
RURAL RESOURCES COMMUNITY ACTION

A WASHINGTON NON-PROFIT ORGANIZATION

Consolidated Financial Statements

For the Fiscal Year Ended February 28, 2022
With Comparative Totals for 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Rural Resources Community Action (a nonprofit organization), which comprise the consolidated statement of financial position as of February 28, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related consolidated notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of February 28, 2022, and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2022 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.



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

December 12, 2022

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

February 28, 2022 (With Comparative Totals for 2021)	2022	2021
ASSETS		
Assets:		
Cash	\$ 533,588	\$ 710,198
Restricted Cash	902,101	895,197
	<u>1,435,689</u>	<u>1,605,395</u>
Accounts Receivable	4,567,933	3,485,666
Inventory	62,799	29,846
Prepaid Expenses and Other Assets	58,239	60,223
Deposit, Unemployment Self Insurance Trust	282,950	286,157
Loans & Interest Receivable, net	1,606,982	1,416,201
Property and Equipment, net	4,955,681	4,798,505
Property and Equipment Holding Company, net	2,404,443	2,474,892
Investments	395	395
	<u>395</u>	<u>395</u>
Total Assets	\$ <u>15,375,111</u>	\$ <u>14,157,280</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Cash Overdraft - Holding Company	\$ 193,138	\$ 164,293
Accounts Payable and Accrued Expenses	641,798	593,956
Payroll Taxes Payable	387,820	204,610
Accrued Salaries	555,145	515,691
Accrued Vacation	424,775	325,467
Reserve, Unemployment Self Insurance Trust	282,950	286,157
Other Payables	20,621	8,639
Refundable Advances and Other Deferred Liabilities	1,251,980	741,730
Revolving Loan and Grant Funds Payable	2,492,029	2,290,274
Revolving Loan and Grant Funds Payable - Holding Company	216,843	227,243
Notes Payable	3,305,062	3,348,871
Notes Payable - Holding Company	1,002,532	1,101,903
	<u>1,002,532</u>	<u>1,101,903</u>
Total Liabilities	<u>10,774,693</u>	<u>9,808,834</u>
Net Assets:		
Without Donor Restrictions	3,141,973	2,977,256
Without Donor Restrictions - Holding Company	991,930	981,453
With Donor Restrictions	466,515	389,737
	<u>466,515</u>	<u>389,737</u>
Total Net Assets	<u>4,600,418</u>	<u>4,348,446</u>
Total Liabilities and Net Assets	\$ <u>15,375,111</u>	\$ <u>14,157,280</u>

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

RURAL RESOURCES COMMUNITY ACTION

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Fiscal Year Ended February 28, 2022 <i>(With Comparative Totals for 2021)</i>	2022		2021	
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
Support & Revenue:				
Governmental Grants	\$ 21,086,340	\$ -	\$ 21,086,340	\$ 17,522,182
Nongovernmental Grants	2,890,834	-	2,890,834	2,135,032
Contributions	48,810	89,156	137,966	194,756
Client Fees	229,638	1,310	230,948	45,342
Project Income	37,577	1,628	39,205	62,189
Rent Income	1,061,862	-	1,061,862	1,224,018
Other Income	21,289	-	21,289	16,086
Rent Income-Holding Company	62,710	-	62,710	52,470
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	15,316	(15,316)	-	-
Total Support & Revenues	25,454,376	76,778	25,531,154	21,252,075
Expenses:				
Program Services:				
Community Services	239,445	-	239,445	214,839
Transportation	1,082,484	-	1,082,484	957,283
Job Training & Employment	2,650,190	-	2,650,190	2,084,174
Victim Services	1,919,108	-	1,919,108	1,462,555
Housing Services	9,382,876	-	9,382,876	7,753,101
Head Start & Early Childhood	2,828,552	-	2,828,552	2,489,139
Community Living Connections	5,735,893	-	5,735,893	4,768,878
Fiscal Agent	-	-	-	18,767
Total Program Services	23,838,548	-	23,838,548	19,748,736
Administrative	1,233,038	-	1,233,038	1,068,268
Fundraising	150	-	150	23,836
Holding Company	145,523	-	145,523	151,863
Total Expenses	25,217,259	-	25,217,259	20,992,703
Other Revenue & Expenses:				
Gain on Disposal of Assets	-	-	-	1,000
Change in Net Assets	237,117	76,778	313,895	260,372
NET ASSETS, BEGINNING OF YEAR	3,958,709	389,737	4,348,446	4,088,074
Transfer to Organization	(61,923)	-	(61,923)	-
NET ASSETS, END OF YEAR	\$ 4,133,903	\$ 466,515	\$ 4,600,418	\$ 4,348,446

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

RURAL RESOURCES COMMUNITY ACTION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Fiscal Year Ended February 28, 2022 (With Comparative Totals for 2021)

	Community Services	Transportation	Job Training & Employment	Victim Services	Housing Services	Head Start & Early Childhood	Community Living Connections	Total Program Services
Salaries & Benefits	\$ 132,063	\$ 181,535	\$ 654,634	\$ 1,128,972	\$ 1,569,152	\$ 1,574,472	\$ 3,618,798	\$ 8,859,626
Participant Wages & Benefits	-	-	83,765	-	-	-	73	83,838
OJT Employer Reimbursement	-	-	70,007	-	-	-	-	70,007
Advertising & Public Relations	836	4,294	2,822	9,490	3,619	11,335	9,858	42,254
Contract Services	-	-	1,484,046	378,617	845	562,747	173,130	2,599,385
Expense Reimbursement	-	(293)	160	-	(41,311)	(545)	(954)	(42,943)
Fees & Permits	48	-	7	-	5,640	1,566	2,552	9,813
Food & Contract Meals	247	-	-	-	226	27,459	314,428	342,360
Fundraising	-	-	-	-	150	-	-	150
Insurance	-	5,342	388	4,071	32,484	7,255	7,310	56,850
Janitorial & Maintenance	17,423	154,764	2,833	6,555	90,257	105,566	135,025	512,423
Rent	29,214	-	17,186	33,360	13,521	22,130	67,729	183,140
Meeting	-	499	225	3,788	2,952	8,333	5,245	21,042
Office Expenses	2,108	2,483	6,848	26,997	49,124	27,800	49,070	164,430
Other Equipment	(7,389)	2,485	2,714	3,214	28,904	60,755	93,915	184,598
Professional Services	16,661	2,049	2,320	53,984	81,350	10,143	12,303	178,810
Supplies & Software	4,178	14,708	6,139	32,003	80,173	110,850	42,804	290,855
Tax & Licenses	3,632	88	150	70	7,861	1,034	8,539	21,374
Telephone & Utilities	9,582	913	4,872	22,886	134,609	37,548	32,939	243,349
Travel & Training	1,109	5,893	38,163	60,286	49,948	40,422	50,039	245,860
Vehicle Expenses	3,107	2,171	-	3,585	32,331	-	25,075	66,269
Client Expenses	3,756	-	149,986	37,783	6,779,634	43	104,809	7,076,011
Volunteer Expenses	-	178,782	-	107	-	-	2,778	181,667
Transfers	7,058	3,433	13,679	31,786	99,436	55,599	85,959	296,950
Pooled Accounts	15,812	454,849	31,206	69,282	80,491	59,876	132,849	844,365
Commodities	-	-	-	-	-	-	754,437	754,437
AmeriCorps Match	-	-	78,000	-	-	-	-	78,000
Miscellaneous	-	4,638	40	12,272	20,266	950	7,183	45,349
Interest	-	-	-	-	5,135	16,931	-	22,066
Depreciation	-	63,851	-	-	256,229	86,283	-	406,363
Total Expenses	\$ 239,445	\$ 1,082,484	\$ 2,650,190	\$ 1,919,108	\$ 9,383,026	\$ 2,828,552	\$ 5,735,893	\$ 23,838,698

