
RURAL RESOURCES COMMUNITY ACTION

A WASHINGTON NON-PROFIT ORGANIZATION

Financial Statements

For the Fiscal Year Ended February 28, 2011
With Comparative Totals for 2010

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Resources Community Action
Colville, WA

We have audited the accompanying statement of financial position of the Rural Resource Community Action (Organization) as of February 28, 2011; the related statement of activities and changes in net assets; statement of functional expenses; and the statement of cash flows for the fiscal year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated September 25, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of February 28, 2011, and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2011 on our consideration of the Organization'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Organization taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

August 2, 2011

RURAL RESOURCES COMMUNITY ACTION

STATEMENT OF FINANCIAL POSITION

February 28, 2011 (With Comparative Totals for 2010)	2011	2010
ASSETS		
Assets:		
Cash	\$ 342,097	\$ -
Restricted Cash	798,086	928,179
	1,140,183	928,179
Accounts Receivable	1,596,365	1,680,314
Inventory	24,169	23,107
Prepaid Expenses and Other Assets	25,869	31,078
Deposit, Unemployment Self Insurance Trust	190,555	154,021
Loans & Interest Receivable, net	1,537,936	1,247,037
Property and Equipment, net	6,164,866	6,298,407
	\$ 10,679,943	\$ 10,362,143
LIABILITIES AND NET ASSETS		
Liabilities:		
Cash Overdraft	\$ -	\$ 3,812
Accounts Payable and Accrued Expenses	729,815	566,021
Payroll Taxes Payable	12,497	74,482
Accrued Salaries	292,605	302,694
Accrued Vacation	183,966	160,885
Reserve, Unemployment Self Insurance Trust	190,555	154,021
Other Payables	50,661	62,686
Refundable Advances and Other Deferred Liabilities	95,789	41,356
Revolving Loan and Grant Funds Payable	2,238,710	2,094,434
Notes Payable	4,401,561	4,492,168
	8,196,159	7,952,559
Net Assets:		
Unrestricted	2,341,653	2,259,561
Temporarily Restricted	142,131	150,023
	2,483,784	2,409,584
Total Liabilities and Net Assets	\$ 10,679,943	\$ 10,362,143

The accompanying notes are an integral part of these financial statements.

RURAL RESOURCES COMMUNITY ACTION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Fiscal Year Ended February 28, 2011 (With Comparative Totals for 2010)	2011		2010	
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
Support & Revenue:				
Governmental Grants	\$ 13,400,671	\$ -	\$ 13,400,671	\$ 13,759,160
Nongovernmental Grants	598,175	340	598,515	444,937
Contributions	62,529	92,420	154,949	155,309
Client Fees	25,871	-	25,871	45,592
Project Income	50,833	2,776	53,609	154,457
Rent Income	276,329	-	276,329	256,713
Interest Income	41	-	41	40
Other Income	15,393	44,262	59,655	96,580
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	147,690	(147,690)	-	-
Total Support & Revenues	14,577,532	(7,892)	14,569,640	14,912,788
Expenses:				
Program Services:				
Community Services	460,127	-	460,127	328,481
Transportation	546,412	-	546,412	562,129
Job Training & Employment	2,945,762	-	2,945,762	3,731,816
Family Services	1,274,053	-	1,274,053	1,197,935
Housing & Adult Services	6,909,780	-	6,909,780	6,525,878
Head Start & Early Childhood	1,692,624	-	1,692,624	1,728,714
Total Program Services	13,828,758	-	13,828,758	14,074,953
Administrative	648,550	-	648,550	704,794
Fundraising	18,132	-	18,132	37,767
Total Expenses	14,495,440	-	14,495,440	14,817,514
Other Revenue & Expenses:				
Gain on Disposal of Assets	-	-	-	200
Change in Net Assets	82,092	(7,892)	74,200	95,474
NET ASSETS, BEGINNING OF YEAR	2,259,561	150,023	2,409,584	2,314,110
NET ASSETS, END OF YEAR	\$ 2,341,653	\$ 142,131	\$ 2,483,784	\$ 2,409,584

The accompanying notes are an integral part of these financial statements.

RURAL RESOURCES COMMUNITY ACTION

STATEMENT OF FUNCTIONAL EXPENSES

Fiscal Year Ended February 28, 2011 (With Comparative Totals for 2010)

									2011	2010
	Community Services	Transportation	Job Training & Employment	Family Services	Housing and Adult Services	Head Start & Early Childhood	Total Program Services	Administrative	Total	Total
Salaries & Benefits	\$ 172,291	\$ 76,707	\$ 853,196	\$ 507,879	\$ 2,007,734	\$ 1,115,645	\$ 4,733,452	\$ 972,826	\$ 5,706,278	\$ 5,501,521
Participant Wages & Benefits	-	-	282,596	-	-	-	282,596	-	282,596	613,569
OJT Employer Reimbursement	-	-	44,030	-	-	-	44,030	-	44,030	30,902
Advertising & Public Relations	5,039	190	723	4,724	8,309	1,835	20,820	13,192	34,012	62,411
Contract Services	15,298	441	1,221,422	570,220	170,963	7,543	1,985,887	-	1,985,887	2,448,937
Direct Payment	12,750	-	-	-	588,598	-	601,348	-	601,348	1,003,775
Expense Reimbursement	(544)	-	(30)	(170)	(86,620)	-	(87,364)	(67,670)	(155,034)	(151,136)
Fees & Permits	70	-	-	-	1,687	1,121	2,878	141	3,019	3,190
Food & Contract Meals	16,898	-	-	-	155,326	34,632	206,856	-	206,856	220,859
Fundraising	-	-	-	15,083	2,192	844	18,119	13	18,132	37,767
Insurance	3,720	-	400	2,551	25,544	6,428	38,643	58,520	97,163	101,089
Janitorial & Maintenance	17,429	-	2,129	85	45,987	13,397	79,027	98,690	177,717	198,583
Rent	6,462	-	21,710	8,241	42,251	4,898	83,562	87,840	171,402	153,652
Meeting	25,114	29	3,833	2,412	6,034	5,098	42,520	1,180	43,700	26,094
Office Expenses	17,158	6,020	15,565	15,608	91,960	31,512	177,823	(5,370)	172,453	166,422
Capital Outlay	6,885	845	9,744	6,071	22,650	1,760	47,955	12,506	60,461	77,510
Professional Services	26,626	1,981	11,780	8,491	22,512	37,198	108,588	34,823	143,411	101,225
Reserve Accounts	-	-	-	-	-	-	-	-	-	227
Supplies & Software	2,311	1,191	6,650	7,117	46,979	28,881	93,129	45,618	138,747	195,059
Tax & Licenses	3,444	-	9	-	1,361	339	5,153	1,313	6,466	9,312
Telephone & Utilities	16,284	997	15,017	4,870	67,123	32,272	136,563	74,069	210,632	193,223
Travel & Training	23,091	8,066	75,171	26,502	100,851	43,927	277,608	37,699	315,307	503,071
Vehicle Expenses	755	1,629	-	-	22,407	-	24,791	88,241	113,032	110,266
Client Expenses	25,226	200	192,719	24,636	2,918,621	1,388	3,162,790	-	3,162,790	2,401,955
Volunteer Expenses	296	85,133	9,396	7,668	5,054	665	108,212	217	108,429	3,087
Transfers	12,430	1,220	13,960	8,477	121,162	88,651	245,900	(245,399)	501	5,195
Pooled Accounts	16,296	332,168	77,790	31,397	95,824	120,724	674,199	(665,805)	8,394	14,939
Commodities	-	-	-	-	266,836	-	266,836	-	266,836	225,900
Match	-	-	68,000	-	-	4,000	72,000	-	72,000	56,000
Miscellaneous	-	-	170	28,580	11,213	61	40,024	16,056	56,080	53,495
Interest	14,407	-	-	-	19,219	38,236	71,862	76,567	148,429	153,162
Depreciation	20,391	29,595	19,782	8,694	130,195	72,413	281,070	13,296	294,366	296,253
Total Expenses	\$ 460,127	\$ 546,412	\$ 2,945,762	\$ 1,289,136	\$ 6,911,972	\$ 1,693,468	\$ 13,846,877	\$ 648,563	\$ 14,495,440	\$ 14,817,514

The accompanying notes are an integral part of these financial statements.

