
RURAL RESOURCES COMMUNITY ACTION

A WASHINGTON NON-PROFIT ORGANIZATION

Financial Statements

For the Fiscal Year Ended February 28, 2009
With Comparative Totals for 2008

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, 2009; 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 2008 financial statements and, in our report dated June 6, 2008, 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, 2009, 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 June 29, 2009 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

June 29, 2009

RURAL RESOURCES COMMUNITY ACTION

STATEMENT OF FINANCIAL POSITION

February 29, 2009 (With Comparative Totals for 2008)	2009	2008
ASSETS		
Assets:		
Cash	\$ -	\$ -
Restricted Cash	960,379	843,796
	960,379	843,796
Accounts Receivable	1,697,524	1,621,645
Inventory	4,552	9,336
Prepaid Expenses and Other Assets	75,709	87,278
Deposit, Unemployment Self Insurance Trust	131,916	138,573
Loans & Interest Receivable, net	910,725	416,398
Loans Receivable	-	100,000
Property and Equipment, net	6,502,709	5,887,030
	\$ 10,283,514	\$ 9,104,056
LIABILITIES AND NET ASSETS		
Liabilities:		
Cash Overdraft	\$ 76,651	\$ 46,550
Accounts Payable and Accrued Expenses	1,056,622	380,595
Payroll Taxes Payable	103,850	144,891
Accrued Salaries	283,614	278,160
Accrued Vacation	165,302	175,459
Reserve, Unemployment Self Insurance Trust	131,916	138,573
Other Payables	53,456	57,764
Refundable Advances and Other Deferred Liabilities	107,086	82,154
Revolving Loan and Grant Funds Payable	1,806,843	1,312,460
Notes Payable	4,184,064	4,260,671
	\$ 7,969,404	\$ 6,877,277
Net Assets:		
Unrestricted	2,173,122	2,067,424
Temporarily Restricted	140,988	159,355
	\$ 2,314,110	\$ 2,226,779
Total Liabilities and Net Assets	\$ 10,283,514	\$ 9,104,056

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 29, 2009 (With Comparative Totals for 2008)	2009		2008	
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
Support & Revenue:				
Governmental Grants	\$ 13,290,379	\$ -	\$ 13,290,379	\$ 10,950,946
Nongovernmental Grants	315,372	1,500	316,872	387,434
Contributions	66,961	105,897	172,858	199,390
Client Fees	36,580	30	36,610	39,294
Project Income	31,935	10,860	42,795	14,429
Rent Income	263,858	-	263,858	229,195
Interest Income	5,603	-	5,603	20,412
Other Income	59,149	-	59,149	146,794
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	136,654	(136,654)	-	-
Total Support & Revenues	14,206,491	(18,367)	14,188,124	11,987,894
Expenses:				
Program Services:				
Community Services	238,679	-	238,679	198,427
Transportation	839,509	-	839,509	643,708
Job Training & Employment	2,640,992	-	2,640,992	2,883,406
Family Services	1,447,476	-	1,447,476	882,466
Housing & Adult Services	6,946,795	-	6,946,795	5,555,256
Head Start & Early Childhood	1,482,985	-	1,482,985	1,360,608
Total Program Services	13,596,436	-	13,596,436	11,523,871
Administrative	469,498	-	469,498	561,974
Fundraising	34,859	-	34,859	23,754
Total Expenses	14,100,793	-	14,100,793	12,109,599
Other Revenue & Expenses:				
Gain on Disposal of Assets	-	-	-	3,973
Change in Net Assets	105,698	(18,367)	87,331	(117,732)
NET ASSETS, BEGINNING OF YEAR	2,067,424	159,355	2,226,779	2,344,511
NET ASSETS, END OF YEAR	\$ 2,173,122	\$ 140,988	\$ 2,314,110	\$ 2,226,779

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

RURAL RESOURCES COMMUNITY ACTION

STATEMENT OF FUNCTIONAL EXPENSES

Fiscal Year Ended February 29, 2009 (With Comparative Totals for 2008)

