

**REDWOOD COMMUNITY ACTION AGENCY, INC.**

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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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IZABAL, BERNACIAK & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

388 Market Street, Suite 888  
San Francisco, California 94111

TEL: (415) 896-5551  
FAX: (415) 896-0584

## INDEPENDENT AUDITOR'S 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, 2014, 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, 2014, 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 17, 2015, 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 17, 2015

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 549,814
Grants/Contracts Receivable	1,554,366
Revolving Loans	843,182
Prepays	6,189
Inventory	51,058
Total Current Assets	<u>3,004,609</u>

<b>Deposits, Reserves and Custodial</b>	<u>172,250</u>
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**Fixed Assets**

Land	1,071,730
Buildings	4,410,035
Leasehold Improvement	867,500
Equipment	401,152
Vehicles	450,362
Accumulated Depreciation	<u>(4,932,427)</u>
Total Fixed Assets	<u>2,268,352</u>

<b>TOTAL ASSETS</b>	<u><u>\$ 5,445,211</u></u>
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**LIABILITIES AND NET DEFICIT**

**Current Liabilities**

Accounts Payable	\$ 314,726
Current Portion of Long-Term Debt	49,591
Accrued Expenses	221,933
Deferred Revenue	534,765
Deferred Revolving Loans	843,182
Line of Credit	200,000
Total Current Liabilities	<u>2,164,197</u>

**Long Term Liabilities**

Security Deposits Payable	58,559
Long Term Debt less Current Portion	<u>3,682,001</u>
Total Long Term Liabilities	<u>3,740,560</u>

<b>TOTAL LIABILITIES</b>	<u>5,904,757</u>
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**Net Deficit**

Unrestricted - Undesignated	<u>(459,546)</u>
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<b>TOTAL NET DEFICIT</b>	<u>(459,546)</u>
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<b>TOTAL LIABILITIES AND NET DEFICIT</b>	<u><u>\$ 5,445,211</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, 2014**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
Grant	\$ 6,852,251	\$ 0	\$ 6,852,251
Contributions	102,903	0	102,903
Rents	380,923	0	380,923
Program Service Fees	349,442	0	349,442
Miscellaneous	5,111	0	5,111
Temporarily restricted assets released from restriction	21,238	(21,238)	0
Total Revenue, Gains and Other Support	7,711,868	(21,238)	7,690,630
<b>EXPENSES</b>			
Personnel	4,490,120	0	4,490,120
Travel	121,576	0	121,576
Space	295,994	0	295,994
Equipment	5,074	0	5,074
Other Operating Cost	1,123,706	0	1,123,706
Interest	22,329	0	22,329
Consultants & Contractors	1,110,723	0	1,110,723
Direct Services	480,718	0	480,718
Total Expenses Before Depreciation	7,650,240	0	7,650,240
<b>REVENUE IN EXCESS OF EXPENSES</b>			
<b>BEFORE DEPRECIATION AND ACCRUED INTEREST</b>	61,628	(21,238)	40,390
Accrued Interest Expense on HOME Loans	69,673	0	69,673
Depreciation Expense	108,622	0	108,622
<b>REVENUE IN EXCESS OF EXPENSES</b>			
	(116,667)	(21,238)	(137,905)
Fixed assets purchased with grant funds	5,074	0	5,074
Fixed assets disposed that were purchased with grants funds	(5,012)	0	(5,012)
Depreciation on fixed assets purchased with grant funds	(120,705)	0	(120,705)
<b>CHANGE IN NET ASSETS - UNRESTRICTED</b>			
	(237,310)	(21,238)	(258,548)
Net Assets/(Deficit) at Beginning of the Year	(222,236)	21,238	(200,998)
<b>NET ASSETS/(DEFICIT) AT END OF THE YEAR</b>	<b>\$ (459,546)</b>	<b>\$ 0</b>	<b>\$ (459,546)</b>

See notes to the financial statements

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ (137,905)
Depreciation Expense	108,622
MAC Center Depreciation	24,500
 <i>(Increase)/Decrease In:</i>	
Grants/Contracts Receivable	(682,930)
Revolving Loans	1,012
Prepays	46,085
Inventory	(5,294)
Deposits, reserves and custodial	(34,523)
 <i>Increase/(Decrease) In:</i>	
Accounts Payable	182,911
Accrued Expenses	79,653
Security Deposits Payable	(3,827)
Deferred Revenue	(74,784)
Deferred Revolving Loans	(1,012)
<b>Net Cash Used by Operations</b>	<u>(497,492)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Fixed Asset Purchases	<u>(46,334)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(46,334)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Line of Credit Draw	200,000
Paydowns on Long Term Debt	<u>20,240</u>
<b>Net Cash Provided by Financing Activities</b>	<u>220,240</u>
 <b>NET DECREASE IN CASH</b>	 (323,586)
 Cash and Cash Equivalents Balance at 12/31/13	 <u>873,400</u>
 <b>CASH AND CASH EQUIVALENTS BALANCE AT 12/31/14</b>	 <b>\$ <u>549,814</u></b>

**SUPPLEMENTAL DISCLOSURES**

Cash Used by Payments of Interest	\$ <u>22,269</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, 2014**

**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, 2014, RCAA did not have any temporarily restricted or 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, 2014.



