,304</u>

**REDWOOD COMMUNITY ACTION AGENCY, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2012**

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 **\$ 654,050**
 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.

Interest Rate: 3% per annum, simple interest **1,079,500**
 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.

Interest Rate: 3% per annum, simple interest **508,400**
 Maturity Date: March 2035
 Collateral: 1015 Loni Drive, Fortuna, California
 Restricted Covenant: Provide regulated rent housing
 until loan is paid in full.

Interest Rate: 3% per annum, simple interest **384,093**
 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.

Interest Rate: 3% per annum, simple interest **335,322**
 Maturity Date: August 2027
 Collateral: 1528 Third Street, Eureka, California
 Restrictive Comment: Provide regulated rent housing
 until loan is paid in full.

Crossland Mortgage Corporation **85,743**
 Interest Rate: 7%
 Maturity Date: August, 2028
 Collateral: 924 & 926 G Street, Eureka, California

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE D: NOTES PAYABLE (CONTINUED)

Umpqua Bank:

Interest Rate: 5.25%	393
Maturity Date: August 15, 2012	
Collateral: 1528 Third St., Eureka, California	
Interest Rate: 5.5%	120,000
Maturity Date: September 25, 2015	
Collateral: 904 G Street, Eureka, California	
Interest Rate: 4.50%	34,493
Maturity Date: October, 2018	
Collateral: 523, 525, 537 9 th Street, Eureka, California & 825 G Street, Eureka, California	
Interest Rate: 0%	171,500
Maturity Date: December 2019	
Collateral: 139 Y Street, Eureka California	
Restrictive Comment: Provide temporary housing for homeless families and individuals.	

Redwood Capital Bank:

Interest Rate: 6.5%	147,397
Maturity Date: Until paid in full	
Collateral: 523 T Street and 3020 17 th Street, Eureka, California	
Restrictive Comment: Business and Real Estate Investment	
Interest Rate: 6.5%	147,070
Maturity Date: Until paid in full	
Collateral: 539 T Street, Eureka, California	
Restrictive Comment: Business and Real Estate Investment	

County of Humboldt

Interest Rate: 1%	140,000
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	

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE D: NOTES PAYABLE (CONTINUED)

Total Notes Payable	\$ 3,807,961
Less: Current Portion	<u>(166,774)</u>
Long-Term Notes Payable, December 31, 2012	\$ <u>3,641,187</u>

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

Year ended December 31:	
2012	\$ 166,744
2013	47,893
2014	49,509
2015	51,238
2016	<u>53,086</u>
Subtotal	368,500
Thereafter,	\$ <u>3,439,461</u>

Interest expense for the year ended December 31, 2012 is \$118,154.

NOTE E: 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 2012 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, 2012 the Agency's contribution of \$63,136 is included with accrued expenses.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE F: INVENTORY

At December 31, 2012 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 G: CLASSIFICATION OF EXPENSES

Expenses by function for the year ended December 31, 2012 are as follows:

Program Expense	\$ 8,809,013
Management and General	673,816
Fundraising	<u>1,328</u>
Total	<u>\$ 9,484,157</u>

NOTE H: TEMPORARILY RESTRICTED

Temporarily restricted net assets consist of excess revenue from LIHEAP contracts in the amount of \$21,238 as of December 31, 2012. The excess revenue is required to be utilized for future LIHEAP activities.

NOTE I: BOARD DESIGNATED NET ASSETS

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

Shelter	(200)	\$ 18,195
Housing	(300)	11,812
Energy	(400)	42,363
Youth Services	(500)	61,510
YSB-MediCal		2,402
NRS		22,073
MAC Support	(201)	19,143
Mentoring	(130)	<u>135</u>
Total Designated Fund Balance		<u>\$ 177,633</u>

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE J: INTERFUND RECEIVABLE/PAYABLE – HOME PROPERTIES

RCAA's general fund provides the operating fund needs of the other programs as the situation may arise. RCAA is reimbursed upon receipts of funds under these programs from the grantors. Inter-fund receivables and payables for HOME Properties to the General fund as of December 31, 2012 is \$435,372. These funds are an accumulation of funds payable to RCAA beginning January 2009. These funds are being repaid to RCAA over time.

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.

NOTE L: 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. RCAA maintains cash in banks and financial institutions in amounts within 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 M: REVOLVING 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.

**REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE N: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through September 2, 2013, the date the financial statements were available to be issued.