									2009	2008
	Community Services	Transportation	Job Training & Employment	Family Services	Housing and Adult Services	Head Start & Early Childhood	Total Program Services	Administrative	Total	Total
Salaries & Benefits	\$ 59,674	\$ 109,981	\$ 770,925	\$ 475,494	\$ 1,881,702	\$ 994,027	\$ 4,291,803	\$ 923,406	\$ 5,215,209	\$ 5,100,318
Participant Wages & Benefits	-	-	208,892	-	-	-	208,892	-	208,892	161,424
OJT Employer Reimbursement	-	-	29,080	-	-	-	29,080	-	29,080	54,870
Advertising & Public Relations	9,087	8,145	1,767	8,397	9,626	3,380	40,402	8,154	48,556	61,671
Contract Services	10,353	500	1,131,493	758,195	265,593	650	2,166,784	-	2,166,784	2,034,794
Direct Payment	-	-	-	-	1,431,244	-	1,431,244	-	1,431,244	563,922
Expense Reimbursement	(48)	-	-	-	(81,268)	-	(81,316)	(66,642)	(147,958)	(98,212)
Fees & Permits	-	-	9	-	410	1,270	1,689	222	1,911	2,681
Food & Contract Meals	-	-	-	18	155,181	30,666	185,865	-	185,865	184,882
Fundraising	1,000	-	-	21,590	4,110	-	26,700	8,159	34,859	23,754
Insurance	3,037	-	460	1,887	24,389	5,464	35,237	52,119	87,356	97,059
Janitorial & Maintenance	12,115	-	744	265	69,221	27,284	109,629	84,318	193,947	192,366
Rent	340	-	27,323	7,964	27,780	22,397	85,804	62,346	148,150	155,242
Meeting	-	68	3,476	5,704	1,239	7,740	18,227	1,794	20,021	21,207
Office Expenses	1,930	4,257	17,799	15,504	67,909	23,402	130,801	7,605	138,406	115,532
Capital Outlay	10,993	480	9,681	2,440	21,788	18,617	63,999	(2,462)	61,537	47,720
Professional Services	29,698	1,909	12,731	12,230	93,102	62,617	212,287	16,047	228,334	117,835
Reserve Accounts	-	-	-	-	-	-	-	-	-	(4)
Supplies & Software	39,151	38	9,644	3,725	23,720	40,508	116,786	13,446	130,232	110,354
Tax & Licenses	3,372	-	-	-	14,600	291	18,263	1,394	19,657	5,361
Telephone & Utilities	11,126	434	13,292	3,436	63,728	31,808	123,824	66,753	190,577	178,911
Travel & Training	9,531	155,914	61,642	37,588	96,352	39,695	400,722	37,761	438,483	432,313
Vehicle Expenses	1	43	-	-	24,674	147	24,865	98,210	123,075	123,741
Client Expenses	10,289	1,540	150,944	12,419	2,309,687	5,026	2,489,905	72	2,489,977	1,885,286
Volunteer Expenses	107	-	-	2,701	-	-	2,808	904	3,712	4,460
Transfers	1,592	171,501	12,836	7,664	66,120	12,191	271,904	(272,064)	(160)	-
Pooled Accounts	7,762	368,265	73,059	31,633	62,988	100,682	644,389	(644,199)	190	(579)
Commodities	-	-	-	-	148,069	-	148,069	-	148,069	60,359
Match	-	-	52,500	-	-	-	52,500	-	52,500	45,000
Miscellaneous	-	50	-	30,934	10,657	1,083	42,724	10,029	52,753	37,779
Interest	13,826	-	-	-	19,908	22,908	56,642	70,285	126,927	139,104
Depreciation	4,743	16,384	52,695	29,278	138,376	31,132	272,608	-	272,608	250,449
Total Expenses	\$ 239,679	\$ 839,509	\$ 2,640,992	\$ 1,469,066	\$ 6,950,905	\$ 1,482,985	\$ 13,623,136	\$ 477,657	\$ 14,100,793	\$ 12,109,599