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

RURAL RESOURCES COMMUNITY ACTION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

	Fiscal Year Ended February 28, 2022 (With Comparative Totals for 2021)		2022	2021	
	<u>Administrative</u>	<u>Total</u>	<u>Holding Company</u>	<u>Consolidated Total</u>	<u>Total</u>
Salaries & Benefits	\$ 1,845,869	\$ 10,705,495	\$ 2,696	\$ 10,708,191	\$ 9,413,186
Participant Wages & Benefits	205	84,043	-	84,043	70,565
OJT Employer Reimbursement	-	70,007	-	70,007	66,948
Advertising & Public Relations	19,160	61,414	-	61,414	43,232
Contract Services	500	2,599,885	-	2,599,885	1,749,486
Expense Reimbursement	(106,208)	(149,151)	-	(149,151)	(207,912)
Fees & Permits	311	10,124	-	10,124	9,383
Food & Contract Meals	35,356	377,716	-	377,716	523,407
Fundraising	-	150	-	150	23,836
Insurance	64,236	121,086	403	121,489	112,779
Janitorial & Maintenance	(187,418)	325,005	3,462	328,467	320,713
Rent	69,632	252,772	-	252,772	227,473
Meeting	1,041	22,083	-	22,083	10,664
Office Expenses	60,862	225,292	-	225,292	216,188
Other Equipment	5,994	190,592	-	190,592	152,627
Professional Services	132,370	311,180	220	311,400	176,945
Supplies & Software	64,991	355,846	-	355,846	331,212
Tax & Licenses	4,135	25,509	-	25,509	12,018
Telephone & Utilities	156,184	399,533	-	399,533	360,588
Travel & Training	52,810	298,670	-	298,670	246,163
Vehicle Expenses	78,288	144,557	-	144,557	90,632
Client Expenses	164	7,076,175	-	7,076,175	5,472,917
Volunteer Expenses	485	182,152	-	182,152	243,930
Transfers	(299,276)	(2,326)	-	(2,326)	1,357
Pooled Accounts	(846,772)	(2,407)	1,504	(903)	(421)
Commodities	-	754,437	-	754,437	560,056
AmeriCorps Match	-	78,000	-	78,000	78,000
Miscellaneous	(2,235)	43,114	1,200	44,314	79,182
Interest	9,716	31,782	65,589	97,371	114,179
Depreciation	72,638	479,001	70,449	549,450	493,370
	<u>\$ 1,233,038</u>	<u>\$ 25,071,736</u>	<u>\$ 145,523</u>	<u>\$ 25,217,259</u>	<u>\$ 20,992,703</u>

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

RURAL RESOURCES COMMUNITY ACTION

CONSOLIDATED STATEMENT OF CASH FLOWS

Fiscal Year Ended February 28, 2022 <i>(With Comparative Totals for 2021)</i>	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 313,895	\$ 260,372
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	549,450	493,370
(Gain) Loss on Disposal of Assets	-	(1,000)
Investment Income	-	(395)
Transfer to Organization	(61,923)	-
(Increase) Decrease in Accounts Receivable	(1,082,267)	(1,831,540)
(Increase) Decrease in Loans and Interest Receivable	(190,781)	93,711
(Increase) Decrease in Deposit, Unemployment Self Insurance Trust	3,207	(57,439)
(Increase) Decrease in Prepaid Expenses and Other Assets	1,984	110,344
(Increase) Decrease in Inventory	(32,953)	9,577
Increase (Decrease) in Cash Overdraft - Holding Company	28,845	99,760
Increase (Decrease) in Accounts Payable & Accrued Expenses	47,842	325,413
Increase (Decrease) in Reserve, Advances and Other Deferred Liabilities	(3,207)	57,439
Increase (Decrease) in Accrued Salaries	39,454	54,251
Increase (Decrease) in Payroll Taxes Payable	183,210	37,027
Increase (Decrease) in Accrued Vacation	99,308	111,858
Increase (Decrease) in Other Payables	11,982	(95,105)
Increase (Decrease) in Refundable Advances & Other Deferred Liabilities	510,250	454,736
Increase (Decrease) in Revolving Loan & Grants Funds Payable	191,355	(71,987)
Net Cash Provided (Used) by Operating Activities	<u>609,651</u>	<u>50,392</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Assets	-	1,000
Purchases of Property and Equipment	(636,177)	(681,215)
Net Cash Provided (Used) by Investing Activities	<u>(636,177)</u>	<u>(680,215)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Long-Term Debt	(143,180)	(144,077)
Net Cash Provided (Used) by Financing Activities	<u>(143,180)</u>	<u>(144,077)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(169,706)	(773,900)
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,605,395</u>	<u>2,379,295</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,435,689</u>	<u>\$ 1,605,395</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Cash Paid During the Fiscal Years for Interest	<u>\$ 97,371</u>	<u>\$ 114,188</u>

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

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

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 and senior transportation 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.

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

Housing Services: This division accounts for all revenues and expenditures related to the Organization's housing, weatherization assistance, low income energy programs, and shelter programs. The division's sources of revenue are government grants and program revenues.

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

Community Living Connections: This division accounts for all revenues and expenditures related to adult and senior services, food stamp outreach, food bank programs, and senior nutrition. The division's sources of revenue are government grants and private donations of cash, material and services.

Principles of consolidation:

The consolidated financial statements include the accounts of Rural Resources Community Action and Rural Resources Holding (collectively referred to as Organization). All significant intercompany transactions and balances have been eliminated.

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

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

Rural Resources Community Action has majority control of Rural Resources Holding. Rural Resources Holding was incorporated in April 2013. The general purpose of Rural Resources Holding is to acquire real estate, holding title to and collecting income from such property.

