

**REDWOOD COMMUNITY ACTION AGENCY, INC.**

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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

**REDWOOD COMMUNITY ACTION AGENCY, INC.  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b><u>AUDITED FINANCIAL STATEMENTS</u></b>	
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.....	7-17

## 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, 2019, 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, 2019, 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.

### **Emphasis of Matter**

As discussed in Note A to the financial statements, during the year ended December 31, 2019, Redwood Community Action Agency, Inc. adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958): Not for Profit Entities. 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 September 21, 2020 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  
September 21, 2020

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 860,436
Grants/Contracts Receivable	1,699,762
Prepays	30,431
Inventory	39,099
Total Current Assets	<u>2,629,728</u>
<b>Deposits, Reserves and Custodial</b>	465,513
<b>Revolving Loans</b>	670,677
<b>Fixed Assets</b>	
Land	1,123,255
Buildings	4,737,551
Leasehold Improvement	867,500
Equipment	633,642
Vehicles	480,010
Accumulated Depreciation	<u>(5,780,869)</u>
Total Fixed Assets	<u>2,061,089</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,827,007</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 595,391
Current Portion of Long-Term Debt	28,158
Accrued Expenses	272,981
Deferred Revenue	1,115,860
Line of Credit	100,000
Total Current Liabilities	<u>2,112,390</u>
<b>Long Term Liabilities</b>	
Security Deposits Payable	172,771
Deferred Revolving Loans	670,677
Long Term Debt less Current Portion	<u>3,834,060</u>
Total Long Term Liabilities	<u>4,677,508</u>
<b>TOTAL LIABILITIES</b>	<u>6,789,898</u>
<b>Net Assets</b>	
Without Donor Restrictions	(962,891)
With Donor Restrictions	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>(962,891)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 5,827,007</u></u>

See notes to the financial statements

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>WITHOUT DONOR RESTRICTIONS</b>	<b>WITH DONOR RESTRICTIONS</b>	<b>TOTAL</b>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
Grant	\$ 7,832,048	\$ -	\$ 7,832,048
Contributions	14,058	-	14,058
Rents	597,856	-	597,856
Program Service Fees	46,939	-	46,939
Miscellaneous	7,137	-	7,137
Net Assets Released from Restrictions			
Satisfaction of Restrictions	-	-	-
Total Revenue	8,498,038	-	8,498,038
<b>EXPENSES</b>			
Program Services	7,087,850	-	7,087,850
Management and General	1,386,942	-	1,386,942
Fundraising	-	-	-
Total Expenses	8,474,792	-	8,474,792
<b>CHANGES IN NET ASSETS</b>			
	23,246	-	23,246
Net Assets at Beginning of the Year	(926,471)	-	(926,471)
Fixed Assets Purchased with Grant Funds	30,000	-	30,000
Depreciation on Fixed Assets Purchased with Grant Funds	(89,666)	-	(89,666)
<b>NET ASSETS AT END OF THE YEAR</b>	<b>\$ (962,891)</b>	<b>\$ -</b>	<b>\$ (962,891)</b>

See notes to the financial statements

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Changes in Net Assets	\$ 23,246
Depreciation Expense	85,262
MAC Center Loan Amortization	24,500
Fixed Assets Purchased with Grant Funds	30,000
 <i>(Increase)/Decrease In:</i>	
Grants/Contracts Receivable	1,043,529
Revolving Loans	163,552
Prepays	9,177
Inventory	1,274
Deposits, Reserves and Custodial	(102,024)
 <i>Increase/(Decrease) In:</i>	
Accounts Payable	(641,544)
Accrued Expenses	(39,241)
Security Deposits Payable	27,536
Deferred Revenue	150,325
Deferred Revolving Loans	<u>(163,552)</u>
<b>Net Cash Provided by Operations</b>	<u>612,040</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Fixed Asset Purchases	<u>(109,040)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(109,040)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on Line of Credit	(150,000)
Proceeds of Long Term Debt	<u>68,387</u>
<b>Net Cash Used by Financing Activities</b>	<u>(81,613)</u>
 <b>NET INCREASE IN CASH</b>	 421,387
 Cash and Cash Equivalents Balance at 12/31/18	 <u>439,049</u>
 <b>CASH AND CASH EQUIVALENTS BALANCE AT 12/31/19</b>	 \$ <u><u>860,436</u></u>

**SUPPLEMENTAL DISCLOSURES**

Cash paid for interest	\$ <u><u>14,924</u></u>
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See notes to the financial statements