RURAL RESOURCES COMMUNITY ACTION

STATEMENT OF CASH FLOWS

Fiscal Year Ended February 28, 2011 (With Comparative Totals for 2010)	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 74,200	\$ 95,474
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	294,366	296,253
Gain on Disposal of Assets	-	(200)
(Increase) Decrease in Accounts Receivable	83,949	17,210
(Increase) Decrease in Loans and Interest Receivable	(290,898)	(336,312)
(Increase) Decrease in Deposit, Unemployment Self Insurance Trust	(36,534)	(22,105)
(Increase) Decrease in Prepaid Expenses and Other Assets	5,209	44,631
(Increase) Decrease in Inventory	(1,062)	(18,555)
Increase (Decrease) in Cash Overdraft	(3,812)	(72,839)
Increase (Decrease) in Accounts Payable & Accrued Expenses	163,794	(490,601)
Increase (Decrease) in Reserve, Advances and Other Deferred Liabilities	36,534	22,105
Increase (Decrease) in Accrued Salaries	(10,089)	19,080
Increase (Decrease) in Payroll Taxes Payable	(61,985)	(29,368)
Increase (Decrease) in Accrued Vacation	23,081	(4,417)
Increase (Decrease) in Other Payables	(12,025)	9,230
Increase (Decrease) in Refundable Advances & Other Deferred Liabilities	54,433	(65,730)
Increase (Decrease) in Revolving Loan & Grants Funds Payable	144,276	287,591
Net Cash Provided (Used) by Operating Activities	<u>463,437</u>	<u>(248,553)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Assets	-	200
Purchases of Property and Equipment	(160,825)	(91,952)
Net Cash Used by Investing Activities	<u>(160,825)</u>	<u>(91,752)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Long-Term Debt	-	395,045
Payments on Long-Term Debt	(90,607)	(86,940)
Net Cash Provided (Used) by Financing Activities	<u>(90,607)</u>	<u>308,105</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	212,005	(32,200)
BEGINNING CASH AND CASH EQUIVALENTS	<u>928,179</u>	<u>960,379</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,140,184</u>	<u>\$ 928,179</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Cash Paid During the Fiscal Years for Interest	<u>\$ 148,429</u>	<u>\$ 153,162</u>

The accompanying notes are an integral part of these financial statements.

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Rural Resources Community Action (Organization) is a non-profit organization, organized to assist and carry out various community action programs under grants received from various agencies of federal, state, and local governments. The acceptance of these grants requires compliance with prescribed grant conditions and other special requirements including the furnishing of certain amounts of cash or noncash contributions to programs from nonfederal sources. The Organization operates in the following Washington State counties: Okanogan, Chelan, Douglas, Grant, Lincoln, Adams, Spokane, Whitman, Garfield, Asotin, Ferry, Stevens, and Pend Oreille.

The Organization accounts for its operations through the following program divisions:

Community Services: This division accounts for all revenues and expenditures related to community services that are general in nature. Major programs include community service and community development grants (administrative and block grants), Vista programs, and private donations. The division's major sources of revenue are government grants.

Transportation: This division accounts for all revenues and expenditures related to the Organization's rural mobility, senior transportation, and Medicaid support programs. The division's major sources of revenue are government grants.

Job Training and Employment: This division accounts for all revenues and expenditures related to the Organization's administering of Work Force Investment Act grants and similar activities, in addition to literacy programs. The division's major sources of revenue are government grants.

Family Services: This division accounts for all revenues and expenditures related to the Organization's family-oriented grant programs. The division's major funding sources of revenue are government and private grants and contributions.

Housing and Adult Services: This division accounts for all revenues related to the Organization's housing, weatherization assistance, food stamp outreach, food bank programs, shelter programs, senior services programs, low income energy programs, and private donations. The division's sources of revenue are government grants, program revenues, and private donations of cash, materials, and services.

Head Start and Early Childhood: This division accounts for all revenues and expenditures related to the Organization's Head Start and early childhood programs. The division's major sources of revenue are government and private grants and contributions.

Basis of accounting:

The Organization maintains its financial records on the accrual basis of accounting. Revenues on all grants are recognized (accrued) when qualifying expenditures under the grant are made. Grant funds are accounted for as temporarily restricted or unrestricted as provided in the particular terms of the respective grant contracts. However, if the restrictions on grant funds are met in the same year the funds are awarded, it is the Organization's policy to report the grant funds as unrestricted on the statement of activities and changes in net assets.

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates:

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of certain assets and liabilities as of the date of the financial statements. Actual results could differ, either positively or negatively, from those estimates.

Recognition of contribution revenue:

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the assets are to be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

If the restrictions on restricted contributions are met in the same year the gift is received, it is the Organization's policy to report the contribution as unrestricted on the statement of activities and changes in net assets.

Cash and cash equivalents:

The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted cash:

Restricted cash includes cash held for client loan programs (Note 10).

Property and equipment:

Property and equipment purchased by the Organization with unrestricted funds is recorded at cost. Items of less than \$5,000 per unit cost are charged to expense as minor equipment or supplies.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method ranging from 5 to 30 years. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in income.

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans receivable:

The Organization obtains funds to loan to individuals. As discussed further in Note 10, an allowance for estimated uncollectible amounts is provided, and amounts are recorded at their discounted present value. The allowance for estimated uncollectible accounts is based on prior years' collection experience. The allowance for estimated uncollectible accounts as of February 28, 2011 and February 28, 2010 was \$39,500. For the fiscal years ended February 28, 2011 and February 28, 2010, bad debts were \$0.

Temporarily restricted net assets:

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Upon the fulfillment of the purpose for which the net assets were restricted, expiration of a donor-imposed restriction, or withdrawal of a restriction by a donor, temporarily restricted net assets are reclassified to unrestricted net assets.

Advertising costs:

The costs of advertising are expensed as incurred. Advertising expense for the fiscal years ended February 28, 2011 and February 28, 2010, was \$14,279 and \$22,036, respectively.

Inventory:

Inventories consist of USDA surplus commodities shown at the cost value provided by the USDA. As of February 28, 2011 and February 28, 2010, inventory was \$24,169 and \$23,107, respectively.

Accounts receivable:

Grants receivable are recorded to the extent of qualifying grant expenditures made during the current year that are to be reimbursed after year end.

Refundable advances & other deferred liabilities:

Deferred liabilities are recognized for program (grant) advances received by the Organization that are in excess of current grant expenditures. Such amounts are restricted funds and as such can only be maintained and used in accordance with the respective grant contracts.

NOTE 2: EMPLOYEE BENEFITS AND COMPENSATED ABSENCES

The Organization sponsors a SEP/IRA plan (the Plan) which covers all employees meeting certain eligibility requirements (age, length of service, and minimum earnings). The Organization contributes four percent (4%) of each eligible employee's qualifying wages to the Plan. Employees are also entitled to make salary reduction agreements under the terms of the Plan. Pension costs for the fiscal years ended February 28, 2011 and February 28, 2010, were \$171,935 and \$172,714, respectively.