Liquidity and availability:

The Organization has \$5,101,521 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$533,588 and accounts receivable of \$4,567,933 as of February 28, 2022. The Organization has \$4,195,864 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$710,198 and accounts receivable of \$3,485,666 as of February 28, 2021. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Organization has ongoing grants and contracts that will reimburse the Organization allowable expenditures for that grant or contract. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

For restricted cash, the Organization has debt and replacement reserves that can be used for the various facilities that the Organization owns. As of February 28, 2022 and 2021, that was \$262,236 and \$255,332, respectively. See note 11. The Organization also has housing repair funds. As of February 28, 2022 and 2021, that was \$639,865 and \$639,865, respectively. See note 11.

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 with donor restrictions or without donor restrictions 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 with donor restrictions on the statement of activities and changes in net assets.

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.

Recognizing Revenue from Contracts with Customers:

The Financial Accounting Standards Board guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Organization follows these principles.

Upon receipt of an advance from grants and contracts from their funding sources, the Organization recognizes deferred revenue in the amount of the advance for its performance obligation to perform services in the future. At February 28, 2022 and 2021, the Organization has recorded deferred revenue of \$1,251,980 and \$741,730 respectively, which the Organization expects to recognize as revenue in the following year, when it performs those services and, therefore, satisfies its performance obligation to the funding sources.

The balances of receivables and deferred revenue from grants and contracts are as follows as of February 28, 2022 and 2021:

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

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

	2022	2021
Grants & Contracts Receivable	\$4,567,933	\$3,485,666
Deferred Revenue	\$1,251,980	\$ 741,730

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, with donor restriction net assets are reclassified to without donor restriction 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 without donor restriction 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 with donor restriction 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 without donor restrictions 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.

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.

Investments:

Investments in partnerships are valued using the equity method of accounting (see Note 18).

Loans receivable:

The Organization obtains funds to loan to individuals. As discussed further in Note 14, 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, 2022 and February 29, 2021, was \$39,500. For the fiscal years ended February 28, 2022 and February 29, 2021, bad debts were \$0.

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

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

Net assets:

Without donor restriction net assets are not subject to donor-imposed stipulations. Includes public support and revenues which are not restricted by the donor and currently available for the support of the Organization. The Board of Directors has designated, from net assets without donor restrictions, net assets for an replacement and debt reserve and housing repair funds.

With donor restriction 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, with donor restriction net assets are reclassified to without donor restriction net assets.

Advertising costs:

The costs of advertising are expensed as incurred. Advertising expense for the fiscal years ended February 28, 2022 and February 28, 2021, was \$54,781 and \$36,848, respectively.

Inventory:

Inventories consist of USDA surplus commodities shown at the cost value provided by the USDA, supplies and weatherization materials shown at cost. As of February 28, 2022 and February 28, 2021, inventory was \$62,799 and \$29,846, 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.

Receivables are considered past due if not collected within 90 days. The Organization does not charge interest on past due receivables. As of February 28, 2022, all receivables are current.

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.

Allocation of indirect costs:

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Payroll and related costs are allocated based on time spent on each function. Phone costs are allocated by number of phones for each department. Space costs are allocated based on square footage. Technology costs are allocated by number of internet connections for each department.

Summarized Prior Year:

The accompany financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended February 28, 2021, from which the summarized information was derived.

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

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 will match up to six percent (6%). Employees are also entitled to make salary reduction agreements under the terms of the Plan. Pension costs for the fiscal years ended February 28, 2022 and February 28, 2021, were \$319,883 and \$260,607 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).

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 for recording. In-kind revenues received but not recorded consist of the following for the fiscal year ended February 28, 2022:

Donated labor	\$ 576,678
Donated rent	4,700
Donated professional services	8,123
Donated transportation	6,985
Other	<u>641,756</u>
Total	\$ <u><u>1,238,242</u></u>

In-kind revenues received but not recorded for the fiscal year ended February 28, 2021, was \$1,498,542.

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, 2022:

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

NOTE 4: PROPERTY AND EQUIPMENT (Continued)

	<u>Estimated Useful Lives</u>	
Land		\$ 1,046,756
Buildings and improvements	30 years	11,563,877
Furniture, fixtures, and equipment	5-10 years	422,076
Vehicles	10 years	1,582,808
		<u>14,615,517</u>
Less: accumulated depreciation		<u>(7,255,393)</u>
Net Property and Equipment		<u>\$ 7,360,124</u>

Accumulated depreciation as of February 28, 2021, was \$6,705,943.

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, 2022, are as follows:

Fiscal years ending on the last day of February:	
2023	\$ 64,609
2024	39,310
2025	34,857
2026	34,857
2027	-
	<u>173,633</u>
	<u>\$ 173,633</u>

For the fiscal years ended February 28, 2022 and February 28, 2021, Rural Resources Community Action paid Rural Resources Holding \$156,000 and \$143,730 in rent expense, respectively. This expense and income was removed in the consolidated financial statements.

Rental expense for the fiscal years ended February 28, 2022 and February 28, 2021, was \$252,774 and \$227,473, respectively.

NOTE 6: LEASE INCOME

The Organization leases office space to other organizations. The Organization's future lease income under lease commitments as of February 28, 2022, are as follows:

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

NOTE 6: LEASE INCOME (Continued)

Fiscal years ending on the last day of February:

2023	\$ 2,000
2024	-
2025	-
2026	-
2027	-
	<hr/>
	\$ <u>2,000</u>

NOTE 7: 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, 2022 and February 28, 2021, the Organization had funds on deposit with the Trust of \$282,950 and \$286,157 respectively. A corresponding liability has been accrued for the estimated claims liability at February 28, 2022 and February 28, 2021, of \$282,950 and \$286,157 respectively.

NOTE 8: FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

The Organization manages deposit concentration risk by placing cash and savings accounts with financial institutions believed to be creditworthy. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of our mission.

For the fiscal years ended February 28, 2022 and February 28, 2021, approximately 82% and 82%, respectively, 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.

The Organization, at times, has cash deposits that exceed the insured limit by the U.S. Federal Deposit Insurance Corporation.

NOTE 9: 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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

NOTE 10: HEAD START

During the fiscal years ended February 28, 2022 and February 28, 2021, the Organization had expenses of \$2,175,695 and \$1,911,716, respectively, on the Head Start program.

NOTE 11: RESTRICTED CASH

Restricted cash as of February 28, 2022, consists of the following:

Replacement Reserves:

Allegiance	\$ 18,164
Quail Manor Apts	44,600
Columbia Senior Apts	10,004
San Poil	88,113

Debt Reserve:

Main Facility	101,355
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Housing Repair Funds:

See Note 15	<u>639,865</u>
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\$ 902,101

Restricted cash as of February 28, 2021, was \$895,197.