**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**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, 2014 amounted to \$108,622 for unrestricted general operations and \$120,705 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, 2014**

**NOTE B: GRANTS/CONTRACTS RECEIVABLE**

Grant/Contracts receivable represents the amount due for revenues earned but not yet reimbursed at December 31, 2014. The following amounts are due Redwood Community Action Agency, Inc. at December 31, 2014.

<u>Account</u>	<u>Description</u>	<u>Amount</u>
1100214	HUD Continuum of Care	\$ 1,263
1100515	HUD Supportive Housing	5,292
1200115	HHS Raven	9,218
1200215	HHS Basic Centerr	27,169
1200414	HHS Launch Padf	48,023
1400410	USFS Six Rivers Win Roads	31,210
1400414	USFS North Fork Wilderess Weeds	8,846
1400515	USFS LTMR Weeds	2,718
1400615	USFS Sims Fire Restoration	15,222
2050499	DOE Meals - MAC	15,796
21005214	CDBG - HMIS	14,543
2101214	HUD Lead Hazard Control	120,336
2150614	HUM WX 14C-1809	28,915
2150814	HUM WX 14C-1809 Modoc	11,991
2150914	HUM WX 14C-1806 Del Norte	7,385
22002415	HHS CalWorks	132,241
2200613	LIHEAP 13B-5009 Humboldt	2,534
2200714	Solar Water Heating Pilot 13B-5102	22,943
2200815	CSBG 93.569 Salaries Onl4	31,533
2200816	CSBG 14F-3101 Salaries Only Family Services	7,460
2200904	CSBG - VITA	2,029
2200913	LIHEAP 14B-5009 Humboldt	166,270
2200914	LIHEAP 14B-5009 Modoc	61,456
2200915	LIHEAP 14B-5006 Del Norte	109,916
3400213	Eureka CalFire Street Trees Project	4,073
3600514	CostaL Conservancy - Elk River	8,262
36503120	Freshwater Creek off-Channel Habitat Design	4,432
36503210	Humboldt Bay - Martin Slough	274,491
36503230	Martin Slough Enhancement Project	48,542
4050314	First 5 Humboldt Childhood Care	10,564
4050415	First 5 Humboldt Tooth	21,075
4450214	HHS Title XIX	29,020
4450514	HHS THP Plus	12,000
4550414	CalFresh Health Foods - Energy	6,650
4550514	CalFresh Health Foods - YSB	1,933
4550614	CalFresh Health Foods - NRS	4,553

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE B: GRANTS/CONTRACTS RECEIVABLE (CONTINUED)**

<u>Account</u>	<u>Description</u>	<u>Amount</u>
50504016	DHHS Afactor	25,836
6083216	Luffenholtz Creek Source Water Protection	2,279
6083217	Eureka Waterfront Trail	5,731
61029	Humboldt Area Foundation	5,000
6128514	Mc Lean Foundation SRTS Project	1,557
646	Contributions - NRS	1,006
6550214	Hum Bay Harbor, Recreation, and Cons. Dist.	4,081
720414	PG&E Refrigerator Replace	3,200
720513	Lake Earl Wildlife Area Interp.	6,160
720514	Lake Earl Wildlife Area Installation	5,304
72111	PacifiCorp Weatherization MODOC/HUMB	44,299
7240315	PG&E Buhne Pt Landscape	19,191
7240318	PG&E Arcata Reconducting Mitigation	6,720
7260114	JBL Forestry Cummins Landfill	92,836
7260213	Safeway SMA Monitoring	7,970
8000315	Jefferson Park & Community Center	6,897
Various	Miscellaneous Under \$1000	6,395
		<hr/>
	Total Grants / Contracts Receivable	<u>\$ 1,554,366</u>

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE C: DEFERRED REVENUE**

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2014.

