

Reports of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Rural Resources Community Action

June 30, 2025

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Report of Independent Auditors

The Board of Directors
Rural Resources Community Action

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Rural Resources Community Action and its subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2025, 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 notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rural Resources Community Action and its subsidiary as of June 30, 2025, and the changes in their net assets and 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 (*Government Auditing Standards*). 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.

Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Organization has suffered a decrease in net assets, recorded significant increases in accrued liabilities, and has stated that substantial doubt exists about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 and *Government Auditing Standards* 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of State and County Awards (Unaudited) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and accordingly, we do not express an opinion or provide any assurance on the schedule.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2026, 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 solely 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 effectiveness of the Organization's 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 's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Spokane, Washington
February 9, 2026

Consolidated Financial Statements

Rural Resources Community Action
Consolidated Statement of Financial Position
June 30, 2025

ASSETS

ASSETS

Cash and cash equivalents	\$ 1,428,180
Restricted cash	440,394
	1,868,574
Unemployment self insurance trust	158,807
Grants and other receivables, net	3,502,305
Loans and interest receivable	762,335
Prepaid expenses and other assets	200,314
Property and equipment, net	8,273,641
	\$ 14,765,976

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 1,631,219
Accrued payroll, benefits, and other expenses	3,996,040
Unemployment self insurance trust	158,807
Refundable advances and other deferred liabilities	45,237
Revolving loans and grant funds payable	1,022,810
Forgivable loans	2,544,801
Notes payable	3,174,745
	12,573,659

NET ASSETS

Without donor restrictions	1,549,858
With donor restrictions	642,459
	2,192,317
Total net assets	2,192,317
Total liabilities and net assets	\$ 14,765,976

See accompanying notes.

Rural Resources Community Action
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT REVENUE			
Governmental grants	\$ 22,200,213	\$ -	\$ 22,200,213
Nongovernmental grants	487,859	838,723	1,326,582
Contributed financial assets	106,200	-	106,200
Contributed nonfinancial assets	38,067	-	38,067
Client fees	4,100,261	-	4,100,261
Rent income	949,082	-	949,082
Other income	88,097	-	88,097
	<u>461,312</u>	<u>(461,312)</u>	<u>-</u>
Net assets released from restrictions			
Total support revenue	<u>28,431,091</u>	<u>377,411</u>	<u>28,808,502</u>
EXPENSES			
Program services			
Housing services	6,833,758	-	6,833,758
Community living connections	3,518,293	-	3,518,293
Head start and early childhood	3,477,901	-	3,477,901
Job training and employment	3,565,642	-	3,565,642
Victim services	1,668,876	-	1,668,876
SAILS services	2,574,515	-	2,574,515
Food and nutrition	2,372,061	-	2,372,061
Integrated services	304,933	-	304,933
Transportation	990,474	-	990,474
	<u>25,306,453</u>	<u>-</u>	<u>25,306,453</u>
Total program services			
Administrative and general	<u>3,940,167</u>	<u>-</u>	<u>3,940,167</u>
Total expenses	<u>29,246,620</u>	<u>-</u>	<u>29,246,620</u>
CHANGE IN NET ASSETS	(815,529)	377,411	(438,118)
NET ASSETS, beginning of period	<u>2,365,387</u>	<u>265,048</u>	<u>2,630,435</u>
NET ASSETS, end of period	<u>\$ 1,549,858</u>	<u>\$ 642,459</u>	<u>\$ 2,192,317</u>

See accompanying notes.

Rural Resources Community Action
Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

	Housing Services	Community Based Teams	Head Start and Early Childhood	Job Training and Employment	Victim Services	SAILS Services	Food and Nutrition	Community Services	Transportation	Total Program Services	Administrative and General	Total
Personnel	\$ 2,572,104	\$ 2,968,500	\$ 2,470,871	\$ 1,490,360	\$ 1,141,858	\$ 2,221,990	\$ 620,899	\$ 123,411	\$ 583,984	\$ 14,193,977	\$ 1,484,410	\$ 15,678,387
Assistance to individuals	3,112,986	201,021	608,800	1,884,035	61,501	119,493	122,252	23,448	473	6,134,009	13,343	6,147,352
Professional fees	62,916	1,470	7,735	46,387	31,825	44,100	188	9,877	2,417	206,915	1,362,477	1,569,392
Materials & supplies	76,762	26,136	73,377	11,306	152,339	29,499	708,059	75,667	2,205	1,155,350	28,136	1,183,486
Occupancy	171,316	135,944	22,904	41,933	36,471	29,778	66,248	5,596	2,922	513,112	205,553	718,665
Depreciation	258,521	2,840	137,065	-	5,546	-	32,342	4,576	65,394	506,284	179,146	685,430
Commodities	-	84	-	-	-	-	682,570	-	-	682,654	-	682,654
Office operations	87,142	42,127	44,453	25,287	100,420	44,738	13,832	15,744	8,561	382,304	118,269	500,573
Maintenance & repair	205,934	19,219	10,250	6,227	16,077	26,983	85,197	10,152	80,168	460,207	76,403	536,610
Interest	32,108	-	23,197	-	-	-	402	-	-	55,707	369,065	424,772
Travel & training	36,240	92,943	17,404	28,624	59,786	45,112	11,503	21,680	202,718	516,011	10,189	526,200
Insurance	107,626	7,355	26,843	3,530	16,186	6,225	15,198	-	18,871	201,834	38,018	239,852
Equipment & lease	51,903	14,491	14,805	2,612	23,391	5,880	6,010	3,804	1,065	123,961	50,984	174,945
In-kind	-	-	13,986	-	1,483	268	3,412	-	18,429	37,577	44	37,621
Other	58,200	6,163	6,211	25,341	21,994	449	3,948	10,978	3,267	136,551	4,130	140,681
Total expenses	\$ 6,833,758	\$ 3,518,293	\$ 3,477,901	\$ 3,565,642	\$ 1,668,876	\$ 2,574,515	\$ 2,372,061	\$ 304,933	\$ 990,474	\$ 25,306,453	\$ 3,940,167	\$ 29,246,620

See accompanying notes.