NOTE 12: INCOME TAX & UNCERTAIN TAX POSITIONS

Rural Resources Community Action is a tax exempt non-profit organization under the Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. Rural Resources Holding is a tax exempt non-profit organization under the Internal Revenue Code Section 501(c)(25) 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, 2019. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of February 28, 2022, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

NOTE 13: SUBSEQUENT EVENTS

No events have occurred through December 12, 2022, 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 fiscal year ended February 28, 2022.

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

NOTE 14: 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 \$264,802 and \$276,780 at February 28, 2022 and February 28, 2021, 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, 2022 and February 28, 2021, of \$179,864 and \$191,739, respectively. A corresponding revolving loan fund payable of \$179,864 and \$191,739 has also been accrued at February 28, 2022, and February 28, 2021, respectively.

Interest bearing loans of \$1,344,451 and \$1,148,811 at February 28, 2022 and February 28, 2021, 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. A corresponding revolving loan fund payable of \$1,732,523 and \$1,553,843 at February 28, 2022 and February 28, 2021, respectively, has also been accrued.

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 \$713,818 and \$696,284 at February 28, 2022, and February 28, 2021, 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, 2022 and February 28, 2021, respectively, was \$82,667 and \$75,651. Under terms of the program, when a client pays off their loan they will also pay the accrued interest.

NOTE 15: NOTES PAYABLE

Notes payable as of February 28, 2022, was the following:

Head Start Newport Building

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.

\$ 332,978

San Poil Building

Note payable to USDA in monthly installments of \$1,018, including interest at 9.00%. The note matures in February of 2037 and is secured by real estate.

380,423

Note payable to USDA in monthly installments of \$34, including interest at 9%. The note matures in February 2037 and is secured by real estate.

12,760

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

NOTE 15: NOTES PAYABLE (Continued)

North Hill Apartments

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

Emergency Shelter

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 2032, whichever occurs first. If after review of the project in 2032 the Department determines there is insufficient cash flow, then the loan will be forgiven. The

note is secured by real estate.

147,372

Head Start Chewelah

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.

49,141

Valley Breeze Apartments

Note payable to Washington Community Reinvestment Association in monthly installments of \$450 including interest at 3.50%. The note matures in December 2022 and is secured by real estate.

31,760

Head Start Colville

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.

130,724

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.

67,421

Quail Manor Apartments

Note payable to the Washington 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.

342,080

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

NOTE 15: NOTES PAYABLE (Continued)

Arden Warehouse

Note payable to Tri County Economic Development District due in monthly installments of \$1,075. The balance is to be paid off over a 20-year period, including interest at 4.00%. The loan matures in July 2030, and is secured by real estate. 119,133

Note payable to Tri County Economic Development District due in monthly installments of \$359. The balance is to be paid off over a 20-year period, including interest at 6.00%. The loan matures in July 2030, and is secured by real estate. 39,646

Main Facility

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. 837,327

Day Health Building

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. 6,427

Columbia Senior Housing

Note payable to Banner Bank due in monthly installments of \$659, including interest at 4.75% for the first 60 payments. The next 60 payments will be at interest rate for 5 year FHLB Fixed Rate (currently 2.35% plus 2.550). The loan matures November 10, 2027, and is secured by real estate. 79,195

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. 172,895

Non-interest bearing note payable to the Washington State Department of Commerce. The note is deferred and matures in December 2044, The note is secured by real estate. 568,064

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

NOTE 15: NOTES PAYABLE (Continued)

Allegiance Building

Note payable to USDA in monthly installments of \$2,390, including interest at 4%. The note matures in November of 2044 and is secured by real estate.

427,154

Note payable to Tri County Economic Development District due in monthly installments of \$645. The balance is to pay off over a 20-period, including interest at 6%. The loan matures in November 2034, and is secured by real estate.

84,472

Central Colville Apartments

Loan payable to the state of Washington, Department of Commerce. Payable in annual payments of \$6,365, which includes interest at 2.00%. The loan matures on December 31, 2048. The loan is secured by a deed of trust on real estate. Loan terms include a requirement that the project provide low income housing for a 50-year period.

139,022

\$ 4,307,594

Notes payable as of February 28, 2021, was \$4,450,774.

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

2023	\$ 167,864
2024	168,941
2025	176,405
2026	184,270
2027	192,562
Thereafter	<u>3,417,552</u>
	<u><u>\$4,307,594</u></u>

NOTE 16: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as of February 28, 2022:

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

NOTE 16: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Newport Donations	\$ 9,890
Covid Response 19 Donations	6,820
Literacy Donations	1,435
Victim Services Stock Equity	5,495
Head Start Fund Raising	487
Victim Services Special Projects & Fundraising	208,289
Assorted Adult Services Conferences	8,865
Senior Projects & Sr. Nutrition Projects	13,294
Senior Nutrition Fundraising	42,439
Emergency Shelter Special Projects	925
Stock Donations	4,059
Employment & Training Special Projects	158,301
Columbia Senior Housing Donations	314
Legal Aid Donations	1,337
Warming Center	269
Youth Donations	4,297
	<u>4,297</u>
	<u>\$ 466,516</u>

Net assets with donor restrictions as of February 28, 2021, was \$389,737.

Net assets with donor restrictions released from restriction for the fiscal year ended February 28, 2022, were as follows:

Newport Donations	\$ 14,423
Victim Services Special Projects	(13,086)
Covid Response 19	(519)
Employment and Training Special Projects	(10)
Women Making a Difference	15,332
Head Start Fund Raising	(244)
Assorted Adult Services Conferences	2
Senior Projects & Sr. Nutrition Projects	(284)
Senior Nutrition Fund Raising	(298)
	<u>(298)</u>
	<u>\$ 15,316</u>

Net assets with donor restrictions released from restriction for the fiscal year ended February 28, 2021, were \$85,322.

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2022

NOTE 17: COVID-19

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. COVID-19 has required the Organization to make adjustments to operating practice and delivery of services. The Organization has continued to provide services and implemented innovative solutions to support those served and the Organization employees. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and general population.

NOTE 18: INVESTMENTS

During the fiscal year ended February 28, 2021, the Organization was donated a 1% limited partnership interest in L&S Columbia, which in turn owns 95% of two subsidiary limited partnerships: L&S Kettle Falls Limited (18-unit, low-income housing project located in Kettle Falls, WA) and L&S Investments (17-unit, low-income housing project located in Republic, WA).

At February 28, 2022, that interest had a value of \$395.

NOTE 19: TRANSFER TO ORGANIZATION

The Organization has provided bookkeeping services for Children's Advocacy Centers of Washington (CACWA), a nonprofit organization. During the fiscal year ended February 28, 2022, CACWA started doing their own bookkeeping. During the fiscal year, the Organization transferred \$61,923 of CACWA funds to them. This is shown on the statement of activities as a Transfer to Organization.

