

**REDWOOD COMMUNITY ACTION AGENCY, INC.**

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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

IZABAL, BERNACIAK & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

**REDWOOD COMMUNITY ACTION AGENCY, INC.  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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IZABAL, BERNACIAK & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

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## 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, 2015, 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 entity'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 entity'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 respective financial position of Redwood Community Action Agency, Inc. as of December 31, 2015, and the respective 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 Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary contract information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2016 on our consideration of the 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.

*Jacob L. Bernmark & Company*

San Francisco, California

April 15, 2016

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 512,604
Grants/Contracts Receivable	1,106,390
Revolving Loans	860,627
Prepays	43,412
Inventory	44,362
Total Current Assets	<u>2,567,395</u>

<b>Deposits, Reserves and Custodial</b>	<u>288,688</u>
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**Fixed Assets**

Land	1,071,730
Buildings	4,410,036
Leasehold Improvement	867,500
Equipment	561,642
Vehicles	450,362
Accumulated Depreciation	<u>(5,159,813)</u>
Total Fixed Assets	<u>2,201,457</u>

<b>TOTAL ASSETS</b>	<u><u>\$ 5,057,540</u></u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 107,778
Current Portion of Long-Term Debt	51,373
Accrued Expenses	277,192
Deferred Revenue	482,197
Deferred Revolving Loans	860,627
Line of Credit	100,000
Total Current Liabilities	<u>1,879,167</u>

**Long Term Liabilities**

Security Deposits Payable	42,210
Long Term Debt less Current Portion	<u>3,699,829</u>
Total Long Term Liabilities	<u>3,742,039</u>

<b>TOTAL LIABILITIES</b>	<u>5,621,206</u>
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**Net Assets**

Unrestricted - Undesignated	<u>(563,666)</u>
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<b>TOTAL NET ASSETS</b>	<u>(563,666)</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 5,057,540</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, 2015**

	<u>UNRESTRICTED</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>	
Grant	\$ 6,750,406
Contributions	58,752
Rents	451,562
Program Service Fees	269,748
Miscellaneous	<u>14,929</u>
Total Revenue	<u>7,545,397</u>
<b>EXPENSES</b>	
Personnel	4,308,752
Travel	97,507
Space	431,072
Equipment	169,490
Other Operating Cost	1,240,644
Interest	19,638
Consultants & Contractors	860,322
Direct Services	<u>410,024</u>
Total Expenses Before Depreciation	<u>7,537,449</u>
<b>REVENUE IN EXCESS OF EXPENSES BEFORE DEPRECIATION</b>	7,948
Accrued Interest Expense on Home Loans	69,673
Depreciation Expense	<u>90,740</u>
<b>REVENUE IN EXCESS OF EXPENSES</b>	(152,465)
Fixed assets purchased with grant funds	160,489
Depreciation on fixed assets purchased with grant funds	<u>(112,144)</u>
<b>CHANGE IN NET ASSETS - UNRESTRICTED</b>	(104,120)
Net Assets at Beginning of the Year	<u>(459,546)</u>
<b>NET ASSETS AT END OF THE YEAR</b>	<u><u>\$ (563,666)</u></u>

See notes to the financial statements

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ (152,465)
Depreciation Expense	90,740
MAC Center Loan Amortization	24,500
<i>(Increase)/Decrease In:</i>	
Grants/Contracts Receivable	447,976
Revolving Loans	(17,445)
Prepays	(37,223)
Inventory	6,696
Deposits, reserves and custodial	(116,438)
<i>Increase/(Decrease) In:</i>	
Accounts Payable	(206,948)
Accrued Expenses	55,259
Security Deposits Payable	(16,349)
Deferred Revenue	(52,568)
Deferred Revolving Loans	17,445
<b>Net Cash Provided by Operations</b>	<u>43,180</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Line of Credit Draw	(100,000)
Paydowns on Long Term Debt	19,610
<b>Net Cash Provided by Financing Activities</b>	<u>(80,390)</u>
<b>NET DECREASE IN CASH</b>	(37,210)
Cash and Cash Equivalents Balance at 12/31/14	<u>549,814</u>
<b>CASH AND CASH EQUIVALENTS BALANCE AT 12/31/15</b>	<u>\$ 512,604</u>

**SUPPLEMENTAL DISCLOSURES**

Cash Used by Payments of Interest	<u>\$ 19,638</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, 2015**

**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, 2015, 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, 2015.



**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**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, 2015 amounted to \$90,740 for unrestricted general operations and \$112,144 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, 2015**

**NOTE B: GRANTS/CONTRACTS RECEIVABLE**

Grant/Contracts receivable represents the amount due for revenues earned but not yet reimbursed at December 31, 2015. The following amounts are due Redwood Community Action Agency, Inc. at December 31, 2015.