The Organization also offers two separate 403(b) plans for the voluntary participation of the employees. Employees may make contributions to a tax-deferred annuity (TDA) account or tax sheltered account (TSA).

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 2: EMPLOYEE BENEFITS AND COMPENSATED ABSENCES (Continued)

The Organization also provides its employees with paid annual and sick leave in accordance with its current policies. Sick leave benefits are cumulative to a maximum of 360 hours. Unused annual leave is payable to employees in cash upon termination.

NOTE 3: DONATED GOODS AND SERVICES

The Organization receives substantial donations of labor and facilities. For financial reporting purposes, these amounts are not recorded on the financial statements since they do not meet the requirements under FASB ASC 958 for recording. In-kind revenues received but not recorded consist of the following for the fiscal years ended February 28, 2011 and February 28, 2010:

	<u>2011</u>	<u>2010</u>
Donated labor	\$ 637,513	\$ 716,245
Donated rent	61,101	76,231
Donated professional services	25,242	26,659
Subcontractors	885,590	765,012
Donated transportation	60,904	76,061
Other	15,173	25,251
	<u>\$ 1,685,523</u>	<u>\$ 1,685,459</u>

NOTE 4: PROPERTY AND EQUIPMENT

Depreciation of property and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. The cost and estimated useful lives of such assets are as follows at February 28, 2011 and February 28, 2010:

	<u>Estimated Useful Lives</u>	<u>2011</u>	<u>2010</u>
Land		\$ 580,000	\$ 580,000
Buildings and improvements	30 years	7,098,761	7,060,942
Furniture, fixtures, and equipment	5-10 years	135,665	100,873
Vehicles	10 years	907,186	843,403
		<u>8,721,612</u>	<u>8,585,218</u>
Less: accumulated depreciation		<u>(2,556,746)</u>	<u>(2,286,811)</u>
Net Property and Equipment		<u>\$ 6,164,866</u>	<u>\$ 6,298,407</u>

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 5: LEASES

The Organization leases facilities and equipment used in its operations under various lease agreements with terms ranging from one to six years. All leases are accounted for as operating leases.

The Organization's future minimum payments under lease commitment as of February 28, 2011, are as follows:

Fiscal years ending on the last day of February:

2012	\$	48,221
2013		30,200
2014		12,150
2015		5,000
2016		3,753
Thereafter		-
	\$	<u>99,324</u>

Rental expense for the fiscal years ended February 28, 2011 and February 28, 2010, was \$171,402 and \$153,652, respectively.

NOTE 6: UNEMPLOYMENT COMPENSATION TRUST

The Organization has elected to provide unemployment benefits through the Northwest Agencies Trust. Rural Resources Community Action makes payments to the Trust, and the Trust administers the Plan and pays benefits to eligible recipients.

At February 28, 2011 and February 28, 2010, the Organization had funds on deposit with the Trust of \$190,555 and \$154,021, respectively. A corresponding liability has been accrued for the estimated claims liability at February 28, 2011 and February 28, 2010, of \$190,555 and \$154,021, respectively.

NOTE 7: CONCENTRATION OF CREDIT RISK

For the fiscal years ended February 28, 2011 and February 28, 2010, approximately 92% of the Organization's funding was derived from grants funded through the Washington State Department of Commerce and other state and federal departments of government. These programs are funded primarily by federal funding through congressional budget appropriations.

Rural Resources Community Action, at times, has cash deposits that exceed the insured limit by the U.S. Federal Deposit Insurance Corporation.

NOTE 8: CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. A determination of the estimate of possible loss, if any, cannot be made. However, the Organization's management believes disallowances, if any, would be immaterial.

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 9: NOTES PAYABLE

	February 28, 2011	February 28, 2010
Note payable to KeyBank. Payable in monthly installments of \$365, including interest at 3.25%. The note is secured by a Head Start program modular building and matures in November 2010.	\$ -	\$ 3,245
Non-interest bearing note payable to the Washington State Department of Commerce. The note is deferred until sale, refinance, change of ownership or use of buildings, or July 2046, whichever occurs first. The note is secured by real estate.	339,600	339,600
Non-interest bearing note payable to the Washington State Department of Commerce. The note is deferred until the sale, refinance, change of ownership or use of buildings, or November 2035, whichever occurs first. If after review of the project in 2035 the Department determines there is insufficient cash flow, then the loan will be forgiven. The note is secured by real estate.	147,372	147,372
Note payable to the Farmers Home Administration in semi-annual installments of \$4,785, including interest at 4.875%. The note matures in November 2032 and is secured by real estate.	109,677	113,752
Note payable to Continental Mortgage Company in monthly installments of \$646 including interest at 8.50%. The note matures in June 2027 and is secured by real estate.	68,322	70,179
Note payable to USDA in monthly installments of \$898, including interest at 4.5%. The note matures in November 2039 and is secured by real estate.	173,134	176,050
Note payable to USDA in monthly installments of \$450, including interest at 4.5%. The note matures in September 2040 and is secured by real estate.	87,928	89,337
Note payable to the Washinton State Department of Commerce, due in annual installments of \$12,888, including interest at 1.00%. The note matures in January 2050 and is secured by real estate.	423,176	431,747

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 9: NOTES PAYABLE (Continued)

	<u>February 28, 2011</u>	<u>February 28, 2010</u>
Non-interest bearing note payable to FHLB. The loan is deferred until 2016 and will be forgiven at that time providing that the Project remains affordable. The note is secured by real estate.	52,400	52,400
Note payable to USDA in monthly installments of \$9,061, including interest at 4.75%. The note matures in July 2032 and is secured by real estate.	1,427,423	1,467,338
Note payable to KeyBank due in monthly installments of \$2,189. The balance is to be paid off over a 20-year period, including interest at 7.972%. The loan matures August 1, 2022, and is secured by real estate.	193,621	203,798
Note payable to KeyBank due in monthly installments of \$673, including interest at 7.98%. The loan matures in April 2019, and is secured by a deed of trust on real estate.	49,003	52,944
Note payable to Washington Community Reinvestment Association in monthly installments of \$902, including interest at 4.75%. The loan matures in March 2035, and is secured by a deed of trust on real estate.	111,927	114,372
Note payable to the Washinton State Department of Commerce, due in quarterly installments of \$1,974, including interest at 1.00%. The note matures in December 2044 and is secured by a deed of trust on real estate.	227,307	232,890
Note payable to Mountain West Bank in monthly installments of \$312, including interest at 4%. The loan matures June 1, 2021, and is secured by a deed of trust on real estate.	31,613	34,036

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 9: NOTES PAYABLE (Continued)

	February 28, 2011	February 28, 2010
Note payable to USDA in monthly installments of \$1,730, including interest at 4.25%. The note matures in April of 2049 and is secured by real estate.	390,994	395,045
Non-interest bearing note payable to the Washington State Department of Commerce. The note is deferred until the sale, refinance, change of ownership or use of buildings, or December 2044, which occurs first. Then note is secured by real estate.	568,064	568,064
	\$ 4,401,561	\$ 4,492,168

For fiscal years ending on the last day of February, principal payments required under these loan and note agreements are as follows:

2012	\$	91,818	
2013		92,256	
2014		96,810	
2015		101,634	
2016		106,319	
Thereafter		3,912,724	
	\$	4,401,561	

NOTE 10: CLIENT LOAN PROGRAMS

The deferred loan programs (HPG, MHRP, HTF) were designed to assist low-income individuals by providing funding for home improvements or replace mobile homes. These loans are secured by a deed of trust and promissory note naming the Organization as the beneficiary. Deferred loans of \$489,865 and \$489,865 at February 28, 2011 and February 28, 2010, respectively, are non-interest bearing and require no monthly payments, with principal to be paid in full when the property is sold or a transfer of title occurs. These loans have a present value at February 28, 2011 and February 28, 2010, of \$389,134 and \$395,677, respectively. A corresponding revolving loan fund payable of \$389,134 and \$395,677 has also been accrued at February 28, 2011, and February 28, 2010, respectively.