Rural Resources Community Action
Consolidated Statement of Cash Flows
Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (438,118)
Adjustments to reconcile change in net assets to net cash	
Depreciation	687,882
Change in assets and liabilities	
Grants and other receivables, net	22,553
Loans and interest receivable	442,207
Unemployment self insurance trust (asset)	2,847
Prepaid expenses and other assets	(92,645)
Accounts payable	555,422
Accrued and other expenses	334,723
Unemployment self-insurance trust (liability)	(2,847)
Refundable advances and other deferred liabilities	1,237
Revolving loans and grant funds payable	<u>(205,578)</u>
Net cash provided by operating activities	<u>1,307,683</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(85,952)</u>
Net cash used in investing activities	<u>(85,952)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on notes payable	<u>(167,911)</u>
Net cash used in financing activities	<u>(167,911)</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,053,820
BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>814,754</u>
ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u><u>\$ 1,868,574</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS	
Cash paid for interest	<u><u>\$ 110,742</u></u>

See accompanying notes.

Rural Resources Community Action

Notes to Consolidated Financial Statements

Note 1 – Nature of Organization and Significant Accounting Policies

Rural Resources Community Action (the Organization) is a nonprofit 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 departments:

Housing services – This department accounts for all revenues and expenditures related to the Organization’s housing, weatherization assistance, low-income energy programs, and shelter programs. The department’s sources of revenue are government grants and program revenues.

Community based teams – This department accounts for all revenues and expenditures related to the elimination of barriers for clients to obtain foundational amenities. The department’s sources of revenue are government grants and contributions of financial and nonfinancial assets.

Head start and early childhood – This department 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 department’s major sources of revenue are government and private grants and contributions.

Job training and employment – This department accounts for all revenues and expenditures related to the Organization’s administering of Workforce Innovation and Opportunity Act grants and similar activities, in addition to literacy programs. The department’s major sources of revenue are government grants.

Victim services – This department accounts for all revenues and expenditures related to the Organization’s crime victims grant programs. The department’s major funding sources of revenue are government and private grants and contributions.

Senior and Independent Living Services (SAILS) services – This department accounts for all revenues and expenditures related to services provided to aging or disabled community members. The department’s major sources of revenue are government grants.

Food and nutrition – This department accounts for all revenues and expenditures related to food bank and mobile pantry programs and senior nutrition. The department's sources of revenue are government grants and contributions of financial and nonfinancial assets. The department’s major sources of revenue are government grants.

Community services – This department 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 department’s major sources of revenue are government grants.

Rural Resources Community Action Notes to Consolidated Financial Statements

Transportation – This department accounts for all revenues and expenditures related to the Organization’s rural mobility and senior transportation support programs. The department’s major sources of revenue are government grants.

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

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, hold title to, and collect income from such properties.

Liquidity and availability – The following represent the Organization’s financial assets available to meet general expenditures over the next year as of June 30, 2025:

Cash and cash equivalents	\$ 1,428,180
Grants and other receivables, net	<u>3,502,305</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,930,485</u>

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 consolidated 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.

Basis of accounting – The Organization maintains its financial records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of estimates – The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the consolidated 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 consolidated financial statements. Actual results could differ from those estimates.

Income taxes – Rural Resources Community Action is a tax-exempt nonprofit 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 nonprofit organization under the Internal Revenue Code Section 501(c)(25) and is not classified as a private foundation. Accordingly, any income that is unrelated is immaterial, therefore, the consolidated financial statements do not include any provision for income taxes.

The Organization files income tax returns in the U.S. federal jurisdiction.

As of June 30, 2025, there are no uncertain tax positions.

Rural Resources Community Action Notes to Consolidated Financial Statements

Cash, cash equivalents, and restricted cash – The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The Organization has replacement reserves that can be used to support various facilities, which has been classified as restricted cash. See Note 3 for further details.

Grants and other receivables, net – Grants receivable and other receivables are recorded to the extent of qualifying grant expenditures made during the current year that are to be reimbursed after year end. Management provides for probable uncollectible amounts through an adjustment to the allowance for credit losses based on its assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. The allowance for credit losses as of June 30, 2025, was \$26,608. Bad debt expense of \$25,531 was recognized for the year ended June 30, 2025, and was more than offset by accumulated recoveries of \$32,438.

Loans and interest receivable – The Organization obtains funds to loan to individuals. As discussed further in Note 5, the amounts are recorded at their discounted present value. There was no allowance for credit loss as of June 30, 2025, as the loans have a corresponding revolving loan fund payable recorded.

Property and equipment, net – Property and equipment purchased by the Organization with a unit cost equal to, or above \$5,000, and with a useful life greater than one year are capitalized. Items costing less than \$5,000, per unit are charged to expense as minor equipment or supplies. Estimated useful lives are as follows:

Buildings	30–40 years
Building improvements	8–15 years
Furniture, fixtures, and equipment	5–10 years
Vehicles	10 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.

Refundable advances and 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 recorded as a liability and used in accordance with the respective grant contracts.

Revolving loan and grant funds payable – The Organization carries interest-bearing loans that are for transitional housing and down payment assistance. These loans bear interest at a rate of 1–3%. Under certain conditions and approval of the Washington State Department of Commerce, these loans may be assumed if it is beneficial to the person and the Washington State Department of Commerce. See Note 5 for further details.

Forgivable loans – The Organization has funded its affordable housing units through the use of forgivable loans provided by government organizations. The loans have various ongoing compliance requirements including restricted use of the properties. The Organization carries the full value of each forgivable loan as a liability until the conditions of the loan have been met at the end of the loan and/or compliance period, at which point in time, loan forgiveness is recognized as revenue without donor restriction. See Note 7 for further details.

Rural Resources Community Action Notes to Consolidated Financial Statements

Notes payable – The Organization has funded some of its affordable housing units through the use of notes payable provided by government organizations. The loans require compliance in meeting the underlying obligations of restricted use of the property, and principal and interest are due in full at the end of the loan period. See Note 6 for further details.

Net assets – Without donor restriction net assets are not subject to donor-imposed stipulations. These include public support and revenues, which are not restricted by the donor and currently available for the support of the Organization.

With donor restriction net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. 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. 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.

Recognition of grant revenue – Grants are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant are made and conditions have been met. Funds received, but not earned, are shown as deferred revenue. Expenditures under grants are subject to review by the granting authority.

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 consolidated 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.

Recognizing revenue from contracts with clients – The Financial Accounting Standards Board (FASB) guidance requires an organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an Organization expects to be entitled in exchange for those goods or services. The Organization follows this principle.