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

RURAL RESOURCES COMMUNITY ACTION

STATEMENT OF CASH FLOWS

Fiscal Year Ended February 29, 2009 (With Comparative Totals for 2008)	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 87,331	\$ (117,732)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	272,608	250,449
Gain on Disposal of Assets	-	(3,973)
(Increase) Decrease in Accounts Receivable	(75,879)	(172,672)
(Increase) Decrease in Loans and Interest Receivable	(394,327)	67,143
(Increase) Decrease in Deposit, Unemployment Self Insurance Trust	6,657	(3,708)
(Increase) Decrease in Prepaid Expenses and Other Assets	11,569	(53,913)
(Increase) Decrease in Inventory	4,784	6,064
Increase (Decrease) in Cash Overdraft	30,101	46,550
Increase (Decrease) in Accounts Payable & Accrued Expenses	676,027	32,867
Increase (Decrease) in Reserve, Advances and Other Deferred Liabilities	(6,657)	3,708
Increase (Decrease) in Accrued Salaries	5,454	8,575
Increase (Decrease) in Payroll Taxes Payable	(41,041)	8,219
Increase (Decrease) in Accrued Vacation	(10,157)	24,936
Increase (Decrease) in Other Payables	(4,308)	14,811
Increase (Decrease) in Refundable Advances & Other Deferred Liabilities	24,932	(141,102)
Increase (Decrease) in Revolving Loan & Grants Funds Payable	494,383	(50,501)
Net Cash Provided (Used) by Operating Activities	<u>1,081,477</u>	<u>(80,279)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Assets	-	8,500
Purchases of Property and Equipment	(888,287)	(123,370)
Net Cash Used by Investing Activities	<u>(888,287)</u>	<u>(114,870)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Long-term Debt	(76,607)	(78,589)
Net Cash Used by Financing Activities	<u>(76,607)</u>	<u>(78,589)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	116,583	(273,738)
BEGINNING CASH AND CASH EQUIVALENTS	843,796	1,117,534
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 960,379</u>	<u>\$ 843,796</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Cash Paid During the Fiscal Years for Interest	\$ 126,927	\$ 139,104

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, 2009

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, 2009

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.

Income tax status:

Rural Resources Community Action is a non-profit entity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2009

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

Notes 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, 2009 and February 29, 2008 was \$39,500. For the fiscal years ended February 28, 2009 and February 29, 2008, 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, 2009 and February 29, 2008, was \$28,820 and \$29,596, respectively.

Inventory:

Inventories consist of USDA surplus commodities shown at the cost value provided by the USDA. As of February 28, 2009 and February 29, 2008, inventory was \$4,552 and \$9,336, 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.

Deferred revenue:

Deferred revenue is 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, 2009 and February 29, 2008, were \$154,310 and \$144,692, 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, 2009

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 SFAS 116 for recording. In-kind revenues received but not recorded consist of the following for the fiscal years ended February 28, 2009 and February 29, 2008:

	<u>2009</u>	<u>2008</u>
Donated labor	\$ 603,888	\$ 697,805
Donated rent	71,852	65,548
Donated professional services	25,247	47,044
Subcontractors	68,452	451,746
Donated transportation	102,249	35,009
Other	17,935	41,714
	<u>\$ 889,623</u>	<u>\$ 1,338,866</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, 2009 and February 29, 2008:

	<u>Estimated Useful Lives</u>	<u>2009</u>	<u>2008</u>
Land		\$ 578,840	\$ 578,840
Buildings and improvements	30 years	7,058,533	6,341,782
Furniture, fixtures, and equipment	5-10 years	102,067	126,400
Vehicles	10 years	791,690	620,153
		<u>8,531,130</u>	<u>7,667,175</u>
Less: accumulated depreciation		<u>(2,028,421)</u>	<u>(1,780,145)</u>
Net Property and Equipment		<u>\$ 6,502,709</u>	<u>\$ 5,887,030</u>

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2009

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 in accordance with Financial Accounting Standards Board Statement No. 13.

The Organization's future minimum payments under lease commitment as of February 28, 2009, are as follows:

Fiscal years ending on the last day of February:

2010	\$	77,699
2011		70,063
2012		32,181
2013		14,752
2014		-
Thereafter		-
	\$	<u>194,695</u>

Rental expense for the fiscal years ended February 28, 2009 and February 29, 2008, was \$148,150 and \$155,242, 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, 2009 and February 29, 2008, the Organization had funds on deposit with the Trust of \$131,916 and \$138,573, respectively. A corresponding liability has been accrued for the estimated claims liability at February 28, 2009 and February 29, 2008, of \$131,916 and \$138,573, respectively.