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED FEBRUARY 28, 2022

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Award Number	Period of Award		Expenditures		Passed through to Subrecipient
					From Pass-Through Awards	From Direct Awards	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start DHHS	93.600	10CH010912-02-04	06/01/19	05/31/24	\$ -	\$ 784,145	\$ -
HEAD START CRRSA COVID 21	93.600	10HE001170-01-01	04/01/21	03/31/23	-	16,431	-
Head Start DHHS	93.600	10CH010912-03-03	06/01/19	05/31/24	-	1,375,119	-
					-	2,175,695	-
<i>Passed through Washington State Department of Commerce:</i>							
LIHEAP Weatherization COM	93.568	F19-53101-419	10/01/20	09/30/22	130,138	-	-
LIHEAP AMERICAN RESCUE PLAN	93.568	21-3260A-072	10/01/21	09/30/23	822,282	-	-
LIHEAP WXN AMERICAN RESCUE PLAN	93.568	22-32607-072	10/01/21	09/30/23	82,363	-	-
LIHWAP Consolidated Appropriations Act	93.568	21-32607-072	10/01/21	09/30/23	61,312	-	-
Low Income Household Water Assistance Program - ARP	93.568	22-32607-072	10/01/21	09/30/23	1,829	-	-
Low Income Home Energy Assistance Pgm EAP	93.568	21-32606-072 B	10/01/21	09/30/23	489,868	-	-
					1,587,792	-	-
Community Services Block Grant	93.569	F21-32101-024A	03/25/21	09/30/22	19,333	-	-
Community Services Block Grant-CARES Act	93.569	F20-3210C-024	01/20/20	09/30/22	83,996	-	-
					103,329	-	-
Rape Prevention Education	93.136	F21-31320-611A	02/01/21	01/31/22	57,673	-	-
Rape Prevention & Education (RPE) Year 3	93.136	F22-31320-611	02/01/22	01/31/23	4,885	-	-
					62,558	-	-
<i>Passed through Washington State Department of Social and Health Services:</i>							
Domestic Violence	93.671	2012-86884	10/01/18	09/30/20	69,742	-	-
Family Violence Prevention & Services	93.671	2112-21530	10/01/21	09/30/21	314,465	-	-
American Rescue Plan - DV	93.671	2112-31574	10/01/21	09/30/23	11,144	-	-
					395,351	-	-
Substance Abuse Block Grant	93.959	K3938	07/01/21	06/30/22	25,238	-	-
<i>Passed through Aging and Long Term Care of Eastern Washington:</i>							
Home Care Referral Registry	93.778	15-21:93:25(9)	01/01/21	12/31/21	10,122	-	-
Home Care Referral Registry	93.778	15-22:93:25(10)	01/01/22	12/31/22	3,867	-	-
Case Management	93.778	20-21:43.1:25 (2)	01/01/21	12/31/21	862,671	-	-
STATE SERVICES CASE MGMT	93.778	20-22:43.1:25(3)	01/01/22	12/31/22	174,853	-	-
					1,051,513	-	-

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED FEBRUARY 28, 2022

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Award Number	Period of Award	Expenditures		Passed through to Subrecipient	
				From Pass-Through Awards	From Direct Awards		
SR LEGAL ASSISTANCE SERVICES ALTCEW 21	93.044	21-22:31:25 (1)	01/01/21	12/31/21	3,264	-	-
Sr Legal Assistant Services ALTCEW	93.044	21-22:31:25(1)	01/01/22	12/31/22	2,750	-	-
Minor Home Repair	93.044	2020:RFP MHR:25(1)	07/01/20	06/30/22	11,412	-	-
Minor Home Repair (American Rescue Plan)	93.044	2022:57:ARP:25 (1)	01/01/22	12/31/22	4,478	-	-
Healthy At Home (Coronavirus Aid)	93.044	2020:RFP-HW:25(1)	07/01/20	06/30/21	100	-	-
Healthy Ideas (Coronavirus Aid)	93.044	2020:RFP-HI:25	07/01/20	06/30/21	2,520	-	-
Enhanced Outreach Whitman Co. (Coronavirus Aid)	93.044	2020:RFP-CLC:24(!)	07/01/20	06/30/21	1,494	-	-
Case Management	93.044	20-21:42:43:25 (1)	01/01/21	12/31/21	72,705	-	-
Case Management ALTCEW	93.044	20-22:42, 43:25 (2)	01/01/22	12/31/22	23,678	-	-
CARES FAMILY CAREGIVER SUPPORT - RESPITE	93.044	2021:CARES:24	09/01/21	12/31/21	26,624	-	-
ADRC VACCINE RESPONE - Supportive Services	93.044	2021:VacResp:25	09/01/21	09/30/22	17,218	-	-
Senior Transportation	93.044	18-21:41:25(5)	01/01/21	12/31/21	122,350	-	-
Senior Transportation	93.044	2022:41:25	01/01/22	12/31/22	20,849	-	-
Community Living Connections ALTCEW	93.044	20-22:42, 43:25 (2)	01/01/22	12/31/22	17,835	-	-
ALTCEW CARES Transportation	93.044	20-21:RFP:T:25 (1)	07/01/20	12/31/21	13,457	-	-
SENIOR CONGRATE MEALS 2021	93.045	19-22:61,64:25(8)	01/01/22	12/31/22	20	-	-
SENIOR CONGRATE MEALS 2021	93.045	19-21:61,64:25(5)	01/01/21	12/31/21	201,660	-	-
SENIOR CONGREGATE MEALS 2022	93.045	19-22:61,64:25(8)	01/01/22	12/31/22	66,939	-	-
SENIOR CONGRATE MEALS 2021 -USDA	93.045	19-22:61,64:25(5)	01/01/21	12/31/21	31,514	-	-
ALTCEW Cares Nutrition	93.045	19-21:61,64:25(6)	01/01/22	09/30/22	43,340	-	-
ALTCEW Consolidated Appropriations Act	93.045	19-21:61,64:25(7)	01/01/21	12/31/21	43,956	-	-
Subtotal Cluster					728,163	-	-
Family Caregiver Support	93.052	20-21:78.1,78.2,79:25 (4)	01/01/21	12/31/21	7,901	-	-
Family Caregiver Support	93.052	20-22:78.1,78.2, 79:25 (5)	01/01/22	12/31/02	58,089	-	-
					65,990	-	-
ADRC COVID-19 Response	93.048	2020:42 COVID:25	08/01/20	09/30/21	16,273	-	-
ADRC VACCINE RESPONE - Speacial programs for the Aging	93.048	2021:VacResp:25	09/01/21	09/30/22	1,356	-	-
					17,629	-	-
<i>Passed through Blue Mountain Action Council:</i>							
COMMUNITY JOBS 2021	93.558	S20-32710-001RR	07/01/20	06/30/21	10,753	-	-
					10,753	-	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					4,048,316	2,175,695	-
U.S. DEPARTMENT OF ENERGY							
<i>Passed through Washington State Department of Commerce:</i>							
DOE Weatherization Program	81.042	F19-53103-419	07/01/20	06/30/22	10,416	-	-
DOE Weatherization Program	81.042	F21-53103-419A	07/01/21	06/30/22	79,857	-	-
					90,273	-	-