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Supporting Services</u>				<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Subtotal</u>	
Salaries & Wages	\$ 2,485,714	\$ 506,161	\$ -	\$ 506,161	\$ 2,991,875
Employee Benefits	423,605	139,366	-	139,366	562,971
Payroll Taxes	334,312	66,741	-	66,741	401,053
Professional Fees	1,954,797	132,286	-	132,286	2,087,083
Contract Services	245,024	79,302	-	79,302	324,326
Supplies	501,002	31,865	-	31,865	532,867
Communications	78,155	29,092	-	29,092	107,247
Postage	2,759	2,649	-	2,649	5,408
Occupancy	190,320	166,073	-	166,073	356,393
Equipment & Software	134,109	7,900	-	7,900	142,009
Travel	121,516	71	-	71	121,587
Insurance	74,162	31,291	-	31,291	105,453
Professional Development	16,670	6,614	-	6,614	23,284
Client Support	475,705	-	-	-	475,705
Interest	1,034	84,938	-	84,938	85,972
Depreciation & Amortization	-	85,262	-	85,262	85,262
Miscellaneous	48,966	17,331	-	17,331	66,297
<b>Total Functional Expenses</b>	<b>\$ <u>7,087,850</u></b>	<b>\$ <u>1,386,942</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>1,386,942</u></b>	<b>\$ <u>8,474,792</u></b>



**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**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**

During 2019, RCAA adopted FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, Not for Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Management has determined that this ASU did not significantly impact RCAA's financial statements.

**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, 2019**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2019.

**Inventory**

At December 31, 2019 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, 2019**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2019 amounted to \$85,262 for general operations and \$89,666 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 under the Changes in Net Assets, in the Statement of Activities.

**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, 2019**

**NOTE C: GRANTS/CONTRACTS RECEIVABLE**

Grants/Contracts receivable represents the amount due for revenues earned but not yet reimbursed at December 31, 2019.

<u>Account</u>	<u>Description</u>	<u>Amount</u>
1200316	Basic Center	\$ 50,027
1400619	Sims Weeds	930
21005219	HMIS 2019	8,880
2115216	17C-4007 HUM	19,862
2115217	17C-4007 MOD	76
22001913	19B-5009 HUM	110,848
22001914	19B-5009 MOD	3,208
22002013	20B-4009 HUM	173,231
2200400	OCAP-Economic Empowerment	13,008
2200822	CSBG 2019	44,953
2200825	CSBG CAPACITY	8,092
3600516	WCB KNOTWEED	24,575
3600522	Bikers on Bay	6,696
3650116	Drops Project	40,867
36503218	Fresh Water Off Channel	243,621
36503230	DWR Martin Slough	29,750
36503240	NOAA Martin Slough	5,563
36503241	SCC-Martin Slough	285,209
36503243	OPC Martin Slough	158,354
36503245	Mad River Estuary	47,253
4450415	Title 19 YSB	24,935
4450420	Title 19 C.S.	49,013
4450518	THP+ 17-20	16,487
4450522	THP-NMD	14,484
4551208	PACT 19-20	84,945
4557219-819	CalFresh 2019 AFS	44,971
50504025	DTI 18-20	39,826
50504029	Probation Mgmt	31,049
50504031	AFACTR 19-21	30,525
50504038	OTS Ped & Bike	1,952
5055132	R. Dell School	2,240
5056142	Eureka Broadway	2,151
5056152	WIOA Youth Step	16,170
5056155	WIOA FORTUNA	6,001
61038	Onyx Housing Sv	25,440
6105317	CBI Coaching	2,616
72017	Bed Fee Hum	16,645
72114	ACCES Washers	9,766
N/A	Misc Under \$1000	5,543
<b>Total Grants/ Contracts Receivable</b>		<b><u>\$ 1,699,762</u></b>

See notes to the financial statements

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE D: DEFERRED REVENUE**

Deferred revenue represents the excess of funds advanced less earned revenue for ongoing programs at December 31, 2019.