NOTE 7: CONCENTRATION OF CREDIT RISK

For the fiscal years ended February 28, 2009 and February 29, 2008, approximately 92% of the Organization's funding was derived from grants funded through the Washington State Department of Community, Trade, and Economic Development, 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, 2009

NOTE 9: NOTES PAYABLE

	<u>February 28, 2009</u>	<u>February 29, 2008</u>
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.	\$ 7,443	\$ 11,421
Non-interest bearing note payable to the Washington State Department of Community, Trade, and Economic Development. The note is deferred until the 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 Community, Trade, and Economic Development. 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.	117,635	121,335
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.	71,885	73,452
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.	178,837	181,502
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.	90,685	91,974
Note payable to the Washinton State Department of Community, Trade, and Economic Development, due in annual installments of \$12,888, including interest at 1.00%. The note matures in January 2050 and is secured by real estate.	440,232	448,634

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2009

NOTE 9: NOTES PAYABLE (Continued)

	<u>February 28, 2009</u>	<u>February 29, 2008</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.	1,508,380	1,541,709
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.	213,188	221,802
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.	56,863	60,034
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.	116,704	118,928
Note payable to the Washinton State Department of Community, Trade and Economic Development, 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.	238,420	243,896
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.	36,356	38,548

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2009

NOTE 9: NOTES PAYABLE (Continued)

	<u>February 28, 2009</u>	<u>February 29, 2008</u>
Non-interest bearing note payable to the Washington State Department of Community, Trade and Economic Development. The note is deferred until the sale, refinance, change of ownership or use of buildings, or December 2044, which occurs first. The note is secured by real estate.	<u>568,064</u>	<u>568,064</u>
	<u>\$ 4,184,064</u>	<u>\$ 4,260,671</u>

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

2010	\$	83,793
2011		86,656
2012		87,456
2013		91,736
2014		96,268
Thereafter		<u>3,738,155</u>
	\$	<u><u>4,184,064</u></u>

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. The loans are secured by a deed of trust and promissory note naming the Organization as the beneficiary. Deferred loans of \$461,877 and \$355,932 at February 28, 2009 and February 29, 2008, 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, 2009 and February 29, 2008, of \$152,822 and \$247,845, respectively. A corresponding revolving loan fund payable of \$152,822 and \$247,845 has also been accrued at February 28, 2009, and February 29, 2008, respectively.

Interest bearing loans of \$830,440 and \$324,302 at February 28, 2009 and February 29, 2008, 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, 2009 and February 29, 2008, of \$786,830 and 302,145, respectively. A corresponding revolving loan fund payable of \$786,830 and \$302,145 at February 28, 2009 and February 29, 2008, respectively, has also been accrued.

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2009

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 \$856,618 and \$756,562 at February 28, 2009, and February 29, 2008, 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, 2009 and February 29, 2008, respectively, was \$10,573 and \$5,907. 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, 2009 and February 29, 2008, there was no balance drawn against the line. The line of credit expires on February 1, 2010.

NOTE 12: HEAD START

During the fiscal years ended February 28, 2009 and February 29, 2008, the Organization had expenses of \$1,410,839 and \$1,357,254, 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 \$15,664 and \$29,984 for the fiscal years ended February 28, 2009 and February 29, 2008, respectively.

During the fiscal year ended February 28, 2006, the Organization loaned \$100,000 to Central Colville. The loan was due December 5, 2006 at 0% interest. The note is unsecured. In December of 2006, the Organization extended the due date for the note. Under terms of the extension, Central Colville will repay the loan when it has sufficient cash to do so. The loan was repaid during the fiscal year ended February 28, 2009.

NOTE 14: RESTRICTED CASH

Restricted cash as of February 28, 2009 and February 29, 2008, consists of the following:

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2009

NOTE 14: RESTRICTED CASH (Continued)

	<u>February 28,</u> <u>2009</u>	<u>February 29,</u> <u>2008</u>
Replacement Reserves:		
Quail Manor Apts	\$ 15,800	\$ 13,400
Columbia Senior Apts	14,965	11,926
Debt Reserve:		
Main Facility	72,996	61,908
Housing Repair Funds:		
See Note 10	<u>856,618</u>	<u>756,562</u>
	<u>\$ 960,379</u>	<u>\$ 843,796</u>

NOTE 15: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods as of February 28, 2009 and February 29, 2008:

	<u>February 28,</u> <u>2009</u>	<u>February 29,</u> <u>2008</u>
Newport Donations	\$ 14,122	\$ 17,978
ROE Foundation	1,648	1,648
Employment and Training Donations	508	297
Literacy Donations	652	797
FSE Stock Equity	80	1,614
Dispute Resolution Center	3,375	3,375
Women Making a Difference Donations	5,481	5,852
Family Support Center Special Projects	76,476	66,131
ROE Family Support	8,834	9,517
Kid's First Donations	1,904	7,053
Senior Projects & Sr. Nutrition Projects	8,481	12,822
Senior Nutrition Fundraising	-	205
Emergency Shelter Special Projects	1,044	1,120
Stock Donations	1,967	-
Columbia Senior Housing Donations	808	808
Legal Aid Donations	4,302	4,302
Food Warehouse	-	10,000
Youth.com	11,306	15,836
	<u>\$ 140,988</u>	<u>\$ 159,355</u>

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2009

NOTE 15: TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets released from restriction for the fiscal year ended February 28, 2009 and February 29, 2008, were as follows:

	February 28, 2009	February 29, 2008
Newport Donations	\$ 10,666	\$ 9,526
Literacy Special Fund	200	585
Family Support Center Special Projects	12,096	43,022
FSE Stock Equity	1,534	2,189
Agency Fundraising	6,019	-
Legal Aid Special Account	-	180
Employment and Training Special Projects	39	3,834
Women Making a Difference	48,781	49,674
Kid's First Special Projects	7,399	5,668
Senior Projects & Sr. Nutrition Projects	18,769	14,320
Senior Nutrition Fund Raising	3,137	8,550
Emergency Shelter Special Projects	1,006	4,431
Youth.com	8,325	9,176
ROE Family Support	683	-
Prior Year Surplus ILS & RAP	-	53,192
Food Warehouse	18,000	-
	<u>\$ 136,654</u>	<u>\$ 204,347</u>

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2005

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
Department of Health & Human Services			
Head Start	93.600	10CH0087/42	\$ 432,326
Head Start	93.600	10CH0087/43	978,513
Basic Center Grant (Youth.Com)	93.623	10CY0146/03	86,156
Basic Center Grant (Youth.Com)	93.623	90CY2317/01	29,123
Passed Through Washington State Department Trade, & Economic Development:			
Community Services Block Grant	93.569	F08-32100-025	51,829
Community Services Block Grant	93.569	F09-32100-025	5,847
Low Income Home Energy Assistance Program (EAP)	93.568	F09-32106-072	934,672
Low Income Home Energy Assistance Program (EAPX)	93.568	F08-32106-072	221,312
Low Income Home Energy Assistance Program (WXN)	93.568	F07-431-419	107,271
Low Income Home Energy Assistance Program (WXN)	93.568	F09-43101-419	55,627
Passed Through Washington State Department of Social & Health Services:			
Family Violence Prevention (DVX)	93.671	0712-17505	14,014
Family Violence Prevention (DV)	93.671	0812-43991	29,512
Rape Prevention & Education (SAX)	93.136	08-31110-143	4,667
Rape Prevention & Education (SA)	93.136	09-31110-143	6,394
Passed Through Aging & Long-Term Care of Eastern Washington:			
Referral & Workforce Resource Center (HCRR)	93.779	2007-2009:93:25	105,225
Special Programs for the Aging (SR NUT)	93.045	07-09:50:25	36,348
Special Programs for the Aging (SR NUT)	93.045	07-08:50:25	123,360
Special Programs for the Aging (USDA SR NUTR)	93.045	None	36,776
Medical Assistance Program (SSCMX)	93.778	2008:42,43:25	508,099
Medical Assistance Program (SSCM)	93.778	08-09:42,43:25	100,684
Special Programs for the Aging (SRTRSX)	93.044	06-08:41:25	81,479
Special Programs for the Aging (SRTRS)	93.044	06-09:41:25	24,006
Special Programs for the Aging (MHR)	93.044	2008:78:25	1,113
Special Programs for the Aging (MHR)	93.044	2009:78:25	917
Special Programs for the Aging (SLASX)	93.044	04-08:46:25	2,688
Special Programs for the Aging (SLAS)	93.044	2009:46:25	1,000
National Family Caregiver Support (FCS)	93.052	08-09:72,79:25	13,375
National Family Caregiver Support (FFCS)	93.052	2008:72,79:25	37,255
			<u>4,029,588</u>

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2009

Department of Energy

Passed Through Washington State Department
Trade, & Economic Development:

