

REDWOOD COMMUNITY ACTION AGENCY, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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**REDWOOD COMMUNITY ACTION AGENCY, INC.
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013**

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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, 2013, and the related statements of activities, 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.

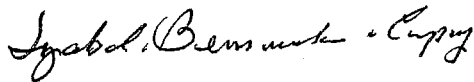
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, 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 July 9, 2014, 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.



San Francisco, California
July 9, 2014

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 873,400
Grants/Contracts Receivable	871,436
Revolving Loans	844,194
Prepays	52,274
Inventory	45,764
Total Current Assets	<u>2,687,068</u>

Deposits, Reserves and Custodial	<u>137,727</u>
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Fixed Assets

Land	1,071,730
Buildings	4,363,701
Leasehold Improvement	867,500
Equipment	396,078
Vehicles	467,067
Accumulated Depreciation	<u>(4,690,293)</u>
Total Fixed Assets	<u>2,475,783</u>

TOTAL ASSETS	<u><u>\$ 5,300,578</u></u>
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LIABILITIES AND NET DEFICIT

Current Liabilities

Accounts Payable	\$ 131,815
Notes Payable	23,361
Accrued Expenses	142,280
Deferred Revenue	609,549
Deferred Revolving Loans	844,194
Total Current Liabilities	<u>1,751,199</u>

Long Term Liabilities

Security Deposits Payable	62,386
Notes Payable	369,953
Forgivable Loans Payable	3,318,038
Total Long Term Liabilities	<u>3,750,377</u>

TOTAL LIABILITIES	<u>5,501,576</u>
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Net Deficit

Unrestricted - Undesignated	<u>(221,588)</u>
Total Unrestricted	<u>(221,588)</u>

Temporarily Restricted	<u>20,590</u>
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TOTAL NET DEFICIT	<u>(200,998)</u>
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TOTAL LIABILITIES AND NET DEFICIT	<u><u>\$ 5,300,578</u></u>
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See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND OTHER SUPPORT			
Grant	\$ 6,053,075	\$ -	\$ 6,053,075
Contributions	43,250	-	43,250
Rents	412,464	-	412,464
Program Service Fees	297,664	-	297,664
Miscellaneous	21,618	-	21,618
Net Assets Released from Restrictions	-	-	-
	<u>6,828,071</u>	<u>-</u>	<u>6,828,071</u>
EXPENSES			
Personnel	4,217,289	-	4,217,289
Travel	131,898	-	131,898
Space	312,826	-	312,826
Equipment	57,285	-	57,285
Other Operating Cost	886,268	-	886,268
Interest	96,604	-	96,604
Consultants & Contractors	815,390	-	815,390
Direct Services	447,939	-	447,939
	<u>6,965,499</u>	<u>-</u>	<u>6,965,499</u>
REVENUE IN EXCESS OF EXPENSES BEFORE DEPRECIATION			
	(137,428)	-	(137,428)
Depreciation Expense	66,471	-	66,471
	<u>(203,899)</u>	<u>-</u>	<u>(203,899)</u>
REVENUE IN EXCESS OF EXPENSES			
Fixed assets purchased with grant funds	84,000	-	84,000
Depreciation on fixed assets purchased with grant funds	(279,970)	-	(279,970)
	<u>(399,869)</u>	<u>-</u>	<u>(399,869)</u>
CHANGE IN NET ASSETS - UNRESTRICTED			
Net Assets at Beginning of the Year	177,633	21,238	198,871
NET DEFICIT AT END OF THE YEAR	<u>\$ (222,236)</u>	<u>\$ 21,238</u>	<u>\$ (200,998)</u>

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (203,899)
Depreciation Expense	66,471
MAC Center Loan Amortization	24,500
Fixed Assets Purchased with Grant Funds	84,000

(Increase)/Decrease In:

Grants/Contracts Receivable	829,113
Revolving Loans	(103)
Prepays	19,796
Inventory	943
Deposits, reserves and custodial	(2,432)

Increase/(Decrease) In:

Accounts Payable	(185,206)
Accrued Expenses	(162,526)
Security Deposits Payable	10,250
Deferred Revenue	(77,755)
Deferred Revolving Loans	103
Net Cash Provided by Operations	<u>403,255</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed Asset Purchases	<u>(84,000)</u>
Net Cash Used by Investing Activities	<u>(84,000)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Paydowns on Long Term Debt	<u>(96,607)</u>
Net Cash Provided by Financing Activities	<u>(96,607)</u>

NET DECREASE IN CASH

222,648

Cash and Cash Equivalents Balance at 12/31/12

650,752

CASH AND CASH EQUIVALENTS BALANCE AT 12/31/13 \$ 873,400

SUPPLEMENTAL DISCLOSURES

Cash Used by Payments of Interest

\$ 26,872

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013, 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, 2013.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013 amounted to \$66,471 for unrestricted general operations and \$279,970 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, 2013

NOTE B: GRANTS / CONTRACTS RECEIVABLE

Grant/Contracts receivable represents the amount due for revenues earned but not yet reimbursed at December 31, 2013. The following amounts are due Redwood Community Action Agency, Inc. at December 31, 2013.