<u>Account</u>	<u>Description</u>	<u>Amount</u>
0	No Specific Revenue Source	\$ 10,744
1050109	Revolving Loan Fund	48,350
1150413	FEMA Emerg. Food and Shelter	3,101
22004111	LIHEAP Del Norte 11B-5748 WX Ass 16EHA	10,054
3500209	CalHOME - Revolving Loan Fund - Mobile Homes	10,179
350021	CalHOME - Revolving Loan Fund - Mobile Homes	60,041
350022	CalHOME - Revolving Loan Fund - Mobile Homes	31,893
3650113	North Coast Stormwater Coalition's Low Impact Dev.	11,520
36503110	Freshwater Creek, Elk River	1,521
600	NRS Revenue	16,490
6083112	Sequoia Park Zoo Watershed	3,644
6083218	Eureka Palco March Enhancement	3,027
61030	Humboldt Area Foundation CorCoran Fund	2,437
6105313	Loleta Community Building Initiative Implementati	125,292
61058	St. Joseph EFS Initiative	35,000
6128511	Humboldt Area Foundation Wildlife Sanctuary	2,300
630411	New Belgium Bike Kitchen	6,514
630412	Rose Foundation Bike Kitchen	3,000
6350210	Solid Ground	122,398
647	Contributions - YSB	2,976
7201	MAC Meals	15,088
72010	Humboldt County DHHS Bed Fee	3,823
728115	Bike Kitchen	1,950
Various	Miscellaneous Under \$500	3,423
	Total Deferred Revenue	<u>\$ 534,765</u>

**REDWOOD COMMUNITY ACTION AGENCY, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE D: NOTES PAYABLE**

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

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

Interest Rate: 3% per annum, simple interest **\$ 684,950**

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 **1,130,500**

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 **533,000**

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 **403,139**

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 **349,122**

Maturity Date: August 2027

Collateral: 1528 Third Street, Eureka, California

Restrictive Comment: Provide regulated rent housing  
 until loan is paid in full.

If Redwood Community Action Agency, Inc. is in full compliance with the conditions set forth in the HOME 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.

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE D: NOTES PAYABLE (CONTINUED)**

<b>Crossland Mortgage Corporation</b>	<b>76,870</b>
Interest Rate: 7%	
Maturity Date: August, 2028	
Collateral: 924 & 926 G Street, Eureka, California	
<b>Umpqua Bank:</b>	
Interest Rate: 0%	<b>122,500</b>
Maturity Date: December 2019	
Collateral: 139 Y Street, Eureka California	
Restrictive Comment: Provide temporary housing	
Interest Rate: 4.5%	<b>23,559</b>
Maturity Date: October 2018	
Collateral: 523, 525, 537 9 <sup>th</sup> Street & 825 G Street, Eureka, Ca	
<b>Redwood Capital Bank:</b>	
Interest Rate: 6.5%	<b>134,215</b>
Maturity Date: Until paid in full	
Collateral: 523 T Street and 3020 17 <sup>th</sup> Street, Eureka, California	
Restrictive Comment: Business and Real Estate Investment	
Interest Rate: 6.5%	<b>133,737</b>
Maturity Date: Until paid in full	
Collateral: 539 T Street, Eureka, California	
Restrictive Comment: Business and Real Estate Investment	
<b>County of Humboldt</b>	<b>140,000</b>
Interest Rate: 1%	
Maturity Date: Upon Sale of the property or intended use	
Collateral: 523 T Street, Eureka, California	
Restrictive Comment: RCAA intends for program use	
Total Notes Payable	3,731,592
Less: Current Portion	<u>49,541</u>
Long-Term Notes Payable	<b>\$ <u>3,682,001</u></b>

Principal payments for the next five fiscal years are project as follows:  
Year ended December 31:

2015	\$	49,541
2016		51,271
2017		53,122
2018		54,883
2019		50,162
Thereafter		<u>3,472,613</u>
Total Notes Payable	\$	<u>3,731,592</u>

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE E: LINE OF CREDIT**

RCAA draws funds on a line of credit to pay program expenditures in cases where payments from funding sources have not been received in a timely manner. The line of credit is with Umpqua Bank. The line of credit balance is repaid when program funds are received from funding sources. Outstanding balances are secured by real property. Outstanding balances incur interest rates at 5.5%. The outstanding balance on the line of credit at December 31, 2014 was \$200,000. The line of credit expires in September of 2015.

**NOTE F: INVENTORY**

At December 31, 2014 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 FIFO method.

**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 2014 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, 2014 the Agency's contribution of \$60,150 is included with accrued expenses.

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE H: CLASSIFICATION OF EXPENSES**

Expenses by function for the year ended December 31, 2014 are as follows:

Program Expense	\$ 7,245,700
Management and General	581,585
Fundraising	<u>1,250</u>
Total	\$ <u>7,828,535</u>

**NOTE I: 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, 2014 is \$301,210. These funds are an accumulation of funds payable to RCAA beginning January 2009. These funds are being repaid to RCAA over time.

**NOTE J: 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 K: 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, 2014**

**NOTE L: REVOLVING LOANS / DEFERRED 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 M: SUBSEQUENT EVENTS**

The Organization's management has evaluated its subsequent events through July 17, 2015, the date the financial statements were available to be issued.