<b>Account</b>	<b>Description</b>	<b>Amount</b>
N/A	Other Deferred Revenue	\$ 72,891
1050109	Revolve Loan Fund	153,433
1150216	EFS AFS	10,292
1150516	EFS YSB	5,199
22004111E	11B-5748 Excess Revenue	9,495
3500209	CalHome - Revolving Loan Fund - Mobile	52,910
350021	CalHome - Revolving Loan Fund - Mobile	128,561
350022	CalHome - Revolving Loan Fund - Mobile	83,427
3500511	CalHome - Revolving Loan Fund - Mobile	3,499
3600520	Prop 1 Spartina	79,666
5055123	White Slough Project	5,244
5055124	Arcata Annie and Mary Connectivity	4,189
5055128	Forturna/McKinleyville Trans Education	4,346
600	NRS Excess Rev	23,302
61030	HAF Corcoran Fund	3,415
6105319	Samoa Peninsula CBI Impl	79,276
610818	Humboldt Sponsors	1,604
610855	St Joesph Sleep Well CP	2,987
610856	St Joesph Sleep Well YSB	5,293
621010	Partnership Healthplan Calif	213,495
621012	Bridge House Flooring	19,491
621016	HAF Onyx Apts	9,860
646	NRS Misc A/R	6,075
72024	Rotary Club Raven	6,945
72025	CARE 17-18	1,720
72111	PacifiCorp WX	24,242
72115	Northcoast Insp	2,000
72116	Emer. Pre. Pilot	25,000
7240520	Still Water Invasive Plants	6,429
7260400	Water Quality Mad Rive Watershed	45,000
728114	Henderson Garden	4,542
728115	Bike Kitchen	13,767
7302	Simpson Vance	2,928
N/A	Misc Under \$1000	5,337
<b>Total Deferred Revenue</b>		<b>\$ 1,115,860</b>

See notes to the financial statements

**REDWOOD COMMUNITY ACTION AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**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	<b>\$ 762,200</b>
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	<b>1,258,000</b>
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	<b>594,500</b>
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	<b>450,754</b>
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	<b>51,375</b>
Annually beginning February 2019	
Maturity Date: February 2049	
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	<b>383,622</b>
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, 2019**

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

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.

**Crossland Mortgage Corporation** **36,608**

Interest Rate: 7%  
Maturity Date: August 2028  
Collateral: 924 & 926 G Street, Eureka, California

**Redwood Capital Bank:** **92,073**

Interest Rate: 6.5%  
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% **93,086**

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	3,862,218
Less: Current Portion	28,158
Long-Term Notes Payable	\$ 3,834,060

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

Year ended December 31:	
2020	\$ 28,158
2021	30,085
2022	32,144
2023	34,344
2024	28,480
Thereafter	<u>3,709,007</u>
Total Notes Payable	\$ <u>3,862,218</u>

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**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, 2019 was \$100,000. The line of credit matures in March 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 2019 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, 2019 the Agency's contribution of \$57,930 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 payables and receivables for HOME Properties to the General fund as of December 31, 2019 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, 2019**

**NOTE I: LEASE OBLIGATIONS**

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

2020	\$	5,801
2021		4,249
Total	\$	10,050

**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, 2019**

**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	\$ 860,436
Grants and Contracts Receivable	1,699,762
Total Financial Assets	2,560,198

Less those unavailable for general expenditures within one year due to:

Receivables scheduled to be collected in more than one year	(133,825)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,426,373

The Organization has \$2,426,373 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of \$860,436. 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 \$1,412,477. 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 \$750,000. At December 31, 2019, RCAA had drawn on the line of credit in the amount of \$100,000.

**NOTE M: SUBSEQUENT EVENTS**

The Organization's management has evaluated its subsequent events through September 21, 2020, the date the financial statements were available to be issued.

**REDWOOD COMMUNITY ACTION AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE M: SUBSEQUENT EVENTS (CONTINUED)**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) was identified and has since spread to many countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. In California, a mandatory “shelter-in-place” order was issued on March 19, 2020. It is anticipated that these impacts will continue for some time. In response to COVID-19, the Organization has proactively responded to the challenge of continuing to provide services while ensuring the safety of the public and staff.

We have made modifications to the offices, our service delivery strategies, Board of Directors meetings and instituted infection prevention practices in all of our programs to protect staff and the public. In person meetings have been replaced with conference calls, webinars and ZOOM meetings to keep the staff informed and connected with each other as with funding sources and partners.

Initial concerns pertaining to cashflow and revenue generation impacts of the virus centered on the curtailment of field activities and the uncertainty of how to move forward to maintain the financial health of the organization.

The Executive Director worked with RCAA’s national partners, funding sources and staff to develop federal and state policies that could provide temporary funding for “grounded” staff that were later laid-off for a short period while waiting for federal funds to fill the COVID-19 virus gaps. Internal emergency personnel policies were also approved by the Board of Directors enabling staff to be paid with approved federal and state funding for Administrative Time Off per OMB guidelines.

To add a further measure of security, RCAA applied for and secured a SBA Paycheck Protection Program loan to maintain jobs for staff whose jobs were in jeopardy due to the funding impacts related to the economic downturn caused by the virus. This has proven to be an effective means of ensuring full and continued employment of staff as well as positive cashflow for the Agency.