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED FEBRUARY 28, 2022

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Award Number	Period of Award		Expenditures		Passed through to Subrecipient
					From Pass-Through Awards	From Direct Awards	
Bonneville Power Low Income Weatherization Pgm	81.999 BPA	F19-53104-419D	10/01/19	09/30/21	111	-	-
Bonneville Power Administration/LIEE Program	81.999 BPA	F21-53104-419A	10/01/21	09/30/23	10,594	-	-
					10,705	-	-
TOTAL DEPARTMENT OF ENERGY					100,978	-	-
U.S. DEPARTMENT OF AGRICULTURE							
Head Start USDA	10.558	N/A	06/01/21	05/31/22	-	16,325	-
Head Start USDA	10.558	N/A	06/01/20	05/31/21	-	20,510	-
					-	36,835	-
USDA Loan**	10.218	97-13	11/15/99	11/15/39	-	135,501	-
USDA Loan**	10.218	97-14	09/20/00	09/20/40	-	69,731	-
USDA Loan**	10.218	97-15	07/30/02	07/30/32	-	904,563	-
USDA Loan**	10.218	97-17	03/12/09	03/12/49	-	339,440	-
Farmers Home Administration Loan**	10.218	97-11	11/26/97	11/26/27	-	56,063	-
					-	1,505,298	-
USDA Loan**	10.766		12/03/14	12/03/44	-	438,505	-
USDA Loan**	10.415	56-010-501252274	07/30/18	02/06/37	-	380,422	-
USDA Loan**	10.415	56-010-501252274	07/30/18	02/06/37	-	12,760	-
					-	393,182	-
<i>Passed through People for People:</i>							
Basic Food Education & Outreach	10.561	1913-65540 (01)	10/01/20	09/30/21	53,094	-	-
Basic Food Education & Outreach	10.561	1913-65540 (02)	10/01/21	09/30/22	54,499	-	-
					107,593	-	-
<i>Passed through Washington State Department of Agriculture:</i>							
TEFAP Commodities	10.569				569,137	-	569,137
The Emergency Food Assistance Program	10.568	K2775 (8)	10/01/20	09/30/21	55,614	-	-
TEFAP Farm to Food Bank	10.568	K2775 (6)	10/01/20	09/30/21	13,438	-	-
CSFP commodities	10.565				185,300	-	185,300
Commodity Supplemental Food Program	10.565	K2775 (2)	10/01/20	09/30/21	20,923	-	-
Commodity Supplemental Food Program	10.565	K2775 (8)	10/01/21	09/30/22	10,360	-	-
Subtotal Cluster					854,772	-	754,437
TOTAL U.S. DEPARTMENT OF AGRICULTURE					962,365	2,373,820	754,437

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED FEBRUARY 28, 2022

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Award Number	Period of Award		Expenditures		Passed through to Subrecipient
					From Pass-Through Awards	From Direct Awards	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
<i>Passed through Washington State Department of Commerce:</i>							
Tenant Based Rental Assistance	14.231	19-42401-125	07/01/20	06/30/21	166,906	-	-
Tenant Based Rental Assistance	14.231	19-42401-125	07/01/21	06/30/22	172,104	-	-
Emergency Solutions Grant	14.231	20-4613C-108	07/01/21	09/30/23	432,292	-	-
					771,302	-	-
<i>Passed through Stevens County:</i>							
Community Development Block Grant	14.228	20-62210-013	07/01/20	06/30/21	27,883	-	-
CDBG-CV COVID Hunger Relief Staffing and Services	14.228	21-62210-013	07/01/21	06/30/22	29,283	-	-
CDBG-CV COVID Hunger Relief Staffing and Services	14.228	20-6221C-132	01/01/21	01/31/23	143,508	-	-
<i>Passed through Lincoln County:</i>							
Community Development Block COVID19 CV1	14.228	N/A	01/01/22	12/31/23	5,874	-	-
					206,548	-	-
<i>Passed through Spokane Housing Authority:</i>							
Rental Assistance Program	14.856	N/A	01/01/21	12/31/21	174,094	-	-
Rental Assist Prog SHA	14.856	N/A	01/01/22	12/31/22	27,553	-	-
					201,647	-	-
Section 8 Housing Choice Vouchers	14.871				1,706,392	-	-
<i>Passed through Washington State Housing Finance Commission:</i>							
Super NOFA Housing Counseling	14.169	N/A	10/01/21	03/31/22	87,685	-	-
					2,973,574	-	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
DEPARTMENT OF LABOR							
<i>Passed through Washington State Employment Security Department:</i>							
Rapid Response Increased Employment	17.278	6110-7509-10	11/15/20	06/30/22	96,659	-	-
Title 1-B Dislocated Worker	17.278	6110-1209	10/01/19	06/30/21	115,159	-	91,200
Title 1-B Dislocated Worker	17.278	6110-7209	07/01/20	06/30/22	522,585	-	522,585
Title 1-B Administrative Cost Pool	.258, .259, .278	6110-1309	10/01/19	06/30/21	76,186	-	-
Title 1-B Administrative Cost Pool	.258, .259, .278	6110-7300	04/01/21	06/30/23	155,764	-	-
<i>Passed through Eastern Washington Partnership:</i>							
Title 1-B Adult	17.258	19 RRR Adult - 30 52519 446 000/6110-7108	10/01/19	06/30/21	7,245	-	-
Title 1-B Adult	17.258	20RRAdult -30 52520 446 000/6110-7108	10/01/20	06/30/22	669,361	-	193,565