Interest bearing loans of \$1,208,677 and \$917,660 at February 28, 2011 and February 29, 2010, respectively, carry a monthly repayment amount based upon the person's ability to make repayments with the same transfer of title clause as deferred loans. These loans bear interest at a rate of 1-3%. These loans may, under certain conditions and approval of the agency, be assumed if it is beneficial to the person and the agency. These loans have a present value at February 28, 2011 and February 28, 2010, of \$1,165,067 and \$874,050, respectively. A corresponding revolving loan fund payable of \$1,165,067 and \$874,050 at February 28, 2011 and February 28, 2010, respectively, has also been accrued.

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 10: CLIENT LOAN PROGRAMS (Continued)

The loan fund may also be used to further the housing needs of the low-income population with activities such as transitional housing and down payment assistance for first time homebuyers. The agency, through grant agreements, retained the right to grant small amounts (under \$1,500) for housing projects where no repayment is required.

The Organization also has \$661,274 and \$807,897 at February 28, 2011, and February 28, 2010, respectively, in housing repair funds recorded as a liability. These funds will be used to make housing repair loans to clients.

Beginning in 2005, the MHRP deferred loans provide for a 3% interest rate. Interest accrued at February 28, 2011 and February 28, 2010, respectively, was \$23,235 and \$16,810. Under terms of the program, when a client pays off their loan they will also pay the accrued interest.

NOTE 11: LINE OF CREDIT

The Organization has a \$150,000 unsecured revolving line of credit with KeyBank. Interest is accrued at 6.5%. At February 28, 2011 and February 28, 2010, there was no balance drawn against the line. The line of credit expires on February 1, 2012.

NOTE 12: HEAD START

During the fiscal years ended February 28, 2011 and February 28, 2010, the Organization had expenses of \$1,509,429 and \$1,523,217, respectively, on the Head Start program.

NOTE 13: RELATED PARTY TRANSACTIONS

The Organization is 0.01% owner and the general partner of Central Colville Apartments LP (Central Colville), a limited partnership. The Organization's investment is not recorded in the financial statements since the Organization's ownership percentage is immaterial. Central Colville was formed for the purpose of constructing and operating a low-income rental housing project. The project consists of 26 units located in Colville, Washington. The Organization provides management services to the project. Management fees and partnership management fees paid by Central Colville to the Organization were \$16,344 and \$15,664 for the fiscal years ended February 28, 2011 and February 28, 2010, respectively.

Central Colville has been involved in a lawsuit over the construction of their building. The lawsuit has been settled and during the fiscal year ended February 28, 2009, \$1,014,213 was transferred to the Organization. The Organization has paid \$614,213 of the monies back to Central Colville during the fiscal year ended February 28, 2009 with the balance repaid in fiscal year ended February 28, 2010.

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 14: RESTRICTED CASH

Restricted cash as of February 28, 2011 and February 28, 2010, consists of the following:

	February 28, 2011	February 28, 2010
Replacement Reserves:		
Quail Manor Apts	\$ 20,600	\$ 18,200
Columbia Senior Apts	21,039	17,998
Debt Reserve:		
Main Facility	95,173	84,084
Housing Repair Funds:		
See Note 10	661,274	807,897
	<u>\$ 798,086</u>	<u>\$ 928,179</u>

NOTE 15: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods as of February 28, 2011 and February 28, 2010:

	February 28, 2011	February 28, 2010
Newport Donations	\$ 14,373	\$ 14,387
ROE Foundation	1,648	1,648
Employment and Training Donations	2,913	451
Literacy Donations	2,277	579
FSE Stock Equity	1,414	1,180
Dispute Resolution Center	3,375	3,375
Women Making a Difference Donations	1,112	39
Family Support Center Special Projects	82,227	81,669
ROE Family Support	8,212	8,834
Kid's First Donations	96	226
Senior Projects & Sr. Nutrition Projects	2,653	13,189
Senior Nutrition Fundraising	-	1
Emergency Shelter Special Projects	243	272
Stock Donations	2,059	1,748
Columbia Senior Housing Donations	808	808
Legal Aid Donations	4,302	4,302
Girl Power	3,474	4,241
Minor Home Repair	-	1,667
Head Start Fundraising	507	823
Youth.com	10,438	10,584
	<u>\$ 142,131</u>	<u>\$ 150,023</u>

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 15: TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets released from restriction for the fiscal year ended February 28, 2011 and February 28, 2010, were as follows:

	February 28, 2011	February 28, 2010
Newport Donations	\$ 6,167	\$ 3,770
Literacy Special Fund	310	73
Family Support Center Special Projects	22,564	13,585
FSE Stock Equity	-	219
Agency Fundraising	13,260	6,186
Minor Home Repair	1,667	333
Employment and Training Special Projects	6,053	57
Women Making a Difference	44,096	50,432
Kid's First Special Projects	11,488	4,816
Senior Projects & Sr. Nutrition Projects	16,808	4,739
Senior Nutrition Fund Raising	-	3,402
Emergency Shelter Special Projects	29	1,542
Youth.com	2,286	2,566
Girl Power	5,447	-
ROE Family Support	622	-
Head Start Fundraising	4,664	1,293
Food Warehouse	12,229	2,000
	<u>\$ 147,690</u>	<u>\$ 95,013</u>

NOTE 16: INCOME TAX & UNCERTAIN TAX POSITIONS

The organization is a tax exempt non-profit organization under the Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. Accordingly, the financial statements do not include any provision for income taxes.

The organization files income tax returns in the U.S. federal jurisdiction. The organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before February 28, 2007. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

The organization adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FASB ASC 740-10), on March 1, 2009. As of February 28, 2011, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 17: SUBSEQUENT EVENTS

No events have occurred through August 2, 2011, which is the date the financial statements were available to be issued based on organization facts and circumstances, for events requiring recording or disclosure in the financial statements for the year ended February 28, 2011.

NOTE 18: FAIR VALUE MEASUREMENTS

The Organization adopted FASB ASC 820, Fair Value Measurements, as of March 1, 2009. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to valuation methodology include:

- A. Quoted prices for similar assets or liabilities in active markets.
- B. Quoted prices for identical or similar assets or liabilities in inactive markets.
- C. Inputs other than quoted prices that are observable for the asset or liability.
- D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at February 28, 2011.