<u>Account</u>	<u>Description</u>	<u>Amount</u>
1100213	Supportive Hsg - TLP	\$ 16,105
1100514	Supportive Hsg - MAC	20,573
1200114	HHS Street Outreach - Raven	44,089
1200214	HHS Runaway & Homeless Youth - Basic Center	33,447
1400513	HHS Runaway & Homeless Youth	6,447
1500311	Cache Creek Sign	1,983
2050499	DOE Meals - MAC	19,109
2100411	CDBG - MAC Kids	6,420
210059211	City Eureka / CDBG - HCAR FLS	1,358
21005213	CDBG - HMIS	19,134
2101214	HUD Lead Hazard Control	8,159
22002414	CalWorks - MAC	44,964
2200413	LIHEAP 12B-5809 Del Norte WX Ass 16 EHA	34,945
2200613,14,15	LIHEAP 13B-5009	123,868
2200814	CSBG 13F-3012 Salaries Only	27,211
3400213	Eureka CalFire Street Trees Project	13,395
3600412	Humboldt Coastal Trail	12,138
3650110	NP3	7,383
3650113	North Coast Stormwater Coalition's Low Impact Dev.	10,063
36503110	Freshwater Creek, Elk River	11,253
36503120	Freshwater Creek off-Channel Habitat Design	2,486
36503210	Humboldt Bay - Martin Slough	17,027
36503220	Martin Slough Enh Pj Designs	1,693
36503230	Martin Slough Enh Pj	12,689
36503310	Humboldt Bay - Sediment	5,722
4050211	First 5 Humboldt TOOTH	2,976
4050213	First 5 Humboldt SupportingFather	1,620
4050414	First 5 Humboldt TOOTH	23,243
4100199	Richard Heath & Assoc Lifeline	15,490
4450213	Humboldt Cty Title XIX - MAC	65,300
4450511	Transitional Housing Program - Plus	1,208
4450513	Humboldt Cty Transitional Housing Program - Plus	13,065
4450623	CalFresh Community Garden Program	18,070

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B: GRANTS / CONTRACTS RECEIVABLE (Continued)

<u>Account</u>	<u>Description</u>	<u>Amount</u>
4550514	CalFresh Health Foods - YSB	\$ 6,059
4550614	CalFresh Health Foods - NRS	3,351
50504014	AFACTR -AmeriCorps	10,389
5050912	Hammond Trail	4,215
5053113	Mendocino SR2S	1,720
5055115	Redwood Crossing Guard Prg	2,345
5055116	Community Transformation Grant	3,890
6050211	Fortuna Elementary School FLS	2,081
6083114	Humboldt Bay Watershed Coordinator	37,265
6083216	Luffenholtz Creek Source Water Protection Project	9,020
60850913	McKinleyville Family Resource Center AFACTR	3,403
6128413	Union Labor Health - Supporting TOOTH	3,206
72021	PG&E CARE	2,509
720413	PG&E Refrigerator Replace	22,544
720513	Lake Earl Wildlife Area Interp.	6,257
72111	PacifiCorp Weatherization MODOC	90,443
7230110	PG&E Buhne Pt Landscaping	1,181
7230212	PG&E Buhne Pt Project2 Wetlands	1,839
7240314	Buhne Pt Landscape Maintenances	8,371
8000315	Jefferson Park & Community Center	1,599
	Miscellaneous Under \$1000	7,116
	Total Grants / Contracts Receivable	<u>\$ 871,436</u>

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE C: DEFERRED REVENUE

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2013.