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED FEBRUARY 28, 2022

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Award Number	Period of Award		Expenditures		Passed through to Subrecipient
					From Pass-Through Awards	From Direct Awards	
WIOA YOUTH	.258, .259, .278	6110-7620/7621-07	10/01/21	03/31/24	1,249	-	-
Title I-B Youth	17.259	19RRYYth -6110-7008/30 53019 464 000 & 30 53019 465 000	10/01/19	06/30/21	144,353	-	-
Title I-B Youth	17.259	20RR Youth -6110-7008/30 53019 464 000 & 3053019 465 000	10/01/20	06/30/22	486,059	-	240,127
Subtotal Cluster					2,274,620	-	1,047,477
NDWG COVID Disaster	17.277	6110-7580-64	07/01/21	03/31/23	57,132	-	-
TOTAL DEPARTMENT OF LABOR					2,331,752	-	1,047,477
VETERANS AFFAIRS ADMINISTRATION							
<i>Passed through the WA State Veterans Affairs:</i>							
Ferry County Veterans Van	64.035	305E-14-099(6)	09/15/21	09/14/22	15,279	-	-
Ferry County Veterans Van	64.035	305E-14-099	09/15/21	09/14/22	9,105	-	-
TOTAL VETERANS AFFAIRS ADMINISTRATION					24,384	-	-
FEDERAL TRANSIT ADMINISTRATION							
<i>Passed through the WA State Department of Transportation:</i>							
Vehicle Purchase Grant	20.513	PTD0150	07/01/20	06/30/22	124,665	-	-
U.S. DEPARTMENT OF JUSTICE							
<i>Passed through Washington State Department of Commerce:</i>							
STOP Violence Against Women	16.588	F19-31103-061 B	01/01/21	12/31/21	70,902	-	25,931
STOP Violence Against Women	16.588	F21-31103-056	01/01/22	12/31/22	5,930	-	-
TOTAL U.S. DEPARTMENT OF JUSTICE					76,832	-	25,931
Sexual Assault Treatment / Prevention	16.575	21-31310-143	07/01/21	06/30/22	26,547	-	-
Sexual Assault Treatment / Prevention	16.575	22-31310-143	07/01/21	06/30/22	140,312	-	-
Crime Victim Service Center	16.575	20-31219-029A	07/01/20	06/30/21	86,478	-	-
Crime Victim Service Center	16.575	22-31219-025	07/01/21	06/30/23	95,080	-	-
CAC Child Centered Services	16.575	F19-31219-411	07/01/20	06/30/22	29,793	-	-
CAC Child Centered Services	16.575	F19-31219-411A	07/01/21	06/30/22	59,013	-	-
TOTAL U.S. DEPARTMENT OF JUSTICE					437,223	-	-
TOTAL U.S. DEPARTMENT OF JUSTICE					514,055	-	25,931

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED FEBRUARY 28, 2022

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Award Number	Period of Award	Expenditures		Passed through to Subrecipient	
				From Pass-Through Awards	From Direct Awards		
U.S. DEPARTMENT OF THE TREASURY							
<i>Passed through Washington State Department of Commerce:</i>							
EAP Governor's CARES (LIHEAP)	21.019	20-326CC-072A	07/01/21	12/30/20	444,965	-	
EFAP Supplemental	21.019	K2734	7/1/2020	06/30/21	47,161	-	
NUTRITION SYSTEMS LOCAL FARM PURCHASES	21.019	K3380 (1)	01/01/21	06/30/21	6,178	-	
Eviction Rental Assistance Program	21.019	21-4614C-126	8/1/2021	06/30/22	95,056	-	
<i>Passed through Washington State Department of Agriculture Food Assistance:</i>							
EFAP FLEXIBLE CAPACITY GRANT	21.019	K3380	01/01/21	06/30/21	141,808	-	
					735,168	-	
<i>Passed through Washington State Department of Commerce:</i>							
Eviction Rental Assistance Program	21.027	21-4619C-126A	10/1/2021	06/30/23	1,508,385	-	
<i>Passed through Washington State Department of Agriculture Food Assistance:</i>							
Emergency Food Assistance Program	21.027	K3493	07/01/21	06/30/22	86,192	-	
We Feed Wasington	21.027	K3639	11/01/21	06/30/22	10,980	-	
					1,605,557	-	
<i>Passed through Washington State Department of Commerce:</i>							
Treasury Rent Assistance Program	21.023	21-4616C-126A	10/1/2021	10/15/21	1,162,638	-	
TOTAL U.S. DEPARTMENT OF THE TREASURY					3,503,363	-	
U.S. DEPARTMENT OF EDUCATION							
<i>Passed through Washington State Department of Social and Health Services:</i>							
Pre-Employment Transition Services	84.126	PY 19 RRCA Pre- ETS	10/1/2020	07/31/21	94,497	-	
TOTAL FEDERAL FINANCIAL ASSISTANCE					\$ 14,677,949	\$ 4,549,515	\$ 1,827,845

** Loans

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2022

NOTE 1: BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Organization's financial statements. The Organization uses the accrual basis of accounting.

NOTE 2: DE-MINIMIS COST RATE

The Organization did not use the 10% de-minimis cost rate.

NOTE 3: FEDERAL EXPENDITURES FROM LOANS

	<u>Beginning Balance</u>	<u>Current Year Activity</u>	<u>Ending Balance</u>
USDA Loan	\$ 438,505	\$ (11,351)	\$ 427,154
USDA Loan	904,563	(67,236)	837,327
USDA Loan	69,731	(2,310)	67,421
USDA Loan	135,501	(4,777)	130,724
USDA Loan	56,063	(6,922)	49,141
USDA Loan	380,423	-	380,423
Farmers Home Administration	12,760	-	12,760
USDA Loan	<u>339,440</u>	<u>(6,462)</u>	<u>332,978</u>
Total	<u>\$2,336,986</u>	<u>\$ (99,058)</u>	<u>\$2,237,928</u>

RURAL RESOURCES COMMUNITY ACTION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Fiscal Year Ended February 28, 2022

No matters are reportable.

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the consolidated financial statements of Rural Resources Community Action (a nonprofit organization), which comprise the statement of financial position as of February 28, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related consolidated notes to the financial statements, and have issued our report thereon dated December 12, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from 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 consolidated 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2022-003, 2022-2004, and 2022-005.

Response to Finding

The Organization's response to the findings identified in our report is described in the accompanying management's response and corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

December 12, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rural Resources Community Action (the Organization) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended February 28, 2022. 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.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with

GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-003, 2022-004, and 2022-005. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with

a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. We identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned as item 2022-003, 2022-004, and 2022-005, that we consider to be a material weakness.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying management's response and corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

December 12, 2022

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended February 28, 2022

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified: Yes

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: Yes

Significant deficiencies identified not considered to be material weaknesses: No

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a): Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
93.600	Head Start
14.871	Section 8 Housing Choice Vouchers
21.027	Eviction Rental Assistance Program
21.023	Treasury Rent Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: Yes

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended February 28, 2022

Section II – Financial Statement Findings:

2022-001 GRANT ACCOUNTING

Criteria: Generally accepted accounting principles require recording revenue when earned. Corresponding receivables and deferred revenue when applicable, should be reflected in the financial records. The Organization performs activities and services under grant contracts with federal and state agencies that are reimbursement type arrangements. As expenses for qualifying activities are incurred, contracts are billed and revenue and receivable recorded. If the Organization receives advances or grant funds in excess of current expense, deferred revenue is recorded pending use of the funds for qualifying expenses. Also, intercompany transactions between the Organization and Rural Resources Holding need to be eliminated and the year end balances and activity for the fiscal year for San Poil needs to be included in the adjusted trial balance to have accurate financial statements. Also, noncash revenue of commodities and Section 8 Housing Vouchers also need to be recorded in the financial records. Regular review and reconciliation of activities are necessary to ensure accurate financial accounting and reporting.