Bonneville Power Administration (BPAWXN)	81.999	F07-446-419	59,209
Weatherization Assistance For Low Income Persons (DOE)	81.042	F08-434-419	77,675
Weatherization Assistance For Low Income Persons (DOEX)	81.042	F07-434-419	2,234
			139,118

Department of Agriculture

Child & Adult Care Food Program (HS USDAX)
Child & Adult Care Food Program (HS USDA)

	10.558	None	18,593
	10.558	None	21,085

Passed Through Washington State Department
of Social & Health Services:

State Administrative Matching Grants for Food Stamp Program	10.561	0712-28214	75,828
State Administrative Matching Grants for Food Stamp Program	10.561	0812-48391	103,368

Passed Through Washington State Department
of General Administration:

Commodities (TEFAP Food)	10.569	None	148,067
Emergency Food Assistance Program (TEFAP)	10.568	None	40,476
			407,417

Federal Emergency Management Agency

Emergency Food & Shelter National Board Program (FEMA)	83.523	26-8932-00	8,011
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RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2005

Department of Housing & Urban Development

Passed Through Washington State Department
of Community, Trade, & Economic Development:

Home Investment Partnership Program (HRRP)	14.239	F07-471-419	257,203
Home Investment Partnership Program (HRRP)	14.239	F08-47100-419	167,269
Home Investment Partnership Program (MHRP)	14.239	F07-471MH-419	217,272
Lead Hazard Control	14.900	F07-43207-419	72,641
Emergency Shelter Grant	14.231	08-46106-33	5,156
Emergency Shelter Grant	14.231	07-46106-33	2,299

Passed Through Stevens County:

Community Development Block Grant	14.228	08-64006-008	119,680
Community Development Block Grant	14.228	08-64008-009	6,715

Passed Through Washington State Housing

Finance Commission:

Home Buyers Training Program	14.169	None	(4,333)
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Passed Through Spokane Housing Authority:

Section 8 Housing Choice Vouchers	14.871	None	1,564,208
Lower Income Housing Assistance Program (TBRA)	14.856	None	927
Lower Income Housing Assistance Program (RAP, TBRA)	14.856	None	21,791
Lower Income Housing Assistance Program (RAP, TBRA)	14.856	None	143,029

2,573,857

Department of Labor

Passed Through Washington State Employment

Security Department:

WIA Adult Program	17.258	6110-1108	214,875
WIA Adult Program	17.258	6110-7108	107,514
WIA Adult Program	17.258	6110-7107	109,544
WIA Administrative Cost Pool (WIAADM)	17.253	6110-7308	48,142
WIA Administrative Cost Pool (WIAADM)	17.253	6110-1308	62,906
WIA Administrative Cost Pool (WIAADM)	17.253	6110-1309	62,862
WIA Adult Program	17.258	6110-1109	244,859
WIA Administrative Cost Pool (WIAADM)	17.253	6110-7307	48,142
10% Discretionary (10%GD)	17.258, 17.259, 17.260	6110-7627-09	3,728
10% Discretionary (10%D)	17.258, 17.259, 17.260	6110-7627-08	57,072
10% Discretionary (10%D)	17.258, 17.259, 17.260	6110-7626-10	23,868
10% Discretionary (10%IW)	17.258, 17.259, 17.260	6110-7626-09	33,663
WIA Dislocated Worker	17.260	6110-1209	64,904
WIA Dislocated Worker	17.260	6110-7207	130,117
WIA Dislocated Worker	17.260	6110-7208	104,292
WIA Dislocated Worker	17.260	6110-1208	216,974
WIA Dislocated Worker (Section 503 Incentive)	17.260	6110-7906-02	125,622