Rural Resources Community Action Notes to Consolidated Financial Statements

Contributed nonfinancial assets –The Organization receives in-kind contributions, primarily in the form of donated food. The food is recorded at market value on the date of donation that has been determined by Washington State Department of Agriculture (WSDA), and management to be \$2.25 per pound during 2025. The market value for the year ended June 30, 2025, has been approved by the WSDA emergency food assistance manual. Other donated goods are recorded at their estimated fair value when received. For the year ended June 30, 2025, contributed nonfinancial assets recognized within the consolidated statement of activities and changes in net assets totaled \$38,067.

For the year ended June 30, 2025, a substantial number of unpaid volunteers have made significant contributions to the operations of the Organization. The estimated value of donated time for the year ended June 30, 2025, was \$528,179 (unaudited). These amounts were not recorded on the consolidated financial statements, as the hours do not meet the requirements for recording.

Advertising costs – The costs of advertising are expensed as incurred. Advertising expense for the year ended June 30, 2025, was \$11,481.

Allocation of expenses – The consolidated 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.

Subsequent events – No events have occurred through February 9, 2026, which is the date the consolidated financial statements were available to be issued, or events requiring recording or disclosure in the consolidated financial statements for the year ended June 30, 2025.

Note 2 – Going Concern

The accompanying consolidated financial statements have been prepared assuming the Organization will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business.

For the year ended June 30, 2025, the Organization is operating at a loss of approximately \$438,000. This, along with the significant liabilities owed to the Internal Revenue Service (IRS) for payroll taxes described in Note 11, raises substantial doubt about the Organization's ability to continue as a going concern within one year after the issuance date of these consolidated financial statements. The ability of the Organization to continue as a going concern is dependent upon management's plans to restructure the IRS liabilities preferably through forgiveness or repayment plan, and its ability to generate positive changes in net assets. Because it is not possible at this time to predict the outcome of management's efforts, substantial doubt remains regarding the ability of the Organization to continue as a going concern during the ensuing year.

Rural Resources Community Action Notes to Consolidated Financial Statements

Note 3 – Restricted Cash

Restricted cash as of June 30, 2025, consists of the following:

Allegiance	\$	28,680
Quail Manor Apts		59,442
Columbia Senior Apts		4,635
San Poil		106,297
Debt Reserve: Main Facility		110,837
Employment and Training - Custodial Account		130,503
	\$	440,394

Note 4 – Property and Equipment, Net

Depreciation of property and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. The cost of such assets are as follows at June 30, 2025:

Land	\$	1,086,756
Buildings and improvements		13,809,598
Furniture, fixtures, and equipment		411,229
Vehicles		1,731,734
Total property and equipment		17,039,317
Less accumulated depreciation		(8,765,676)
Net property and equipment	\$	8,273,641

Note 5 – Loans and Interest Receivable and Revolving Loans and Grant Funds Payable

The Organization provides low-interest loans to repair or rehabilitate housing for low-income families. The Housing Preservation Grant Program (HPG), and the Home Rehabilitation Loan Program (HRLP) provide funds to qualified organizations to repair or rehabilitate housing occupied by low-income families in eligible rural areas. These loans are secured by a deed of trust and promissory note naming the Organization as the beneficiary.

Interest bearing loans receivable of \$762,335 at June 30, 2025, carry a monthly repayment amount based upon the person's ability to repay, with remaining loan balance to be paid in full when the property is sold or a transfer of title occurs. These loans bear interest at a rate of 1–3%. Under certain conditions and approval of the Washington State Department of Commerce, these loans may be assumed if it is beneficial to the person and the Washington State Department of Commerce. A corresponding revolving loan fund payable of \$1,022,810 at June 30, 2025, 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 Organization, through grant agreements, retained the right to grant small amounts (under \$1,500) for housing projects where no repayment is required.

Rural Resources Community Action Notes to Consolidated Financial Statements

Note 6 – Notes Payable

Notes payable as of June 30, 2025, consisted of the following:

Head Start Newport Building

Note payable to USDA in monthly installments of \$1,730, including fixed interest at 4.25%. The note matures in May 2049 and is secured by real estate.

\$ 309,286

San Poil Building

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

380,423

Note payable to USDA in monthly installments of \$34, including fixed interest at 9.00%. The note matures in February 2037 and is secured by real estate.

12,760

Emergency Shelter

Noninterest 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 2045, whichever occurs first. If after review of the project in 2045 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 fixed interest at 4.875%. The note matures in April 2027 and is secured by real estate.

22,110

Rural Resources Community Action Notes to Consolidated Financial Statements

Head Start Colville

Note payable to USDA in monthly installments of \$898, including fixed interest at 4.50%. The note matures in November 2039 and is secured by real estate. \$ 113,130

Note payable to USDA in monthly installments of \$450, including fixed interest at 4.50%. The note matures in September 2040 and is secured by real estate. 58,914

Quail Manor Apartments

Note payable to the Washington State Department of Commerce, due in annual installments of \$12,888, including fixed interest at 1.00%. The note matures in January 2050 and is secured by real estate. 342,080

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 fixed interest at 4.00%. The loan matures in July 2030, and is secured by real estate. 98,164

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 fixed interest at 6.00%. The loan matures in July 2030, and is secured by real estate. 32,576

Main Facility

Note payable to USDA in monthly installments of \$9,061, including fixed interest at 4.75%. The note matures in July 2032 and is secured by real estate. 588,597

Columbia Senior Housing

Note payable to Banner Bank with monthly principal payments of \$300 and variable interest payments (currently 4.34% plus 2.550). The loan matures November 10, 2027, and is secured by real estate. 65,772

Note payable to the Washinton State Department of Commerce, due in quarterly installments of \$1,974, including fixed interest at 1.00%. The note matures in December 2044 and is secured by a deed of trust on real estate. 177,710

Rural Resources Community Action Notes to Consolidated Financial Statements

Allegiance Building

Note payable to USDA in monthly installments of \$2,390, including fixed interest at 4.00%. The note matures in November 2044 and is secured by real estate.

\$ 385,800

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 variable interest at 6.00%. The loan matures in November 2034, and is secured by real estate.

74,786

Inchelium Property

Note payable to Banner Bank in monthly installments of \$1,473, including fixed interest at 5.50%. The note matures in November 2037 and is secured by real estate.

158,359

Central Colville Apartments

Loan payable to the State of Washington Department of Commerce. Payable in annual payments of \$6,365, which includes fixed interest at 2.00%. The loan matures 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

Ford Cargo Vans

Loan payable to Wendle Motors, Inc. Payable in monthly payments of \$1,629, which includes fixed interest at 8.99%. The loan matures June 28, 2027. The loan is secured by the vehicle title.