Loan & Notes Receivable: Present value of future anticipated cash flow.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2011

NOTE 18: FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of February 28, 2011 and 2010:

Assets at Fair Value as of February 28, 2011

	Level 1	Level 2	Level 3	Total
Loans & Interest Receivable	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 1,537,936</u>	\$ <u> 1,537,936</u>

Assets at Fair Value as of February 28, 2010

	Level 1	Level 2	Level 3	Total
Loans & Interest Receivable	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 1,247,037</u>	\$ <u> 1,247,037</u>

Gains and Losses:

The following table sets forth a summary of changes in the fair value of the Organization's assets for the fiscal years ended February 28, 2011 and 2010:

	February 28, 2011	February 28, 2010
Beginning Balance	\$ 1,247,037	\$ 910,725
Interest	6,424	6,237
Change in Present Value	(6,542)	17,535
New Loans	340,224	358,881
Principle Reduction & Loan Payoffs	(49,207)	(46,341)
Ending Balance	\$ <u> 1,537,936</u>	\$ <u> 1,247,037</u>

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Program ID	CFDA Number	Award Number	Period of Award	Total Authorized Award	Funds Received During the Year	Expenditures During the Year	
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>								
Head Start	HSX	93.600	10CH0087/44	06/01/09	05/31/10	\$ 1,419,554	\$ 546,082	\$ 397,475
Head Start	HS	93.600	10CH0087/45	06/01/10	05/31/11	1,514,568	1,096,834	1,086,221
Head Start Body Start	HSBS	93.600	B283	09/01/10	09/30/11	5,000	5,000	5,000
ARRA - Head Start	HSARRA	93.708	10SE0087/01	07/01/09	09/30/10	83,229	28,524	20,734
<i>Subtotal Cluster</i>						3,022,351	1,676,439	1,509,429
Runaway Homeless Youth (Youth.Com)	NYCX	93.623	90CY2317/02	09/30/09	09/29/10	102,054	74,216	67,230
Runaway Homeless Youth (Youth.Com)	NYC	93.623	90CY2317/02	09/30/09	09/29/10	90,853	37,087	43,758
Passed through Washington State Department of Commerce:								
Community Services Block Grant	CSBGX	93.569	F09-32100-025	01/01/09	09/30/10	90,675	41,322	41,287
Community Services Block Grant	CSBG	93.569	F10-32100-025	01/01/10	09/30/11	86,425	73,243	74,968
Community Services Block Grant	CSBG	93.569	F11-32100-024	01/01/11	09/30/12	71,966	-	6,812
ARRA - Community Services Block Grant	CSBGARRA	93.710	F09-3210F-325A	06/15/09	09/30/10	266,016	194,105	154,417
<i>Subtotal Cluster</i>						515,082	308,670	277,485
Low Income Home Energy Assistance Pgm WAP	WXN	93.568	F09-43101-419	10/01/08	09/30/10	556,047	273,872	240,201
Low Income Home Energy Assistance Pgm WAP	LWXN	93.568	F11-43101-419B	10/01/10	09/30/11	105,186	32,581	60,842
Low Income Home Energy Assistance Pgm EAP	EAPX	93.568	F10-32106-072	10/01/09	09/30/10	1,383,758	633,759	585,980
Low Income Home Energy Assistance Pgm EAP	EAP	93.568	F11-32106-072A	10/01/10	09/30/11	1,388,896	374,736	708,783
Sexual Assault Treatment / Prevention	SAX	93.136	10-31110-143	07/01/09	06/30/10	11,243	6,243	2,934
Sexual Assault Treatment / Prevention	SA	93.136	11-31110-143	07/01/10	06/30/11	11,246	5,334	10,938
Passed through Washington State Department of Social and Health Services:								
Domestic Violence	DVX	93.671	0812-43991	07/01/09	06/30/10	29,406	12,772	9,119
Domestic Violence	DV	93.671	1012-89688	07/01/10	06/30/11	30,414	16,164	18,437

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Program ID	CFDA Number	Award Number	Period of Award	Total Authorized Award	Funds Received During the Year	Expenditures During the Year	
Passed through Aging and Long Term Care of Eastern Washington:								
Senior Transportation	SRTRSX	93.044	2010:41:25(1)	01/01/10	12/31/10	102,019	79,615	
Senior Transportation	SRTRS	93.044	10-1:41:25(1)	01/01/11	12/31/11	97,102	25,268	
Senior Nutrition	CONGX, HDMX	93.045	07-10:50:25(6)	01/01/10	12/31/10	165,930	132,546	
ARRA - Senior Nutrition	CONGARRAX, HDI	93.705	07-10:50:25(5)	01/01/10	12/31/10	16,407	14,640	
Senior Nutrition	CONG, HDM	93.045	2011:50:25	01/01/11	12/31/11	155,258	27,407	
Senior Nutrition	USDAX	93.045	N/A	01/01/10	12/31/10	25,361	18,039	
Senior Nutrition	USDA	93.045	N/A	01/01/11	12/31/11	17,040	4,260	
Senior Legal Assistance	SLASX	93.044	09-10:78:25(1)	01/01/10	12/31/10	4,025	1,857	
Senior Legal Assistance	SLAS	93.044	09-11:78:25(2)	01/01/11	12/31/11	4,025	250	
Minor Home Repair	MHR	93.044	09-10:46:25(1)	01/01/10	12/31/10	1,463	3,000	
<i>Subtotal Cluster</i>						<u>588,630</u>	<u>322,859</u>	<u>306,883</u>
Case Management	SSCMX	93.778	08-10:42,43:25(4)	01/01/10	12/31/10	715,239	642,054	
Case Management	SSCM	93.778	08-11:42,43:25(5)	01/01/11	12/31/11	705,239	126,880	
Family Caregiver Support	FCGSX	93.052	08-10:72,79:25(4)	01/01/10	12/31/10	46,362	37,369	
Family Caregiver Support	FCGS	93.052	08-11:72,79:25(5)	01/01/11	12/31/11	46,362	6,783	
Passed through Blue Mountain Action Council:								
Community Jobs & Supported Work Programs	CJSW	93.558	RR-S-11	07/01/10	06/30/11	113,060	93,828	
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES						<u>9,461,427</u>	<u>4,600,056</u>	<u>4,748,932</u>
DEPARTMENT OF ENERGY								
Passed through Washington State Department of Commerce:								
DOE Weatherization Program	DOE	81.042	F09-43103-419	04/01/09	06/30/11	193,507	45,309	
ARRA - DOE Weatherization Program	DOEARRA	81.042	F09-431AR-419	04/01/09	06/30/11	945,161	444,084	
Bonneville Power Low Income Weatherization Pgm	BPAWXN	81.999	F10-43104-419	10/01/09	09/30/11	115,301	29,976	
SERC Grant Program	SERC	81.042	F10-431SE-419	12/01/10	03/31/12	54,448	-	
TOTAL DEPARTMENT OF ENERGY						<u>1,308,417</u>	<u>606,058</u>	<u>519,369</u>

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Program ID	CFDA Number	Award Number	Period of Award	Total Authorized Award	Funds Received During the Year	Expenditures During the Year	
<u>DEPARTMENT OF AGRICULTURE</u>								
Head Start USDA	HS USDAX	10.558	N/A	06/01/09	05/31/10	42,100	17,651	17,651
Head Start USDA	HS USDA	10.558	N/A	06/01/10	05/31/11	44,500	31,182	31,182
Passed through Washington State Department of Social and Health Services:								
Basic Food Education & Outreach	BFXOX	10.561	0913-74211	10/01/09	09/30/10	433,009	172,472	126,161
Basic Food Education & Outreach	BFEO	10.561	1013-11654	10/01/10	09/30/11	423,049	21,872	45,326
Passed through Washington State Department of General Administration:								
The Emergency Food Assistance Program	TEFAPX	10.568	N/A	10/01/09	09/30/10	28,085	28,085	6,690
The Emergency Food Assistance Program	TEFAP	10.568	N/A	10/01/09	09/30/10	28,085	-	12,162
ARRA - The Emergency Food Assistance Program	TEFAPARRA	10.568	N/A	12/01/09	09/30/10	15,192	15,192	28,340
Commodities TEFAP Food		10.569	N/A	10/01/09	09/30/10	240,037	240,037	240,037
<i>Subtotal Cluster</i>						<u>311,399</u>	<u>283,314</u>	<u>287,229</u>
The Emergency Food Assistance Program	TEFAPCSFP	10.565	N/A	01/01/10	09/30/10	8,993	8,993	8,993
The Emergency Food Assistance Program	TEFAPCSFP	10.565	N/A	10/01/10	09/30/11	8,993	-	2,081
The Emergency Food Assistance Program Commodities		10.565	N/A	10/01/10	09/30/11	26,799	26,799	26,799
<i>TOTAL DEPARTMENT OF AGRICULTURE</i>						<u>1,298,842</u>	<u>562,283</u>	<u>545,423</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>								
Passed through Washington State Department of Commerce:								
ARRA - Homelessness Prevention & Rapid Rehousing	HPRP	14.257	10-46104-624	09/01/09	06/30/12	198,154	148,421	141,680
Tenant Based Rental Assistance	TBRA	14.239	10-47101-122	07/01/10	06/30/11	62,000	23,744	40,950
Passed through Stevens County:								
Community Development Block Grant	CDBG	14.228	10-64100-008	01/01/10	06/30/11	215,472	118,160	136,817
Passed through Spokane Housing Authority:								
Section 8 Housing Choice Vouchers		14.871	N/A	01/01/10	12/31/11	1,599,553	1,599,553	1,599,553
Tenant Based Rental Assistance	TBRA	14.856	N/A	07/01/09	06/30/10	3,902	3,902	1,783
Rental Assistance Program	RAP, TBRA	14.856	N/A	01/01/10	12/31/10	175,555	175,555	140,793
Rental Assistance Program	RAP	14.856	N/A	01/01/11	12/31/11	14,935	14,935	27,324