<b>Account</b>	<b>Description</b>	<b>Amount</b>
1100516	HUD Continuum of Care	\$ 7,460
1200215	HHS Basic Centerr	1,114
1200415	LaunchPad15/16	7,960
21005215	HMIS 2015	8,933
2101215	Healthy Houses	53,427
2115113	15C-1009 HUM	8,038
2115114	15B-1009 MODOC	4,100
2115115	15C-1006 DEL	13,898
22001513	15B-3010 HUM	152,172
22001514	15B-3010 Modoc	36,855
22001515	15B-3007 DelNor	45,570
2200817	CSBG 2015	54,052
2200818	AmeriCorps	14,334
3600516	WCB KNOTWEED	22,927
3601515	ARSP	11,708
3650114	Drought Busters	9,682
36503220	MartinSloughEnh	46,014
36503230	Martin Slough Enh Pj	9,028
36503235	Horse Linto RA	37,548
4050416	TOOTH FY 15/17	29,971
4450514	HHS THP Plus	22,099
4551200	MAC Housing	266,783
4556614	CalFresh NRS	1,367
50504016	DHHS Afactor	20,656
5055118	RMEP	6,623
5056117	Lake ATP	12,768
6128335	NCGMP TOOTH	15,670
6128415	HAF/ULHF 14-15	3,000
648	SPContributions	3,438
6550214	Hum Bay Harbor, Recreation, and Cons. Dist.	35,951
72010	Fee / Bed / Hum	8,273
72015	Bridge Hse Fee	1,409
72111	PacifiCorp Weatherization MODOC	91,494
7240315	PG&E Buhne Pt Landscape	9,913
7260116	Chah-GAH-CHO	4,335
7260213	Safeway SMA Monitoring	3,183
8000315	Jefferson Park & Community Center	4,756
	Miscellaneous Under \$1000	19,881
	<b>Total Grants / Contracts Receivable</b>	<b>\$ 1,106,390</b>

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE C: DEFERRED REVENUE**

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2015.

<u>Account</u>	<u>Description</u>	<u>Amount</u>
0	No Specific Revenue Source	\$ 62,683
1050109	Revolving Loan Fund	48,350
1200101	Rural Tooth Plus	5,092
1400517	LTMR WEEDS	10,087
22004111	LIHEAP Del Norte 11B-5748 WX Ass 16EHA	10,054
3500209	CalHOME - Revolving Loan Fund - Mobile Homes	9,922
350021	CalHOME - Revolving Loan Fund - Mobile Homes	56,544
350022	CalHOME - Revolving Loan Fund - Mobile Homes	31,893
3500311	CalHOME County	1,655
5055115	Redwood Crossing Guard	3,140
600	NRS Revenue	46,109
61030	Humboldt Area Foundation CorCoran Fund	1,668
61045	St. Joseph Sealant Program	6,787
6105313	Loleta Community Bldg. Initiative Implementation	931
61058	St. Joseph EFS Initiative	12,764
61085	St. Joseph Mental Health	4,473
630411	New Belgium Bike Kitchen	2,500
630412	Rose Foundation Bike Kitchen	2,076
6350110	Umpqua Summer	754
6350210	Solid Ground	121,076
647	Contributions - YSB	8,545
7201	MAC Meals	15,951
72014	Safe Haven	1,613
720415	PG&E 2015	2,221
7240318	Stillwater/ARMM	2,643
7260115	FW NATURE TRAIL	2,295
7260117	FWS Spartina	2,243
728114	Henderson Garde	901
728115	Bike Kitchen	3,791
7302	Simpson Vance	2,928
	Miscellaneous Under \$500	508
	Total Deffered Revenue	<u>\$ 482,197</u>

**REDWOOD COMMUNITY ACTION AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**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 **\$ 700,400**

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 **1,156,000**

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 **545,300**

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 **412,662**

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 **356,022**

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, 2015**

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

<b>Crossland Mortgage Corporation</b>	<b>68,033</b>
Interest Rate: 7%	
Maturity Date: August, 2028	
Collateral: 924 & 926 G Street, Eureka, California	
 <b>Umpqua Bank:</b>	
Interest Rate: 0%	<b>98,000</b>
Maturity Date: December 2019	
Collateral: 139 Y Street, Eureka California	
Restrictive Comment: Provide temporary housing	
 Interest Rate: 4.5%	<b>18,612</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>127,363</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>128,810</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	3,751,202
Less: Current Portion	<u>51,373</u>
Long-Term Notes Payable	\$ <u><u>3,699,829</u></u>

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

Year ended December 31:

2016	\$	51,373
2017		53,233
2018		55,221
2019		50,588
2020		27,592
Thereafter		<u>3,513,195</u>
Total Notes Payable	\$	<u><u>3,751,202</u></u>

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**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, 2015 was \$100,000. The line of credit matures in March of 2021.

**NOTE F: INVENTORY**

At December 31, 2015 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 2015 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, 2015 the Agency's contribution of \$57,225 is included with accrued expenses.

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE H: CLASSIFICATION OF EXPENSES**

Expenses by function for the year ended December 31, 2015 are as follows:

Program Expense	\$ 7,134,792
Management and General	546,266
Fundraising	<u>16,804</u>
Total	\$ <u>7,697,862</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, 2015 is \$366,241. These funds are an accumulation of funds payable to RCAA beginning January 2009. These funds are being repaid to RCAA over time based upon available cash flow and HCD approval.

**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, 2015**

**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 April 15, 2016, the date the financial statements were available to be issued.