35,653

Loan payable to Wendle Motors, Inc. Payable in monthly payments of \$1,483, which includes fixed interest at 8.99%. The loan matures June 28, 2027. The loan is secured by the vehicle title.

32,231

\$ 3,174,745

For year ending on June 30, 2025, principal payments required under these loan and note agreements are as follows:

2026	\$	274,419
2027		220,003
2028		187,824
2029		192,894
2030		202,414
Thereafter		<u>2,097,191</u>
	\$	<u>3,174,745</u>

Rural Resources Community Action Notes to Consolidated Financial Statements

Note 7 – Forgivable Loans

The Organization began acquiring residential properties with the help of governmental entities in 1996, which are rented to low-income individuals. The considerations of the loans are to be utilized for the purposes of housing low-income individuals, and in the event those stipulations are adhered to, the loans become recoverable grants after their respective maturities.

Interest has not been imputed on the below notes payable that carry below-market interest rates, as they are payable to governmental entities and carry legal restrictions. The intent of the Organization is to hold these apartments until maturity and adhere to the purposes of the loan documents.

Forgivable loans as of June 30, 2025, were as follows:

North Hill Apartments

Noninterest 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. If the Organization retains the property until July 2046 in accordance with the terms of the agreement, the loan will convert to a grant. The note is secured by real estate. \$ 339,600

Columbia Senior Housing

Noninterest 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 December 2044, whichever occurs first. If the Organization retains the property until December 2044 in accordance with the terms of the agreement, the loan will convert to a grant. The note is secured by real estate. 568,064

Davenport Apartment

Noninterest bearing note payable to the Washington State Department of Commerce. The note is deferred and matures in January 2048 for the primary use as supportive living homes. Upon maturity, the loan will convert into a grant unless the property is converted to other uses. The note is secured by real estate. 1,637,137

\$ 2,544,801

Note 8 – Concentration Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents and receivables. Throughout the year, the amount of cash on deposit exceeds the insured limit by the U.S. Federal Deposit Insurance Corporation by varying amounts. The Organization doesn't believe this to be a significant risk. The amount of cash that was uninsured was \$1,258,627 as of June 30, 2025.

Rural Resources Community Action Notes to Consolidated Financial Statements

A substantial amount of the Organization's support is received in grants from federal and state governments. For the year ended June 30, 2025, approximately 17% of the Organization's funding was derived from grants funded through the Washington State Department of Commerce or 21% of the Organization's grant revenue. Other large sources of revenue are derived from federal and state agencies. These programs are funded primarily by federal funding through congressional budget appropriations.

Note 9 – Employee Benefits and Compensated Absences

The Organization sponsors a simplified employee pension/individual retirement account (the Plan), which covers all employees after they have been employed for six months. The Organization will match up to six percent (6%). Employees are also entitled to make salary reduction agreements under the terms of the Plan. 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's contributions for the year ended June 30, 2025, were \$315,333.

The Organization also provides its employees with paid vacation and sick leave in accordance with its current policies. Sick leave benefits are cumulative to a maximum of 360 hours. Sick leave is not payable to employees upon termination; therefore, no liability has been recorded in the consolidated financial statements. Accrued vacation is payable up to a maximum of 240 hours. Unused vacation accrued at the time of termination, leave of absence, or layoff is payable to employees. Accrued vacation is charged to grants as earned and accrued sick leave is charged when taken. Accrued annual leave as of June 30, 2025, was \$569,915.

Note 10 – Unemployment Self Insurance Trust

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

At June 30, 2025, the Organization had funds on deposit with the Trust of \$158,807. A corresponding liability has been accrued for the estimated claims liability of \$158,807 at June 30, 2025.

Note 11 – 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.

The Organization is awaiting the investigation results from a Revenue Officer to establish a payment plan related to an accrued outstanding balance resulting from late filings of payroll tax calculation and remittance. The amounts accrued as of June 30, 2025, are approximately \$2,654,000, which is inclusive of penalties and interest within the accrued payroll, benefits, and other expenses balance within the consolidated statement of financial position. Accrued interest and penalties could be reduced by forgiveness from the IRS through abatement once the investigation is complete.

Rural Resources Community Action Notes to Consolidated Financial Statements

The Organization is subject to legal proceedings and claims arising in the normal course of its various activities. The eventuality of legal action, or further, the liability from any such potential action, is subject to a great degree of uncertainty. Management currently believes the resolution of all such matters would not have a material effect on these consolidated financial statements.

The Organization's grant funding is subject to various risks, including changes in government policy and potential executive orders issued by federal, state, or local authorities. These executive orders and changes in regulations may result in modifications, delays, or cancellations of grant funding programs that could adversely impact the Organization's ability to fulfill its commitments under existing grants. The Organization has assessed these risks and believes that any potential impact from such executive orders is uncertain. The ultimate effect on the Organization's financial position and results of operations will depend on future governmental actions and the timing of their implementation. The Organization will continue to monitor developments related to these executive orders and will take appropriate actions as necessary.

Single Audit Reports

Report of Independent Auditors 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*

The Board of Directors
Rural Resources Community Action

We have audited, 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 (*Government Auditing Standards*), the consolidated financial statements of Rural Resources Community Action and its subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2025, 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 notes to the consolidated financial statements, and have issued our report thereon dated February 9, 2026.

Report on 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) as a basis for designing 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

Report on 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 consolidated financial statements. 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*.

Rural Resource Community Action's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subject to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Spokane, Washington
February 9, 2026

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Rural Resources Community Action

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Rural Resources Community Action's and its subsidiary (the Organization) compliance with the types of compliance requirements identified as subject to audit 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 June 30, 2025. 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.

Qualified Opinion on WIOA Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the WIOA Cluster for the year ended June 30, 2025.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2025.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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.

Matter Giving Rise to Qualified Opinion on WIOA Cluster

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding the WIOA Cluster as described in finding number 2025-003 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

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 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.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-003 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our compliance 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.

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.