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2011

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Program ID</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Period of Award</u>	<u>Total Authorized Award</u>	<u>Funds Received During the Year</u>	<u>Expenditures During the Year</u>
Passed through Washington State Housing Finance Commission:							
Home Buyers Training Program	HBTPX	14.169	N/A	10/01/09	09/30/10	24,400	15,193
Home Buyers Training Program	HBTP	14.169	N/A	10/01/10	09/30/11	9,306	9,306
Neighborhood Initiative Project	NIP	14.251	B-08-NI-WA-0036	07/01/10	06/30/11	11,000	7,523
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						2,314,277	2,120,924
DEPARTMENT OF LABOR							
Passed through Washington State Employment Security Department:							
Rapid Response Additional Assistance	RRCOL	17.260	6110-7508-16	01/15/09	06/30/10	150,000	41,306
10% Governor's Discretionary	10%GD	17.259	6110-7628-09	02/01/09	03/31/10	3,696	1,611
ARRA - Title I-B Adult	ARRAADULT	17.258	6110-4618	02/17/09	06/30/11	405,071	158,522
ARRA - Title I-B Dislocated Worker	ARRADW	17.260	6110-4628	02/17/09	06/30/11	444,802	164,595
ARRA - Title I-B Youth	ARRAYOUTH	17.259	6110-4608	02/17/09	06/30/10	929,777	13,124
ARRA - Title I-B Administrative Cost Pool	ARRAADMIN	17.258, 17.259, 17.260	6110-4638	02/17/09	06/30/11	188,572	74,524
Title I-B Adult	IBADULT	17.258	6110-7109	07/01/09	06/30/11	87,682	-
Title I-B Adult	IBADULT	17.258	6110-1100	10/01/09	06/30/11	417,473	207,999
Title I-B Dislocated Worker	IBDW	17.260	6110-7209	07/01/09	06/30/11	85,467	2,054
Title I-B Dislocated Worker	IBDW	17.260	6110-1200	10/01/09	06/30/11	289,142	289,142
Title I-B Youth	IBYOUTH	17.259	6110-7009	04/01/09	06/30/11	669,980	107,266
Title I-B Administrative Cost Pool	WIAADM	17.258, 17.259, 17.260	6110-7309	04/01/09	06/30/11	93,680	58,785
Title I-B Administrative Cost Pool	WIAADM	17.258, 17.259, 17.260	6110-1300	10/01/09	06/30/11	78,513	78,513
Title I-B Adult	IBADULT	17.258	6110-7100	07/01/10	06/30/12	81,477	81,477
Title I-B Adult	IBADULT	17.258	6110-1101	10/01/10	06/30/12	387,931	255,196
Title I-B Dislocated Worker	IBDW	17.260	6110-7200	07/01/10	06/30/12	78,082	78,082
Title I-B Dislocated Worker	IBDW	17.260	6110-1201	10/01/10	06/30/12	285,763	26,462
Title I-B Youth	IBYOUTH	17.259	6110-7000	04/01/10	06/30/12	613,621	619,317
Title I-B Administrative Cost Pool	WIAADM	17.258, 17.259, 17.260	6110-7300	04/01/10	06/30/12	85,909	26,358
Title I-B Administrative Cost Pool	WIAADM	17.258, 17.259, 17.260	6110-1301	10/01/10	06/30/12	74,855	-
Local Demand Side Training	LDST	17.258, 17.259, 17.260	6110-7629-15	02/01/10	12/31/11	86,326	31,393
Framework Integration - Governor's 10% Reserve	FWX	17.258, 17.259, 17.260	6110-7628-12	07/01/09	06/30/10	137,077	66,893
Framework Integration - Governor's 10% Reserve	FW	17.258, 17.259, 17.260	6110-7628-16	10/01/10	02/28/11	42,805	36,688
Governor's ARRA 10% Reserve Incentive	ARRA10%	17.258, 17.259, 17.260	6110-4668-02	07/01/09	06/30/11	99,698	64,209
OJT/NEG	ONEG	17.258, 17.259, 17.260	6110-4670-02	10/01/10	06/30/12	247,289	8,662
Policy Implementation	PI	17.258, 17.259, 17.260	6110-7400-04	01/01/11	06/30/12	67,544	4,120

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Program ID	CFDA Number	Award Number	Period of Award		Total Authorized Award	Funds Received During the Year	Expenditures During the Year
Passed Through Workforce Training and Education Coordination Board: Strategic Fund	SF	17.258	09 AEL (139)	02/01/09	05/31/11	229,803	123,254	102,684
<i>Subtotal Cluster</i>						6,362,035	2,715,429	2,598,982
Passed Through Workforce Training and Education Coordination Board: Opportunity Grant	OG	17.261	IAA-764-10	01/01/10	06/30/11	25,000	23,670	23,682
Passed through Aging and Long Term Care of Eastern Washington: Senior Employment	SEAX	17.235	09-10:5,68:25	07/06/09	06/30/10	9,870	5,777	2,300
Senior Employment	SE-X	17.235	09-10-5,68:25(1)	07/01/09	06/30/10	7,412	3,977	2,521
Senior Employment	SE	17.235	10-11:5,68:25(1)	07/01/10	06/30/11	19,874	10,132	22,791
TOTAL DEPARTMENT OF LABOR						6,424,191	2,758,984	2,650,277
DEPARTMENT OF HOMELAND SECURITY								
Passed through United Way of America: FEMA Emergency Assistance	FEMAX	97.024	26-8932-00	10/01/09	09/30/10	8,000	8,000	6,831
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY						8,000	8,000	6,831
FEDERAL TRANSIT ADMINISTRATION								
Passed through the WA State Department of Transportation: WSDOT Consolidated Grant Program	WSDOT	20.509	GCA6202-01	07/01/09	06/30/11	485,255	88,828	90,287
TOTAL FEDERAL TRANSIT ADMINISTRATION						485,255	88,828	90,287