Condition: While conducting the audit, we determined that the Organization did not record receivables and deferred revenue at year end. Monthly billing processes were being followed, with current expenses captured and billed. However, receivables and deferred revenue was not incorporated in the revenue recognition process. Also intercompany transactions with Rural Resources Holding, and activity for San Poil was not incorporated in the adjusted trial balance and therefore the year end trial balance did not follow generally accepted accounting principles.

Effect: Lack of a regular review of financial records, and reconciliation of grant arrangements and contracts resulted in material misstatements of accounts receivable, deferred revenue, revenue and expenses.

Cause: The Organization accounting personnel did not record accounts receivable, deferred revenue, eliminate intercompany transactions and record San Poil activity at year end. The Organization has seen significant turnover in the finance department and training and oversight has been inadequate in this area.

Recommendation: We recommend that the Organization record accounts receivable and deferred revenue, adjust trial balance for elimination of intercompany transactions and include San Poil activity.

2022-002 SUBMITTING AUDITED FINANCIAL STATEMENTS

Criteria: The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Guidance), required auditees to submit the audit report within nine months after year end to the Federal Audit Clearinghouse.

Condition: The Organization did not submit the audit report by November 30, 2022 to the Federal Audit Clearinghouse.

Effect: Because of significant turnover in the finance department and training and oversight has been inadequate in this area, the audit report was submitted late.

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended February 28, 2022

Cause: Significant turnover in the finance department and training and oversight has been inadequate in this area.

Recommendation: The Organization should implement processes to ensure that the annual audits are completed timely.

Section III – Federal Award Findings and Questioned Costs:

2022-003 GRANT ACCOUNTING

AL Number and Title: 21.023 Treasury Rent Assistance Program
Federal Grantor Name: United States Department of the Treasury
Pass Through Entity: Department of Commerce

AL Number and Title: 21.027 Eviction Rental Assistance Program & Emergency Food Assistance Program
Federal Grantor Name: United States Department of the Treasury
Pass Through Entity: Department of Commerce & Department of Agriculture

AL Number and Title: 93.600 Head Start and Early Head Start
Federal Grantor Name: United States Department of Health and Human Services
Pass Through Entity: N/A

AL Number and Title: 14.871 Section 8 Housing Choice Vouchers
Federal Grantor Name: United States Department of Housing & Urban Development
Pass Through Entity: Spokane Housing Authority

See finding 2022-001. The Organization did not record accounts receivable, deferred revenue, and noncash revenue at year end. This resulted in material misstatement of revenue, receivables, and deferred revenue of federal awards in the financial records.

Questioned Costs for Finding 2022-003: No questioned costs were noted for this finding.

2022-004 SUBMITTING AUDITED FINANCIAL STATEMENTS

AL Number and Title: 21.023 Treasury Rent Assistance Program
Federal Grantor Name: United States Department of the Treasury
Pass Through Entity: Department of Commerce

AL Number and Title: 21.027 Eviction Rental Assistance Program & Emergency Food Assistance Program
Federal Grantor Name: United States Department of the Treasury
Pass Through Entity: Department of Commerce & Department of Agriculture

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended February 28, 2022

AL Number and Title: 93.600 Head Start and Early Head Start
Federal Grantor Name: United States Department of Health and Human Services
Pass Through Entity: N/A

AL Number and Title: 14.871 Section 8 Housing Choice Vouchers
Federal Grantor Name: United States Department of Housing & Urban Development
Pass Through Entity: Spokane Housing Authority

See finding 2022-002. The Organization did not submit the audit report by November 30, 2022 to the Federal Audit Clearinghouse.

Questioned Costs for Finding 2022-004: No questioned costs were noted for this finding.

2022-005 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AL Number and Title: 21.023 Treasury Rent Assistance Program
Federal Grantor Name: United States Department of the Treasury
Pass Through Entity: Department of Commerce

AL Number and Title: 21.027 Eviction Rental Assistance Program & Emergency Food Assistance Program
Federal Grantor Name: United States Department of the Treasury
Pass Through Entity: Department of Commerce & Department of Agriculture

AL Number and Title: 93.600 Head Start and Early Head Start
Federal Grantor Name: United States Department of Health and Human Services
Pass Through Entity: N/A

AL Number and Title: 14.871 Section 8 Housing Choice Vouchers
Federal Grantor Name: United States Department of Housing & Urban Development
Pass Through Entity: Spokane Housing Authority

Criteria: The Uniform Guidance requires auditees to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements.

Condition: The Organization did not prepare a complete and accurate SEFA for the fiscal year ended February 28, 2022, by not including commodities and Section 8 Housing Vouchers.

Effect: An incomplete and inaccurate SEFA introduced the risk of the inclusion and incorrect programs for compliance testing and material errors in the year-end audit report.

Cause: The Organization accounting personnel did not have adequate training and experience to properly capture and report federal expenditures in accordance with Uniform Guidance. Additional, as noted in finding 2022-001, lack of a regular review and reconciliation of grant arrangements and contracts resulted in material misstatements of grant revenue, accounts receivable, and deferred revenue.

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended February 28, 2022

Recommendation: We recommend that the Organization provide specific training to accounting personnel in the preparation and reporting requirements for the SEFA. The Organization should also implement a process to identify all federal sources of funds, when awarded, and track, report and include these awards in the year-end SEFA.

Questioned Costs for Finding 2022-005: No questioned costs were noted for this finding.

December 12, 2022

Management's Response to 2022 Audited Financial Statements Findings and Corrective Action Plan:

Rural Resources Community Action agrees with the findings reported and has identified corrective action to rectify the findings.

2022-001 and 2022-003 Grant Accounting

The Chief Financial Officer (CFO) understands the importance of recording all revenue and deferred revenue to ensure accurate financial accounting and reporting. The Organization has acquired an accounts receivable module for their accounting software to record accounts receivable monthly. The CFO will be reviewing financial records to make sure all revenue and elimination of intercompany transactions are recorded.

2022-002 and 2022-004 Submitting Audited Financial Statements

The Organization management and Board of Directors understand the requirement and importance of submitting audited financial statements to the Federal Audit Clearinghouse in a timely matter. This will be monitored closely by the Board of Directors and management of the Organization for future audits to make sure that the audits are submitted timely.

2020-005 Preparation of the Schedule of Expenditures of Federal Awards

The Organization CFO understands the function and necessity of preparing a complete and accurate SEFA. The organization will secure the Grants Management module to use with the accounting software to enhance the ability to efficiently generate the SEFA in a timely manner for the annual audit. The CFO will be reviewing financial records to make sure all cash and noncash federal grants are included on the SEFA.

Sincerely,



Donna Moulton, CEO