Baker Tilly US, LLP

Spokane, Washington
February 9, 2026

Supplementary Information

Rural Resources Community Action Schedule of Expenditures of Federal Awards Year Ended June 30, 2025

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Additional Information	Federal Assistance Listing Number	Pass Through Entity or Grant Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services					
Head Start Cluster					
Head Start		93.600		\$ -	\$ 2,238,583
Head Start		93.600		-	57,066
Head Start		93.600		-	191,770
Total Head Start Cluster				-	2,487,419
Passed through Washington State Department of Commerce					
Low-Income Home Energy Assistance		93.568	F23-53101-419	-	209,843
Low-Income Home Energy Assistance		93.568	F23-5310S-419	-	45,370
Low-Income Home Energy Assistance		93.568	23-32606-072	-	435,319
Low-Income Home Energy Assistance		93.568	24-32606-072	-	362,307
Low-Income Home Energy Assistance		93.568	25-32606-072	-	127,507
Total Federal Assistance Listing Number 93.568				-	1,180,346
Community Services Block Grant					
		93.569	F24-32101-024	-	146,176
Total Federal Assistance Listing Number 93.569				-	146,176
Family Violence Prevention Services/Sexual Assault/Rape Crisis Services and Support					
	COVID-19	93.497	F21-31321-026	-	14,873
Passed through Blue Mountain Action Council					
Temporary Assistance for Needy Families		93.558	S24-32710-001RR	-	5,789
Total Federal Assistance Listing Number 93.558				-	5,789
Passed through Washington State Department of Social and Health Services					
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		93.671	2412-56777	-	73,547
Total Federal Assistance Listing Number 93.671				-	73,547
<i>Medicaid Cluster</i>					
Passed through Washington State Health Care Authority:					
Grants to States for Medicaid		93.778	K2742	-	8,598
Passed through Aging and Long Term Care of Eastern Washington					
Grants to States for Medicaid		93.778	2024:43.1:25	-	105,602
Grants to States for Medicaid		93.778	2024:43.1:25	-	340
Grants to States for Medicaid		93.778	24-25:43.1:25	-	105,384
Grants to States for Medicaid		93.778	24-25:43.1:25	-	1,188
Grants to States for Medicaid		93.778	2024:43.1:25	-	332,250
Grants to States for Medicaid		93.778	2024:43.1:25	-	70
Grants to States for Medicaid		93.778	24-25:43.1:25	-	294,844
Grants to States for Medicaid		93.778	24-25:43.1:25	-	10,889
Total Federal Assistance Listing Number 93.778				-	859,165
<i>Total Medicaid Cluster</i>					
				-	859,165
<i>Aging Cluster</i>					
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		93.044	21-24:31:25	-	2,025
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		93.044	2025:31:25	-	2,190
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		93.044	21-24:31:25	-	165
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		93.044	2025:31:25	-	700
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		93.044	2024:42,43:25	-	43,285
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		93.044	24-25:42,43:25	-	64,898
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	COVID-19	93.044	2024:42,43:25	-	7,158
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		93.044	22-24:41:25	-	60,495
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		93.044	22-25:41:25	-	72,034

See notes to schedule of expenditures of federal awards.

**Rural Resources Community Action
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Additional Information	Federal Assistance Listing Number	Pass Through Entity or Grant Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
Total Federal Assistance Listing Number 93.044				-	252,950
Special Programs for the Aging, Title III, Part C, Nutrition Services	COVID-19	93.045	23-24:61.64:25	-	1,186
Special Programs for the Aging, Title III, Part C, Nutrition Services	COVID-19	93.045	23-24:61.64:25	-	1,956
Special Programs for the Aging, Title III, Part C, Nutrition Services		93.045	23-24:61.64:25	-	87,838
Special Programs for the Aging, Title III, Part C, Nutrition Services		93.045	23-25:61.64:25	-	54,254
Special Programs for the Aging, Title III, Part C, Nutrition Services		93.045	23-24:61.64:25	-	19,246
Special Programs for the Aging, Title III, Part C, Nutrition Services		93.045	23-25:61.64:25	-	21,001
Total Federal Assistance Listing Number 93.045				-	185,481
Nutrition Services Incentive Program		93.053	23-24:61.64:25	-	8,560
Nutrition Services Incentive Program		93.053	23-25:61.64:25	-	11,640
Nutrition Services Incentive Program		93.053	23-24:61.64:25	-	2,854
Nutrition Services Incentive Program		93.053	23-25:61.64:25	-	3,880
Total Federal Assistance Listing Number 93.053				-	26,934
<i>Total Aging Cluster</i>				-	465,365
National Family Caregiver Support, Title III, Part E		93.052	2024:79:25	-	6,707
National Family Caregiver Support, Title III, Part E		93.052	24-25:79:25	-	12,669
National Family Caregiver Support, Title III, Part E		93.052	2024:79:25	-	20,211
National Family Caregiver Support, Title III, Part E		93.052	24-25:79:25	-	24,535
Total Federal Assistance Listing Number 93.052				-	64,122
Passed through Better Health Together					
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	COVID-19	93.323	Care Connect WA Hub	-	1,971
Passed through Better Health Together					
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	COVID-19	93.323	Care Connect WA 2024-25	-	53,399
Passed through Greater Health Now					
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	COVID-19	93.323	RR-DOH CBO28488-0	-	28,948
Total Federal Assistance Listing Number 93.323				-	84,318
Passed through Action Health Partners					
Activities to Support State, Local and Territorial (STLT) Health Department Response for Public Health or Healthcare Crisis	COVID-19	93.391	CBO26654	-	14,582
Passed through Action Health Partners					
Community Health Workers for Public Health Response and Resilient	COVID-19	93.495	RRCA CC	-	58,842
Total U.S. Department of Health and Human Services				-	5,454,544
U.S. Department of Energy					
Passed through Washington State Department of Commerce					
Weatherization Assistance for Low-Income Persons		81.042	F24-53103-419	-	85,103
Weatherization Assistance for Low-Income Persons BIL		81.042	F22-92401F-419	-	84,575
Total Federal Assistance Listing Number 81.042				-	169,678
Bonneville Power Administration/LIEE Program		81.999	F23-53104-419	-	78,008
Total Federal Assistance Listing Number 81.999				-	78,008
Total U.S. Department of Energy				-	247,686
U.S. Department of Agriculture					
Buildings and Facilities Program		10.218	97-13	-	118,679
Buildings and Facilities Program		10.218	97-14	-	61,597
Buildings and Facilities Program		10.218	97-15	-	667,327
Buildings and Facilities Program		10.218	97-17	-	316,728
Buildings and Facilities Program		10.218	97-11	-	30,300
Total Federal Assistance Listing Number 10.218				-	1,194,631
Community Facilities Loans and Grants		10.766	97-18	-	398,765
Rural Rental Housing Loans		10.415	56-010-501252274	-	12,760
Rural Rental Housing Loans		10.415	56-010-501252274	-	380,423

See notes to schedule of expenditures of federal awards.