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Program ID	CFDA Number	Award Number	Period of Award	Total Authorized Award	Funds Received During the Year	Expenditures During the Year	
<u>DEPARTMENT OF JUSTICE</u>								
Passed through Washington State Department of Commerce:								
STOP Violence Against Women	STOPX	16.588	F09-31103-077	10/01/09	09/30/10	45,000	34,078	
STOP Violence Against Women	STOP	16.588	F09-31103-077	10/01/10	09/30/11	49,311	10,479	
ARRA - STOP Grant Program	STOPARRA	16.588	F09-31701-115	01/01/10	12/31/10	28,850	23,403	
Domestic Violence	DVX	16.575	0912-61284	07/01/09	06/30/10	62,489	19,378	
Domestic Violence	DV	16.575	1012-89688	07/01/10	06/30/11	64,629	39,179	
Sexual Assault Treatment / Prevention	SAX	16.575	10-31110-143	07/01/09	06/30/10	55,696	19,638	
Sexual Assault Treatment / Prevention	SA	16.575	11-31110-143	07/01/10	06/30/11	61,925	30,512	
OCVA Language Bank Grant	OLB	16.575	S10-31119-704	07/01/09	06/30/11	2,500	-	
General Crime Victims Services Program	GCVP	16.575	S10-31119-018	07/01/09	06/30/10	117,978	47,462	
Crime Victim Service Center	CVSC	16.575	S11-31119-031	07/01/10	06/30/11	72,705	66,008	
Victim Services Continuation Grant	VSCG	16.575	F09-31119-919	01/01/11	12/31/11	32,788	6,796	
Passed through the National Network of Children's Advocacy Centers:								
National Children's Alliance - Chapter Support	CACNCA	16.543	OLYM-WA-CT10	01/01/10	12/31/10	200,000	185,776	
National Children's Alliance - Chapter Support	CACNCA	16.543	OLYM-WA-CT10	01/01/11	12/31/11	7,535	7,535	
Passed through Western Regional Children's Advocacy Center								
Western Regional Chapter Children's Advocacy Cente	WCCACWA	16.547	N/A	11/01/09	06/30/10	7,500	7,500	
<i>TOTAL DEPARTMENT OF JUSTICE</i>						808,906	500,915	497,743
<u>DEPARTMENT OF EDUCATION</u>								
Passed through State Board for Community and Technical Colleges:								
Adult Basic Education	ABEX	84.002	265-ABE-10	07/01/09	06/30/10	43,294	7,858	
Adult Basic Education	ABE	84.002	265-ABE-11	07/01/10	06/30/11	43,294	40,818	
ABE Training Grant	ABTG	84.002	265-TRN-10	07/01/09	06/30/10	2,000	490	
Passed through Northeast Tri-County Health District								
County Interagency Coordinating Council	CICC	84.181	N/A	10/01/09	09/30/10	5,400	1,755	
<i>TOTAL DEPARTMENT OF EDUCATION</i>						93,988	59,121	50,921

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2011

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Program ID</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Period of Award</u>		<u>Total Authorized Award</u>	<u>Funds Received During the Year</u>	<u>Expenditures During the Year</u>
<u>DEPARTMENT OF TREASURY</u>								
Passed through Washington State Housing Finance Commission:								
National Foreclosure Mitigation Counseling Program NFMCP		21.000	N/A	04/01/10	12/31/2010	5,000	5,100	1,823
<i>TOTAL DEPARTMENT OF TREASURY</i>						5,000	5,100	1,823
<u>CORPORATION FOR NATIONAL & COMMUNITY SERVICE</u>								
VISTA	VISTAX	94.013	08VSPWA001	2/17/2008	6/30/2011	36,000	12,000	13,562
ARRA - VISTA	VISTAARRA	94.013	09RVPWA003	6/10/2009	9/30/2010	4,000	-	-
Passed through Employment Security Department:								
Americorp Employment & Training	AET	94.006	K985	09/01/09	08/31/10	48,000	26,869	16,847
Americorp Employment & Training	AET	94.006	K1396	09/01/10	08/31/11	48,000	24,221	32,119
<i>TOTAL CORPORATION FOR NATIONAL & COMMUNITY SERVICE</i>						136,000	63,091	62,528
<i>TOTAL</i>						\$ 22,344,303	\$ 11,365,107	\$ 11,295,058

RURAL RESOURCES COMMUNITY ACTION

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2011

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - LOANS

Fiscal Year Ended February 28, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Program ID	CFDA Number	Award Number	Period of Award		Total Authorized Award	Funds Received During the Year	Expenditures During the Year
Department of Agriculture								
USDA Loan	Colville HS	10.218	97-13	11/15/99	11/15/39	\$ 197,600	\$ -	\$ 176,050
USDA Loan	Colville HS	10.218	97-14	09/20/00	09/20/40	100,000	-	89,337
USDA Loan	Main BLDG Loan	10.218	97-15	07/30/02	07/30/32	1,720,000	-	1,470,444
USDA Loan	Newport HS	10.218	97-17	03/12/09	03/12/49	398,500	-	395,045
Farmers Home Administration Loan	Chewelah HS	10.218	97-11	11/26/97	11/26/27	150,000	-	113,752
						2,566,100	-	2,244,628
Department of Housing and Urban Development								
HUD Loan	Quail Manor	14.181	1998A1208	06/19/98	06/19/13	52,400	-	52,400
Total Federal Financial Assistance - Loans						\$ 2,618,500	\$ -	\$ 2,297,028

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF NON-FEDERAL AWARDS

Fiscal Year Ended February 28, 2011

<u>Pass-through Grantor/ Program Title</u>	<u>Program ID</u>	<u>Award Number</u>	<u>Period of Award</u>		<u>Total Authorized Award</u>	<u>Funds Received During the Year</u>	<u>Expenditures During the Year</u>
<u>STATE OF WASHINGTON</u>							
Passed through Washington State Department of Commerce:							
Domestic Violence Legal Advocacy	DVLAX	S10-31108-009	07/01/09	06/30/10	\$ 28,000	\$ 7,715	\$ 4,846
Domestic Violence Legal Advocacy	DVLA	S11-31108-009	07/01/10	06/30/11	28,000	15,911	22,510
Emergency Shelter & Homeless Prevention	ESHPX	10-16000-229	07/01/09	06/30/10	62,936	32,872	26,000
Emergency Shelter & Homeless Prevention	ESHP	10-16000-229	07/01/10	06/30/11	62,936	35,781	44,419
Emergency Food Assistance Program	EFAPX	S10-32101-018	07/01/09	06/30/10	80,808	21,813	15,137
Emergency Food Assistance Program	EFAP	S10-32101-018	07/01/10	06/30/11	80,613	48,934	60,802
Home Repair and Rehap Program	HRRP	S09-94103-419	07/01/09	06/30/10	155,300	39,392	5,120
North Hill Operating & Maintenance Fund-BuyDown	OMFNH	10-42200-104	01/01/10	12/31/10	7,452	7,452	6,075
Operating and Maintenance Fund - Shelter	OMFX	10-42200-050	01/01/10	06/30/10	9,450	5,260	11,944
Operating and Maintenance Fund - Shelter	OMF	11-42200-050	07/01/10	06/30/11	17,325	9,450	7,259
Transitional Housing, Operating & Rent	THORX	10-46104.22	07/01/09	06/30/10	20,250	15,178	12,287
Transitional Housing, Operating & Rent	THOR	10-46104.22	07/01/10	06/30/11	16,750	11,834	14,684
Homeowners Revolving Loan Fund	HRLF	08-94100-008	05/01/08	12/31/33	292,600	287,562	287,922
Quail Manor - HTF Loan	QUAIL	99-40497-215	01/01/00	12/31/50	505,162	-	423,176
Sexual Assault Treatment / Prevention	SAX	10-31110-143	07/01/09	06/30/10	100,376	50,102	35,617
Sexual Assault Treatment / Prevention	SA	11-31110-143	07/01/10	06/30/11	102,394	45,134	64,290
Crime Victim Service Center Program	CVSC	S11-31119-031	07/01/10	06/30/11	44,016	21,206	28,289
Matchmaker Program	MP	10-94102-419A	07/01/10	06/30/11	144,880	6,211	29,306
Passed through Washington State Employment Security Department:							
Engrossed Second Substitute SB5809	E5809	6110-8689	05/19/09	06/30/11	190,717	79,255	106,554
Washington State Department of Social and Health Services:							
Domestic Violence	DVX	0912-61284	07/01/09	06/30/10	69,325	30,109	21,498
Domestic Violence	DV	1012-89688	07/01/10	06/30/11	68,824	36,579	41,722
Basic Food Education & Outreach	BFE0X	0913-74211	10/01/09	09/30/10	10,000	8,333	8,333
Basic Food Education & Outreach	BFE0	1013-11654	10/01/10	09/30/11	10,000	1,667	1,667
Work First Domestic Violence	WFDVX	0912-64491	07/01/09	06/30/10	5,000	1,394	405
Work First Domestic Violence	WFDV	0912-64491-02	07/01/10	06/30/11	3,000	1,838	2,538
Child Advocacy Centers of WA	CACWA	0932-64200	08/18/09	06/30/10	715,000	464,220	312,691
Child Advocacy Centers of WA	CACWA	0932-64200	07/01/10	06/30/11	670,048	214,258	373,962
Vocational Rehab Job Services	VRJS	1013-94442	07/01/10	06/30/12	100,000	-	-

