

REDWOOD COMMUNITY ACTION AGENCY, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

REDWOOD COMMUNITY ACTION AGENCY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

	<u>Page</u>
<u>AUDITED FINANCIAL STATEMENTS</u>	
Independent Auditor's Report.....	1-2
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5
Statement of Functional Expenses.....	6
Notes to Financial Statements.....	7-16

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, 2018, 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 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, 2018, 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.

Adoption of New Accounting Standard

As discussed in Note A to the financial statements, Redwood Community Action Agency, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

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 June 26, 2019 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.



San Francisco, California
June 26, 2019

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 439,049
Grants/Contracts Receivable	2,743,291
Prepays	39,608
Inventory	40,373
Total Current Assets	<u>3,262,321</u>

Deposits, Reserves and Custodial	363,489
Revolving Loans	834,229

Fixed Assets

Land	1,123,255
Buildings	4,658,511
Leasehold Improvement	867,500
Equipment	603,642
Vehicles	504,410
Accumulated Depreciation	<u>(5,605,841)</u>
Total Fixed Assets	<u>2,151,477</u>

TOTAL ASSETS	\$ <u><u>6,611,516</u></u>
---------------------	-----------------------------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 1,236,935
Current Portion of Long-Term Debt	50,729
Accrued Expenses	312,222
Deferred Revenue	965,535
Line of Credit	250,000
Total Current Liabilities	<u>2,815,421</u>

Long Term Liabilities

Security Deposits Payable	145,235
Deferred Revolving Loans	834,229
Long Term Debt less Current Portion	3,743,102
Total Long Term Liabilities	<u>4,722,566</u>

TOTAL LIABILITIES	<u>7,537,987</u>
-------------------	------------------

Net Assets

Without Donor Restrictions	(926,471)
With Donor Restrictions	<u>-</u>

TOTAL NET ASSETS	<u>(926,471)</u>
------------------	------------------

TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>6,611,516</u></u>
---	-----------------------------------

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>WITHOUT DONOR</u>	<u>WITH DONOR</u>	<u>TOTAL</u>
	<u>RESTRICTIONS</u>	<u>RESTRICTIONS</u>	
REVENUE, GAINS AND OTHER SUPPORT			
Grant	\$ 8,859,779	\$ -	\$ 8,859,779
Contributions	53,273	-	53,273
Rents	546,147	-	546,147
Program Service Fees	48,088	-	48,088
Miscellaneous	69,094	-	69,094
Net Assets Released from Restrictions			
Satisfaction of Restrictions	-	-	-
Total Revenue	<u>9,576,381</u>	<u>-</u>	<u>9,576,381</u>
EXPENSES			
Program Services	8,256,764	-	8,256,764
Management and General	1,564,505	-	1,564,505
Fundraising	-	-	-
Total Expenses	<u>9,821,269</u>	<u>-</u>	<u>9,821,269</u>
REVENUE IN EXCESS OF EXPENSES	(244,888)	-	(244,888)
Fixed assets purchased with grant funds	204,705	-	204,705
Depreciation on fixed assets purchased with grant funds	<u>(90,676)</u>	<u>-</u>	<u>(90,676)</u>
CHANGE IN NET ASSETS	(130,859)	-	(130,859)
Net Assets at Beginning of the Year	<u>(795,612)</u>	<u>-</u>	<u>(795,612)</u>
NET ASSETS AT END OF THE YEAR	<u>\$ (926,471)</u>	<u>\$ -</u>	<u>\$ (926,471)</u>

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (244,888)
Depreciation Expense	94,118
MAC Center Loan Amortization	24,500
Fixed Assets Purchased with Grant Funds	204,705

(Increase)/Decrease In:

Grants/Contracts Receivable	(1,694,084)
Revolving Loans	23,967
Prepays	(1,508)
Inventory	1,545
Deposits, reserves and custodial	(66,102)

Increase/(Decrease) In:

Accounts Payable	1,153,145
Accrued Expenses	(37,263)
Security Deposits Payable	87,659
Deferred Revenue	6,844
Deferred Revolving Loans	(23,967)
Net Cash Provided by Operations	<u>(471,329)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed Asset Purchases	<u>(204,705)</u>
Net Cash Used by Investing Activities	<u>(204,705)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Line of Credit	250,000
Increase on Long Term Debt	10,844
Net Cash Provided by Financing Activities	<u>260,844</u>

NET DECREASE IN CASH (415,190)