Rural Resources Community Action

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Additional Information	Federal Assistance Listing Number	Pass Through Entity or Grant Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
Total Federal Assistance Listing Number 10.415				-	393,183
Passed Through Washington Office of Superintendent of Public Instruction					
Child and Adult Care Food Program		10.558	33-03-0216	-	10,255
Child and Adult Care Food Program		10.558	33-03-0216	-	88,959
Total Federal Assistance Listing Number 10.558				-	99,214
<i>Schools and Roads Cluster</i>					
Passed through US Forest Service					
Schools and Roads - Grants to States		10.665	23-PA-11062100-020	-	32,970
<i>Total Schools and Roads Cluster</i>				-	32,970
<i>SNAP Cluster</i>					
Passed through People for People:					
State Administrative Matching Grants for Supplemental Nutrition Assistance Program		10.561	2213-44421-01	-	83,533
State Administrative Matching Grants for Supplemental Nutrition Assistance Program		10.561	2213-44421-02	-	248,573
Total Federal Assistance Listing Number 10.561				-	332,106
<i>Total SNAP Cluster</i>				-	332,106
Passed through Northeast Washington Educational Service District 101					
Regional Food System Partnerships		10.177	NEWESD 101	-	3,119
Regional Food System Partnerships		10.177	NEWESD 101	-	20,815
Total Federal Assistance Listing Number 10.177				-	23,934
Passed through Washington State Department of Agriculture					
Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments					
		10.182	K4299	-	28,923
Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments					
		10.182	K4299	-	79,093
Total Federal Assistance Listing Number 10.182				-	108,016
The Emergency Food Assistance Program (TEFAP) Commodity Credit Corporate Eligible Recipients Funds					
		10.187	K5108	-	13,754
Emergency Supply Chain Disruption in the Commodity Supplemental Food Program (CSFP)					
		10.194	K5668	-	3,908
<i>Food Distribution Cluster</i>					
Commodity Supplemental Food Program		10.565	K4735	-	20,273
Commodity Supplemental Food Program		10.565	K5727	-	22,672
Commodity Supplemental Food Program		10.565		-	154,734
Total Federal Assistance Listing Number 10.565				-	197,679
Emergency Food Assistance Programs (Administrative Costs)					
		10.568	K4642	-	77,504
Emergency Food Assistance Programs (Administrative Costs)					
		10.568	K4752	-	36,692
Emergency Food Assistance Programs (Administrative Costs)					
		10.568	K5712	-	47,416
Total Federal Assistance Listing Number 10.568				-	161,612
Emergency Food Assistance Programs (Food Commodities)					
		10.569	K4752	-	527,836
<i>Total Food Distribution Cluster</i>				-	887,127
Total U.S. Department of Agriculture				-	3,487,607
U.S. Department of Housing and Urban Development					
Passed through Washington State Department of Commerce					
Home Investment Partnership Partnerships		14.239	23-42401-125	-	66,782
Home Investment Partnership Partnerships		14.239	24-42401-125	-	268,388
Total Federal Assistance Listing Number 14.239				-	335,170
Passed through Stevens County					
Community Development Block Grants State's Program and Non-entitlement Grants in Hawaii					
		14.228	22-62210-013	-	91,004
Total U.S. Department of Housing and Urban Development				-	426,174

See notes to schedule of expenditures of federal awards.

**Rural Resources Community Action
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Additional Information	Federal Assistance Listing Number	Pass Through Entity or Grant Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
U.S. Department of Labor					
<i>WIOA Cluster</i>					
Passed through Washington State Employment Security Department					
WIOA Adult Program		17.258	K7135	-	1,169
WIOA Adult Program		17.258	21 RRCA EcSA	-	10,098
WIOA Adult Program		17.258	21 CESD EcSA	7,207	7,207
WIOA Adult Program		17.258	22 WWESD Adult	8,045	8,045
WIOA Adult Program		17.258	6110-7303 (K8000)	-	49,863
WIOA Adult Program		17.258	6110-7104 (K8384)	-	37,895
WIOA Adult Program		17.258	23 RR Adult	-	60,042
WIOA Adult Program		17.258	23 BMAC Adult	2,725	2,725
WIOA Adult Program		17.258	24 RR Adult	-	361,177
WIOA Adult Program		17.258	24 BMAC Adult	74,844	74,844
Total Federal Assistance Listing Number 17.258				<u>92,821</u>	<u>613,065</u>
WIOA Youth Activities					
WIOA Youth Activities		17.259	K7135	-	2,735
WIOA Youth Activities		17.259	21 RRCA EcSA	-	23,632
WIOA Youth Activities		17.259	21 CESD EcSA	16,866	16,866
WIOA Youth Activities		17.259	6110-7003 (K8000)	-	27,006
WIOA Youth Activities		17.259	23 RR Youth	-	254,941
WIOA Youth Activities		17.259	23 BMAC Youth	71,618	71,619
WIOA Youth Activities		17.259	6110-7004 (K8384)	-	94,259
WIOA Youth Activities		17.259	24 RR Youth	-	521,369
WIOA Youth Activities		17.259	24 BMAC Youth	13,687	13,687
Total Federal Assistance Listing Number 17.259				<u>102,171</u>	<u>1,026,114</u>
WIOA Dislocated Worker Formula Grants					
WIOA Dislocated Worker Formula Grants		17.278	K7135	-	1,300
WIOA Dislocated Worker Formula Grants		17.278	21 RRCA EcSA	-	11,233
WIOA Dislocated Worker Formula Grants		17.278	21 CESD EcSA	8,016	8,016
WIOA Dislocated Worker Formula Grants		17.278	6110-7303 (K8000)	-	51,619
WIOA Dislocated Worker Formula Grants		17.278	23 ESD DW	390,429	390,428
Total Federal Assistance Listing Number 17.278				<u>398,445</u>	<u>462,596</u>
<i>Total WIOA Cluster</i>				<u>593,437</u>	<u>2,101,775</u>
Total U.S. Department of Labor				<u>593,437</u>	<u>2,101,775</u>
U.S. Department of Justice					
Passed through Washington State Department of Commerce					
Violence Against Women Formula Grants		16.588	F23-31103-046	-	39,814
Violence Against Women Formula Grants		16.588	F24-31103-036	-	11,364
Total Federal Assistance Listing Number 16.588				<u>-</u>	<u>51,178</u>
Crime Victim Assistance					
Crime Victim Assistance		16.575	24-31219-026	-	50,456
Crime Victim Assistance		16.575	F22-31219-453	-	86,911
Passed through Washington State Department of Social and Health Services					
Crime Victim Assistance		16.575	2412-56777	-	364,825
Total Federal Assistance Listing Number 16.575				<u>-</u>	<u>502,192</u>
Total U.S. Department of Justice				<u>-</u>	<u>553,370</u>
Total Expenditures of Federal Awards				<u>\$ 593,437</u>	<u>\$ 12,271,157</u>

See notes to schedule of expenditures of federal awards.