<u>Account</u>	<u>Description</u>	<u>Amount</u>
1050109	Revolving Loan Fund	\$ 33,563
1150412	FEMA Emerg Food and Shelter	6,036
2200219	CalWorks - Changing Tides	26,351
2200313	LIHEAP 12B-5809 Humboldt WX Ass 16 EHA	42,398
22004111	LIHEAP Del Norte 11B-5748 WX Ass 16EHA	10,054
2200500	MODOC LIHEAP Carry Over	5,742
2200513	LIHEAP 12B-5809 Modoc WX Ass 16EHA	16,250
3500209	CalHOME - Revolving Loan Fund - Mobile Homes	11,957
350021	CalHOME - Revolving Loan Fund - Mobile Homes	48,001
3501009	Emerg Hsg Assist Pgm - Capital Dev. - Safe Haven	63,379
50503014	CalFresh Health Foods - Energy	6,383
5056113	McKay Tract Community Forest Planning	1,061
6050111	Fortuna PI Rehab	2,285
61043	Sisters of Orange - Family Shelters	3,539
61051	Sisters of Saint Joseph Health Care Foundation	22,557
6105313	Loleta Community Building Initiative Implementation	27,966
61055	St Joseph Foundation's Care for the Poor Grant	2,188
61056	St Joseph Transitional Living Prg	21,255
610611	Sisters of Saint Joseph Health Care Foundation	47,623
61083	Humboldts Sponsor Summer Recreation	527
610911	CA Family Health Council, Inc.	1,901
6128312	North Coast Grantmaking Partnership	3,334
6350110	Umpqua Bank Summer Recreation	754
6350210	Solid Ground	100,001
640	Contributions Non-Specific	2,100
647	Humboldt Bay Area Bike Workshops	6,365
7201	MAC Meals	36,960
72009	HCOE-Homeless Youth Services Team	6,684
72010	Humboldt County DHHS Bed Fee	6,340
72012	MAC & TLP Laundry & Staff Meals	13,581
72013	Child Care - Non Contracted Services	10,002
720412	PG&E Refrigerator Replace	19,272
728115	Bike Kitchen	2,103
	Miscellaneous Under \$500	1,037
	Total Deffered Revenue	<u>\$ 609,549</u>

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE D: NOTES PAYABLE

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

Crossland Mortgage Corporation	81,549
Interest Rate: 7%	
Maturity Date: August, 2028	
Collateral: 924 & 926 G Street, Eureka, California	
Umpqua Bank:	
Interest Rate: 4.50%	29,575
Maturity Date: October, 2018	
Collateral: 523, 525, 537 9 th Street, Eureka, California & 825 G Street, Eureka, California	
Interest Rate: 5.5%	
Maturity Date: September 25, 2015	
Line of Credit Collateral: 904 G Street, Eureka, California	0
Redwood Capital Bank:	
Interest Rate: 6.5%	141,033
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%	141,157
Maturity Date: Until paid in full	
Collateral: 539 T Street, Eureka, California	
Restrictive Comment: Business and Real Estate Investment	
Total Notes Payable	\$ 393,314
Less: Current Portion	<u>(23,361)</u>
Long-Term Notes Payable	\$ <u>369,953</u>

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

Year ended December 31:

2014	\$	23,361
2015		24,976
2016		26,703
2017		28,549
2018		30,523
Thereafter		<u>259,202</u>
Total Notes Payable	\$	<u>393,314</u>

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE E: FORGIVABLE LOANS PAYABLE

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

**California Department of Housing and
Community Development – HOME LOANS:**

Interest Rate: 3% per annum, simple interest	\$ 669,500
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	1,105,000
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	520,700
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	393,616
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	342,222
Maturity Date: August 2027	
Collateral: 1528 Third Street, Eureka, California	
Restrictive Comment: Provide regulated rent housing until loan is paid in full.	

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE E: FORGIVABLE LOANS 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

Umpqua Bank

Interest Rate: 0%

147,000

Maturity Date: December 2019

Collateral: 139 Y Street, Eureka California

Restrictive Comment: Provide temporary housing for homeless families and individuals.

Total Forgivable Loans Payable	\$ 3,318,038
Less: Current Portion	<u>0</u>
Long-Term Forgivable Loan Payable	<u>\$ 3,318,038</u>

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

Year ended December 31:

2014	\$	0
2015		0
2016		0
2017		0
2018		0
Thereafter		<u>3,318,038</u>
Total Notes Payable	\$	<u>3,318,038</u>

If Redwood Community Action Agency, Inc. is in full compliance with the conditions set forth in the forgivable loan agreements, the remaining principal balance and accrued interest will be forgiven and the loan and accrued interest shall become grant income. It is management's intent to comply with the loan restrictions throughout the terms of the loans.

NOTE F: INVENTORY

At December 31, 2013 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.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE G: 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 2013 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, 2013 the Agency's contribution of \$56,930 is included with accrued expenses.

NOTE H: CLASSIFICATION OF EXPENSES

Expenses by function for the year ended December 31, 2013
are as follows:

Program Expense	\$ 6,465,629
Management and General	552,442
Fundraising	<u>13,900</u>
Total	\$ <u>7,031,971</u>

NOTE I: TEMPORARILY RESTRICTED

Temporarily restricted net assets consist of excess revenue from LIHEAP contracts in the amount of \$21,238 as of December 31, 2013. 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, 2013

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, 2013 is \$199,436. 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

State and Federal Allowances, Award, and Grants

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.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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.

NOTE N: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through July 9, 2014, the date the financial statements were available to be issued.