Cash and Cash Equivalents Balance at 12/31/17 854,239

CASH AND CASH EQUIVALENTS BALANCE AT 12/31/18 \$ 439,049

SUPPLEMENTAL DISCLOSURES

Cash Used by Payments of Interest \$ 17,640

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Subtotal	
Salaries & Wages	\$ 2,808,913	\$ 604,378	\$ -	\$ 604,378	\$ 3,413,291
Employee Benefits	547,662	164,374	-	164,374	712,036
Payroll Taxes	353,021	44,215	-	44,215	397,236
Professional Fees	2,499,509	74,615	-	74,615	2,574,124
Contract Services	105,678	138,175	-	138,175	243,853
Supplies	492,608	54,598	-	54,598	547,206
Communications	79,593	28,053	-	28,053	107,646
Postage	3,090	3,007	-	3,007	6,097
Occupancy	252,104	164,027	-	164,027	416,131
Equipment & Software	265,572	2,492	-	2,492	268,064
Travel	119,857	15,723	-	15,723	135,580
Insurance	82,161	44,102	-	44,102	126,263
Professional Development	14,315	6,609	-	6,609	20,924
Client Support	524,019	39	-	39	524,058
Interest	-	87,313	-	87,313	87,313
Depreciation & Amortization	-	94,118	-	94,118	94,118
Miscellaneous	108,662	38,667	-	38,667	147,329
Total Functional Expenses	\$ 8,256,764	\$ 1,564,505	\$ -	\$ 1,564,505	\$ 9,821,269

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

New Accounting Pronouncement

Effective December 15, 2018, RCAA adopted FASB Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, ("ASU 2016-14"). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as information regarding liquidity, financial performance and cash flows. ASU 2016-14 revises the net asset classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three. ASU 2016-14 also enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions and requires qualitative disclosures on liquidity and the availability of resources to fund operations.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. RCAA's net assets previously reported as unrestricted are now reported as net assets without donor restrictions. RCAA's net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Revenue Recognition

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor 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, 2018.

Inventory

At December 31, 2018 inventory is comprised of supplies used by the Agency in its energy weatherization programs. The inventory is stated at cost determined on the FIFO method.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and amortization and occupancy, which are allocated on a square footage basis.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 assets 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, 2018 amounted to \$94,118 for general operations and \$90,676 for grant fixed assets.

Assets purchased or donated to general operation funds are capitalized and depreciated as an operating expense. Assets purchased with grant funds are recorded as operating expenditures in the period in which they were purchased. Capitalization and depreciation for assets purchased with grant funds are accounted for as adjustments in the Statement of Changes in Net Assets.

NOTE B: CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

RCAA maintains its cash balances in various financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. While RCAA maintains cash in amounts which at times, exceed the federally insured limits. RCAA has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE C: DEFERRED REVENUE

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2018.

Account	Description	Amount
0	No Specific Rev	\$ 99,073
1050109	Revolve Loan Fund	123,809
1150216	EFS AFS 33	619
22001913	19B-5009 HUM	102,992
22004111E	11B-5748 Excess Revenue	9,495
3500209	Mobile Rev Loan	31,890
350021	CalHome - Revolving Loan Fund - Mobile Home	142,038
350022	CalHome - Revolving Loan Fund - Mobile Home	113,901
3500311	CalHome - Revolving Loan Fund - Mobile Home	1,655
5055122	Arcata ATP	2,653
5055123	White Slough Project	3,948
5056122	Fortuna ATP	3,900
5056130	Willow Creek Walkability Study	1,014
5056140	Jacoby Creek Watershed	3,216
600	NRS Excess Rev	23,688
61030	Hum Area Found Corcoran	3,821
61035	NCG Healing and Stren. Resiliency	4,867
6105317	CBI Coaching	4,369
6105319	Samoa Peninsula CBI Impl	60,465
610628	Rent & Utilities Assistance Program	9,001
610855	St Joesph Sleep Well CP	12,747
610856	St Joesph Sleep Well YSB	8,648
610857	Humboldt Health Foundation	2,643
621010	Partnership Healthplan Calif	92,765
630413	Adopt A Storm Drain	11,948
646	NRS Misc A/R	10,111
72014	Fee PACT	15,766
7260400	Water Quality Mad River Watershed	45,000
728114	Henderson Garden	3,926
728115	Bike Kitchen	10,773
7302	Simpson Vance	2,928
	Miscellaneous Under \$1000	1,866
	Total Deferred Revenue	<u>\$ 965,535</u>

See notes to the financial statements

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D: GRANTS/CONTRACTS RECEIVABLE

Grant/Contracts receivable represents the amount due for revenues earned but not yet reimbursed at December 31, 2018.