Rural Resources Community Action
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Rural Resources Community Action (Organization), under programs of federal governments for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the 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).

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented where available. The Organization did have funds passed through to subrecipients during the year ended June 30, 2025.

The Organization has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Federal Expenditures from Loans

Loans outstanding at the beginning of the year, and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2025, consists of:

	Pass Through Entity Identifying Number	Federal Assistance Listing Number	Beginning Balance	Current Year Payments	Ending Balance
USDA Loan	97-13	10.218	\$ 118,679	\$ (5,549)	\$ 113,130
USDA Loan	97-14	10.218	61,597	(2,683)	58,914
USDA Loan	97-15	10.218	667,327	(78,730)	588,597
USDA Loan	97-17	10.218	316,728	(7,442)	309,286
Farmers Home Administration	97-11	10.218	30,300	(8,190)	22,110
USDA Loan	97-18	10.766	398,765	(12,965)	385,800
USDA Loan	56-010-501252274	10.415	12,760	-	12,760
USDA Loan	56-010-501252274	10.415	380,423	-	380,423
			<u>\$ 1,986,579</u>	<u>\$ (115,559)</u>	<u>\$ 1,871,020</u>

**Rural Resources Community Action
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025**

I. Summary of Auditor's Results

Consolidated Financial Statements

Type of auditor's report issued on whether the consolidated financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Non-compliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of Major Federal Programs and Type of Auditor's Report on Compliance for each Major Federal Program

<i>Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report on Compliance for Major Federal Program</i>
93.600	Head Start Cluster	Unmodified
Various	WIOA Cluster	Qualified
Various	Aging Cluster	Unmodified
Various	Food Distribution Cluster	Unmodified
93.778	Medicaid Cluster	Unmodified
93.568	Low Income Home Energy Assistance	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low risk auditee?

Yes No

**Rural Resources Community Action
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025**

II. Financial Statements Findings

FINDING 2025-001 – Significant Deficiency – Internal Controls over Financial Reporting; Lack of adequate controls surrounding the financial close and reporting cycle

Criteria: The Organization is responsible for maintaining internal controls and segregation of duties surrounding the financial close and reporting cycle, including accounting records, account balances, information technology systems, and consolidated financial statement disclosures. Accounting records should include a complete, balanced general ledgers that records all transactions, supported by appropriate subsidiary records, to permit the preparation of accurate consolidated financial statements, on a timely basis. Grant expenditures are accumulated in the general ledger by grant and separated manually as a part of the billing process for different payer sources, such as state, private match, and federal sources.

Condition/Context: Audit adjusting journal entries were identified by the auditor and recorded by the Organization to the consolidated financial statements in order for them to be presented in accordance with GAAP, although, these adjustments were not material in total. Though errors were not identified within the Schedule of Expenditures of Federal Awards (SEFA), as this is a manual process there is more risk of human error.

Cause: Management did not maintain internal controls sufficient to prevent or detect material misstatements, as part of the financial closing process. Consequently, the accounting department did not perform routine monthly accounting functions to ensure all significant accounts were reconciled timely.

Effect: Audit adjusting journal entries were identified and recorded in order to correct the consolidated financial statements.

Recommendation: We recommend that the Organization implement appropriate internal controls and segregation of duties to prevent and/or detect material misstatements. Such controls should include the timely reconciliation of account balances to adequately support the general ledger. As new policies and procedures were adopted during the current year, we further recommend the ongoing refinement and strengthening of control implementation and related processes and maintaining the controls during the entire fiscal year. Additionally, we recommend that, as part of the monthly close process, expenditures by billing source be reclassified to a separate general ledger account to reduce the risk of material misstatements within the SEFA.

Views of responsible officials and planned corrective actions: The Organization acknowledges the current year finding and is committed to maintaining effective internal controls to prevent and detect misstatements. Over the past year, progress has been made through targeted staff training, continual process improvements, refined monthly-close procedures and more timely reconciliation of account balances. Going forward, we will continue to refine and improve these practices by developing written standard operating procedures for fiscal processes and by performing ongoing review and revision of the accounting policy manual as needed. These measures are intended to strengthen controls, maintain their effectiveness throughout the fiscal year, and reduce the risk of misstatements. As a result, management expects significant improvement in the fiscal year ending in 2026.

**Rural Resources Community Action
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025**

III. Federal Awards Findings and Questioned Costs

**FINDING 2025-002 – Reporting;
Significant Deficiency in Internal Control over Compliance**

**Head Start Cluster
Medicaid Cluster
Aging Cluster**

Assistance Listing Numbers: 93.600, 93.778, 93.044, 93.045, 93.053

Federal Program Names: Head Start, Grants to States for Medicaid, Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers, Special Programs for the Aging - Title III, Part C, Nutrition Services, and Nutrition Services Incentive Program

Award Years: Various

Criteria: In accordance with federal reporting requirements a variety of different types of reports are required for compliance relating to each of the grants, such as SF-425 reports, SF-429, special reports, and performance reports are required to be prepared and submitted on an annual basis.

Condition and context: Of the sixty-seven reports filed during the year, we selected eleven reports and noted that seven reports were not submitted timely as required by the grant agreements as a result of the lack of segregation of duties and procedures surrounding deadlines. The following selections were reported late by program:

- Head Start Cluster (ALN 93.600) – For one of the one financial report selected, the report was submitted 10 days late.
- Medicaid Cluster (ALN 93.778) – For two of the four reports selected, one report was one day late, and the other was four days late.
- Aging Cluster (ALN 93.044, 93.045, 93.053) – For four of the six monthly and quarterly performance reports selected, reports was submitted 3 to 15 days late.

Questioned costs: None.

Effect: The Organization was not timely with reporting requirements of the grants.

Cause: Controls were not operating as designed to ensure the timely submission of the reports required were filed by the due dates as a result of the lack of segregation of duties and procedures surrounding deadlines.

Repeat finding: Yes 2024-003.

Recommendation: We recommend the Organization implement controls to ensure timely submission of required reports. We recommend the Organization improve existing review controls in the reporting process to ensure timely submission.