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2005

WIA Youth Activities	17.259	6110-7007	225,369
WIA Drop-In Grant (DIG)	17.259	6110-7627-11	18,667
WIA Drop-In Grant (DIGX)	17.259	6110-7626-12	24,309
WIA Youth Activities	17.259	6110-7008	645,234
Passed Through Aging & Long-Term Care of Eastern Washington:			
Senior Community Service Employment Program	17.235	08-09:5,68:25	6,281
Passed Through Workforce Training & Education Board:			
WIA Adult Program (ISP)	17.258	06ABQ069	14,044
			2,592,988
Corporation for National & Community Service			
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Vista	94.013	08VSPWA036	18,561
Vista	94.013	08VSPWA001	4,312
Passed Through Employment Security Department:			
Americorp Employment & Training	94.006	K6	(20,750)
Americorp Employment & Training	94.006	K504	40,382
			42,505
Department of Transportation			
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Passed Through Washington State Department of Transportation:			
WSDOT Consolidated Grant Program	20.509	GCA5332	136,154
WSDOT Consolidated Grant Program	20.509	GCA5331	322,639
			458,793
Department of Justice			
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Passed Through Washington State Department of Community, Trade & Economic Development:			
Violence Against Woman Formula Grants (STOPX)	16.588	F07-31103-035	27,148
Violence Against Woman Formula Grants (STOP)	16.588	F08-31103-021	33,048
Byrne Formula Grant Program (DVLAX)	16.579	F08-31108-008	13,301
Byrne Formula Grant Program (DVLA)	16.579	F09-31108-045	4,635
Passed Through Western Regional Children's Advocacy Center:			
Technical Assistance & Training (WRCTAT)	16.547	None	4,121

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2005

Passed Through Department of Social & Health Services:			
Domestic Violence	16.575	0712-17505	21,022
Domestic Violence	16.575	0812-43991	46,160
Domestic Violence (SA)	16.575	09-31110-143	43,559
Domestic Violence (SAX)	16.575	08-31110-143	15,161
Passed Through Family Crisis:			
Domestic Violence (GCVP)	16.575	F08-31119-006	39,856
Domestic Violence (GCVP)	16.575	F07-31119-006	40,531
Passed Through the National Network of Children's Advocacy Centers:			
Crime Victim Assistance/Discretionary Grants (CACNCA)	16.543	OLYM-WA-CH08	15,000
Crime Victim Assistance/Discretionary Grants (NCA)	16.543	COLV-WA-PS08	9,976
Crime Victim Assistance/Discretionary Grants (NCA)	16.543	COLV-WA-PS09	40
			<u>313,558</u>
Department of Education			
Passed Through State Board for Community & Technical Colleges:			
Adult Basic Education	84.002	150-ABE-09	29,216
Adult Basic Education	84.002	150-ABE-08	3,344
AIDDE Training	84.002	150-AIDDE-08	666
Passed Through Northeast Tri-County Health District:			
County Interagency Coordinating Council	84.181	None	3,356
County Interagency Coordinating Council	84.181	None	2,568
			<u>39,150</u>
Total Federal Awards			<u>\$ 10,604,985</u>

RURAL RESOURCES COMMUNITY ACTION

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2009

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, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
Department of Agriculture			
USDA Loan	10.218	97-13	\$ 181,502
USDA Loan	10.218	97-14	91,974
USDA Loan	10.218	97-15	1,541,709
Farmers Home Administration Loan	10.218	97-11	121,335
			\$ 1,936,520
 Department of Housing and Urban Development			
HUD Loan	14.181	1998A1208	\$ <u>52,400</u>
Total Federal Financial Assistance - Loans			\$ 1,988,920

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF NON-FEDERAL AWARDS

Fiscal Year Ended February 28, 2005

Pass-through Grantor/ Program Title	Pass-through Grantor's Number	Expenditures
Passed Through Washington State Department of Community, Trade & Economic Development:		
Community Services Block Grant	F08-32100-215	\$ 22,119
Community Services Block Grant	FFY08-32100-025	3,106
Domestic Violence Legal Advocacy	S09-31108-045	14,515
Emergency Shelter Assistance Program	S084610533	52,072
Emergency Food Assistance Program	S06-32101-018	20,757
Emergency Food Assistance Program	S08-32101-018	65,669
North Hill Operating & Maintenance Fund - Buy Down	09-42400-104	1,810
North Hill Operating & Maintenance Fund - Buy Down	08-42400-104	9,302
Operating & Maintenance Fund	08-42400-050	13,047
Operating & Maintenance Fund	09-42200-050	7,802
Transitional Housing, Operating & Rent	06-46104-22	16,614
Energy Matchmakers	S07-94102-419	84,700
Homeowners Revolving Loan Fund	08-94100-008	391,048
Sexual Assault Treatment/Prevention	08-31110-143	89,198
CDBG Capital Facilities Loan	06-96100-115	166,600
		\$ 958,359
Passed Through Washington State Department of Social & Health Services:		
Domestic Violence	0812-43991	\$ 52,498
Domestic Violence	0712-17505	11,866
Basic Food Education & Outreach	0812-48391	5,000
Basic Food Education & Outreach	0712-28214	25,000
Work First Domestic Violence	0712-19803-01	2,371
Work First Domestic Violence	0712-19803	3,007
WA State Assoc. Child Advocacy Centers	0832-42506	426,093
WA State Assoc. Child Advocacy Centers	0732-20597	483,427
Vocational Rehab Job Services	0813-47840	1,311
		\$ 1,010,573
Passed Through Washington State Department of Transportation:		
WSDOT Consolidated Grant Program	GCA5331	\$ 146,555
Passed Through Opportunity Council:		
HTF Homeownership Retention	None	\$ 21,110