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF NON-FEDERAL AWARDS

Fiscal Year Ended February 28, 2011

Pass-through Grantor/ Program Title	Program ID	Award Number	Period of Award		Total Authorized Award	Funds Received During the Year	Expenditures During the Year
Washington State Department of Transportation: WSDOT Consolidated Grant Program	WSDOT	GCA6202-01	07/01/09	06/30/11	582,383	319,899	321,682
Washington State Department of Early Learning:							
Early Childhood Education and Assistance Program	ECEAPX	10-1062-01	07/01/09	06/30/10	212,529	91,089	70,675
Early Childhood Education and Assistance Program	ECEAP	10-1062-02	07/01/10	06/30/11	212,745	121,440	143,616
Passed through State Board for Community and Technical Colleges:							
State Basic Skills Grant	SBSGX	265-SBS-10	07/01/09	06/30/10	9,430	5,145	4,587
State Basic Skills Grant	SBSG	265-SBS-11	07/01/10	06/30/11	3,165	-	3,165
ABE CBO Enrollment FTE Grant	ACEX	265-FTE-10	07/01/09	06/30/10	2,072	2,278	1,985
ABE CBO Enrollment FTE Grant	ACE	265-FTE-11	07/01/10	06/30/11	1,310	1,118	1,394
Passed through Aging and Long Term Care of Eastern Washington:							
Case Management	IAX, CMFX	08-10:42,43:25(4)	01/01/10	12/31/10	130,522	118,649	108,373
Case Management	IA, CMF	08-11:42,43:25(5)	01/01/11	12/31/11	126,606	11,003	20,964
Family Caregiver & Kinship Caregiver	FCGSX, KGX	08-10:72,79:25(4)	01/01/10	12/31/10	101,513	90,485	83,408
Family Caregiver & Kinship Caregiver	FCGS, KG	08-11:72,79:25(5)	01/01/11	12/31/11	101,513	6,669	12,747
Kinship Navigator	KN	07-10:78.2:25(4)	01/01/10	12/31/10	25,200	23,069	20,593
Kinship Navigator	KN	07-11:78.2:25(5)	01/01/11	12/31/11	25,200	2,656	5,088
Home Care Referral Registry	HCRR	2009-2011:93:25	07/01/09	06/30/10	14,160	6,684	5,011
Home Care Referral Registry	HCRR	2009-2011:93:25	07/01/10	06/30/11	14,160	7,600	8,146
Senior Farmers Market Nutrition Program	SFM	2010:73:25	06/01/10	11/30/10	200	200	200
Passed through Blue Mountain Action Council:							
Community Jobs & Supported Work Programs	CJSWX	RR-S10-32114-001	07/01/09	06/30/10	154,983	70,354	92,964

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF NON-FEDERAL AWARDS

Fiscal Year Ended February 28, 2011

<u>Pass-through Grantor/ Program Title</u>	<u>Program ID</u>	<u>Award Number</u>	<u>Period of Award</u>		<u>Total Authorized Award</u>	<u>Funds Received During the Year</u>	<u>Expenditures During the Year</u>
Washington State Office of Insurance Commission:							
Statewide Health Insurance Benefits Advisors	SHIBAX	CS1113	07/01/09	06/30/10	29,400	14,700	7,732
Statewide Health Insurance Benefits Advisors	SHIBA	CS1113	07/01/10	06/30/11	31,391	17,284	26,655
Medicare Improv Patients/Provider	MIPPA	CS 1123	07/01/09	06/30/10	19,200	9,600	(98)
Medicare Improv Patients/Provider	MIPPA	CS 1123	07/01/10	06/30/11	19,200	9,600	14,104
TOTAL - STATE AWARDS					5,398,844	2,428,980	2,922,047
<u>COUNTY AWARDS</u>							
Stevens County:							
2060 Low-Income Housing Expenses	HR2060	N/A	03/01/09	02/28/10	53,118	43,930	43,930
2163 Homeless Housing & Assistance	HB2163	N/A	03/01/09	02/28/10	64,305	53,680	51,174
<u>CITY AWARDS</u>							
City Police Departments	Chewelah, Colv	A.101.24.42	01/01/10	12/31/2010	12,515	16,579	15,366
City Police Departments	Chewelah, Colv	A.101.24.42	01/01/11	12/31/2011	15,500	500	1,084
TOTAL - COUNTY/CITY AWARDS					145,438	114,689	111,555
<u>VENDORS</u>							
Passed through Washington State Department of Social and Health Services							
COPEX	COPEX	903892	01/01/10	12/31/10	7,192	6,723	5,765
COPEX	COPEX	903892	01/01/11	12/31/11	7,192	536	418
TOTAL - VENDORS					14,384	7,259	6,183
TOTAL AWARDS					\$ 5,558,666	\$ 2,550,928	\$ 3,039,786

RURAL RESOURCES COMMUNITY ACTION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal Year Ended February 28, 2011

No matters are reportable.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Rural Resources Community Action
Colville, WA

We have audited the financial statements of Rural Resources Community Action (Organization) as of and for the year ended February 28, 2011, and have issued our report thereon dated August 2, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management, federal awarding agencies and

pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aiken & Sanders

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

August 2, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Rural Resources Community Action
Colville, WA

Compliance

We have audited the Rural Resources Community Action's (Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the fiscal year ended February 28, 2011. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended February 28, 2011.

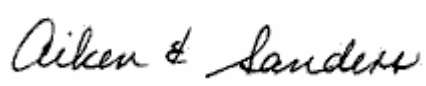
Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

August 2, 2011

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended February 28, 2011

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified: No

Significant deficiencies identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

Material weaknesses identified: No

Significant deficiencies identified not considered to be material weaknesses: No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a): No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
93.600	Head Start
93.708	ARRA - Head Start
14.871	Section 8 Housing Choice Vouchers
14.257	ARRA - Homelessness Prevention & Rapid Rehousing
93.569	Community Services Block Grant
93.710	ARRA - Community Services Block Grant
81.042	Weatherization Assistance For Low Income Persons
81.042	ARRA - Weatherization Assistance For Low Income Persons
17.258, .259, .260	Workforce Investment Act
17.258, .259, .260	ARRA - Workforce Investment Act

Dollar threshold used to distinguish between Type A and Type B programs: \$340,425

Auditee qualified as low-risk auditee: Yes

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended February 28, 2011

Section II – Financial Statement Findings: None

Section III – Federal Award Findings and Questioned Costs: None