<u>Account</u>	<u>Description</u>	<u>Amount</u>
1200116	Street Outreach	\$ 8,959
1200216	Basic Center	3,052
1200415	Launch Pad	24,652
1400518	USFS Ruth Complex	6,063
1400619	Sims Weeds	6,012
21005218	HMIS 2018	10,072
2115216	17C-4007 HUM	2,558
2115217	17C-4007 MOD	7,840
22001813/14	18B-4009 Hum/Modic	287,503
2200400	OCAP-Economic Empowerment	16,163
2200821	CSBG 2018	98,731
3600516	WCB KNOTWEED	55,174
3600520	Prop 1 Spartina	51,854
3650116	Drops Project	41,817
36503215	Freshwater Ck	17,355
36503230	DWR Martin Slough	83,278
36503240	NOAA Martin Slough	170,320
36503241	SCC-Martin	1,177,614
4450415	Title 19 YSB	102,181
4450420	Title 19 C.S.	47,459
4450518	THP+ 17-19	16,076
4450522	THP+FC	13,475
4551206	PACT 18	150,762
4556218	CF 2018 CSD	9,342
4556418	CF 2018 Energy	7,985
4556518	CalFresh YSB	17,265
4556618	CF 2018 NRS	11,587
50504022	Probation Mgmt	30,528
50504025	Dent Tran. 2018	45,355
50504027	ACES COLLAB	1,633
50504028	AFACTR 18-19	89,989
5055124	Annie and Mary	3,733
5055125	MS Soil Spread	3,025
5056152	WIOA Youth Step	3,651
5056155	WIOA FORTUNA	2,020
72017	Bed Fee Humboldt	62,359
720415	PG&E Refrigerator Replace	1,364
720517	MRF Mad River Flood Plan	1,260
72111	PacifiCorp WX	4,377
72114	ACCES	37,288
7240518	PG&E Stillwater Invasive Plant Removal	4,956
7260121	USFWS SPARTINA	2,932
	Miscellaneous Under \$1000	3,672
	Total Grants/ Contracts Receivable	\$ 2,743,291

See notes to the financial statements

**REDWOOD COMMUNITY ACTION AGENCY, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE E: 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 **\$ 746,750**

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 **1,232,500**

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 **582,200**

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 **441,231**

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 **376,722**

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, 2018

NOTE E: NOTES PAYABLE (CONTINUED)

Crossland Mortgage Corporation	44,706
Interest Rate: 7%	
Maturity Date: August 2028	
Collateral: 924 & 926 G Street, Eureka, California	
 Umpqua Bank:	
Interest Rate: 0%	24,500
Maturity Date: December 2019	
Collateral: 139 Y Street, Eureka California	
Restrictive Comment: Provide temporary housing	
 Redwood Capital Bank:	
Interest Rate: 6.5%	102,032
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%	103,190
Maturity Date: Until paid in full	
Collateral: 539 T Street, Eureka, California	
Restrictive Comment: Business and Real Estate Investment	
 County of Humboldt	140,000
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	3,793,831
Less: Current Portion	<u>50,729</u>
Long-Term Notes Payable	\$ <u><u>3,743,102</u></u>

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

Year ended December 31:

2019	\$	50,729
2020		28,024
2021		29,941
2022		31,991
2023		34,180
Thereafter		<u>3,618,966</u>
Total Notes Payable	\$	<u><u>3,793,831</u></u>

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F: 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 4.25%. The outstanding balance on the line of credit at December 31, 2018 was \$250,000. The line of credit matures in March of 2021.

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 2018 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, 2018 the Agency's contribution of \$55,669 is included with accrued expenses.

NOTE H: 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, 2018 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.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE I: LEASE OBLIGATIONS

RCAA leases copier equipment with varying expirations dated through 2021. Future minimum principle payments are as follows:

2019	\$	5,801
2020		5,801
2021		4,249
2022		-
Total		\$ 15,851

NOTE J: 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 K: 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.

REDWOOD COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE L: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year:

Cash and Cash Equivalents	\$ 439,049
Grants and Contracts Receivable	2,743,291
Total Financial Assets	3,182,340
Less those unavailable for general expenditures within one year due to:	
Receivables scheduled to be collected in more than one year	(122,250)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,060,090

The Organization has \$3,048,999 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of \$439,049. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year.

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,636,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition, as part of its liquidity management, RCAA has a line of credit with Umpqua Bank in the amount of \$500,000. At December 31, 2018, RCAA had drawn on the line of credit in the amount of \$250,000.

NOTE M: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through June 26, 2019, the date the financial statements were available to be issued.