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF NON-FEDERAL AWARDS

Fiscal Year Ended February 28, 2005

Passed Through State Board for Community and

Technical Colleges:

Volunteer Literacy Program	150-VLPST-08	\$	716
Volunteer Literacy Program	265-VLPST-09		22,336
State Basic Skills Grant	265-SBS-09		1,732
State Basic Skills Grant	150-BSE-08		2,130
ABE CBO Enrollment FTE Grant	265-EFTE-09		1,000
		\$	<u>27,914</u>

Passed Through Aging and Long-Term Care of

Eastern Washington:

State Family Caregiver Support	2008:72,79:25	\$	68,944
State Family Caregiver Support	08-09:72,79:25		3,880
Case Management	08-09:42,43:25		17,256
Case Management	2008:42,43:25		86,721
RFC Kinship Grant	2008:72,79:25		8,150
RFC Kinship Grant	08-09:72,79:25		1,799
Kinship Navigator	2007-08:78,2:25		34,645
Kinship Navigator	07-09:78,25		22,045
Senior Drug Education	07-08:5,68:25		1,500
		\$	<u>244,940</u>

Passed Through Blue Mountain Action Council:

Community Jobs	RRSO09-37100-001	\$	71,118
Community Jobs	RRSO08-37100-001		25,427
		\$	<u>96,545</u>

Passed Through Washington State Office of Insurance

Commission:

Statewide Health Insurance Benefits Advisors	None	\$	11,197
Statewide Health Insurance Benefits Advisors	None		42,219
		\$	<u>53,416</u>

Passed Through Washington State Dept. of Early Learning:

Early Childhood Education & Assistance Program	08-CS-0141	\$	<u>151,524</u>
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Passed Through Washington State Housing

Finance Commission:

Home Buyers Training Program	None	\$	<u>16,753</u>
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Passed Through Family Crisis Network:

HR 2060	None	\$	<u>626</u>
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RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF NON-FEDERAL AWARDS

Fiscal Year Ended February 28, 2005

Passed Through Stevens County:

2060 Low-Income Housing Expenses	None	\$	58,700
2163 Homeless Housing & Assistance	None		<u>112,310</u>
		\$	<u>171,010</u>

Passed Ferry County:

Ferry County TXIX Supervision	None	\$	7,545
Ferry County TXIX Supervision	None		<u>4,045</u>
		\$	<u>11,590</u>

Passed Through Pend Oreille Crime Victims Services:

General Crime Victims Services Program	F07-3119-006	\$	<u>11,261</u>
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**Passed Through Washington State Department of
Social & Health Services:**

Medicaid Nutrition	9053984	\$	7,422
Copes	903892		<u>9,559</u>
		\$	<u>16,981</u>

Total		\$	<u><u>2,939,157</u></u>
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RURAL RESOURCES COMMUNITY ACTION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal Year Ended February 28, 2009

No prior year findings.

**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 the Rural Resources Community Action (Organization) as of and for the fiscal year ended February 28, 2009, and have issued our report thereon dated June 29, 2009. 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 Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 grants, 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, Inc., PS
Certified Public Accountants
& Management Consultants

June 29, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 compliance of the Rural Resources Community Action (Organization) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended February 28, 2009. 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 on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended February 28, 2009.

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, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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

June 29, 2009

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended February 28, 2009

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
93.778	Medical Assistance Program
14.239	Home Investment Partnership Program
10.569	Emergency Food Assistance Program - Commodities
10.568	Emergency Food Assistance Program
20.509	WSDOT Consolidated Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$319,722

Auditee qualified as low-risk auditee: Yes

Section II – Financial Statement Findings: None

Section III – Federal Award Findings and Questioned Costs: None