**Rural Resources Community Action
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025**

Views of responsible officials and planned corrective actions: Management agrees with the assessment. To address this repeat finding, management has revised its approach to reporting oversight by implementing full department-level responsibility for report preparation, review, and submission. Each department is responsible for maintaining its own reporting timeline in accordance with grant and contract requirements.

Departments have clarified internal roles and responsibilities for report preparation, review, and submission. All reports required by contract must be submitted timely and must include two levels of documented review. Reports will be reviewed by the preparer's Director (or their designee); if the Director is the preparer, the review will be conducted by the Chief Operating Officer or in their absence, the Chief Executive Officer. All financial reports required by contract must have documented review by a member of the fiscal department. Report backup documentation and proof of timely submission must be retained by the department.

**FINDING 2025-003 – Reporting;
Material Weakness in Internal Control over Compliance and Instance of Material Noncompliance**

WIOA Cluster

Assistance Listing Numbers: 17.258, 17.259, 17.278

Federal Program Names: WIOA Adult Program, WIOA Youth Activities, and WIOA Dislocated Worker Formula Grants

Award Years: Various

Criteria: Federal regulations and grant and contract conditions require that applicable reports be properly supported by accounting records and submitted. Financial and performance information should be reviewed by a different person than the preparer, supporting documentation should be maintained, and reports filed timely.

Condition and context: Of ten report submissions filed during the year, we selected four reports and noted that supporting documentation was maintained but could not be traced back to the four reports submitted. Additionally, for two of four reports selected, the closeout report was submitted twenty-seven days late and a quarterly report submitted one day late.

Questioned costs: None.

Effect: Without centralized controls that include retention of documentation supporting the amounts in the reports, reports submitted were not properly supported or filed timely.

Cause: This occurred because controls in place were not consistently adhered to ensuring reports are reconciled to supporting documentation prior to submission. Documentation of the preparer and reviewer of reconciled support should be maintained to ensure the control is being performed on a timely basis. Controls were not operating as designed to ensure the timely submission of the reports required were filed by the due dates as a result of the lack of segregation of duties and procedures surrounding deadlines.

**Rural Resources Community Action
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025**

Repeat finding: Yes 2024-004.

Recommendation: We recommend management reinforce and formalize the reconciliation control by requiring that all reports be reconciled to supporting documentation prior to submission. A standardized reconciliation checklist or template should be implemented to evidence completion, including clear documentation of the preparer and reviewer, along with dates of preparation and review. Additionally, management should provide periodic training to ensure awareness of control requirements and perform periodic monitoring or quality reviews to confirm the control is operating consistently and in a timely manner.

Views of responsible officials and planned corrective actions: Management agrees with the assessment. To address this issue, management has reinforced and formalized its reporting reconciliation controls. All financial and performance reports submitted for WIOA programs will be reconciled to supporting documentation prior to submission. Management has clarified roles and responsibilities to ensure that report preparation and review are performed by separate individuals. All reports required by contract must be submitted timely and must include two levels of documented review. Reports will be reviewed by the preparer's Director (or their designee); if the Director is the preparer, the review will be conducted by the Chief Operating Officer or in their absence, the Chief Executive Officer. All financial reports required by contract must have documented review by a member of the fiscal department. Supporting documentation related to report reconciliations will be retained to ensure traceability and availability for review.

During the year, the department experienced a leadership transition, and the new Director is receiving additional training on reporting requirements and internal control expectations. Management will also provide periodic training to staff involved in report preparation and review to reinforce control requirements and expectations. Management expects significant improvement for the fiscal year ending in 2026.

FINDING 2025-001 - Significant Deficiency - Internal Controls over Financial Reporting

Lack of adequate controls surrounding the financial close and reporting cycle

Views of responsible officials and planned corrective actions:

The Organization acknowledges the current year finding and is committed to maintaining effective internal controls to prevent and detect misstatements. Over the past year, progress has been made through targeted staff training, continual process improvements, refined monthly-close procedures and more timely reconciliation of account balances. Going forward, we will continue to refine and improve these practices by developing written standard operating procedures for fiscal processes and by performing ongoing review and revision of the accounting policy manual as needed. These measures are intended to strengthen controls, maintain their effectiveness throughout the fiscal year, and reduce the risk of misstatements. As a result, management expects significant improvement in the fiscal year ending in 2026.

Contact Persons:

Ryan Berendsen, Chief Operating Officer
Delana Kromer, Controller

FINDING 2025-002 - Reporting

Significant Deficiency in Internal Control over Compliance

Views of responsible officials and planned corrective actions:

Management agrees with the assessment. To address this repeat finding, management has revised its approach to reporting oversight by implementing full department-level responsibility for report preparation, review, and submission. Each department is responsible for maintaining its own reporting timeline in accordance with grant and contract requirements.

Departments have clarified internal roles and responsibilities for report preparation, review, and submission. All reports required by contract must be submitted timely and must include two levels of documented review. Reports will be reviewed by the preparer's Director (or their designee); if the Director is the preparer, the review will be conducted by the Chief Operating Officer or in their absence, the Chief Executive Officer. All financial reports required by contract must have documented review by a member of the fiscal department. Report backup documentation and proof of timely submission must be retained by the department.

Departments will ensure that staff involved in reporting are knowledgeable of applicable requirements and deadlines. Management will conduct periodic reviews at the executive level to confirm that reporting controls are operating as revised and that required reports are submitted timely in accordance with grant agreements. Management expects significant improvement in reporting for the fiscal year ending in 2026.

Contact Persons:

Ryan Berendsen, Chief Operating Officer
Delana Kromer, Controller

FINDING 2025-003 – Reporting

Material Weakness in Internal Control over Compliance and Instance of Material Noncompliance

Views of responsible officials and planned corrective actions:

Management agrees with the assessment. To address this issue, management has reinforced and formalized its reporting reconciliation controls. All financial and performance reports submitted for WIOA programs will be reconciled to supporting documentation prior to submission. Management has clarified roles and responsibilities to ensure that report preparation and review are performed by separate individuals. All reports required by contract must be submitted timely and must include two levels of documented review. Reports will be reviewed by the preparer's Director (or their designee); if the Director is the preparer, the review will be conducted by the Chief Operating Officer or in their absence, the Chief Executive Officer. All financial reports required by contract must have documented review by a member of the fiscal department. Supporting documentation related to report reconciliations will be retained to ensure traceability and availability for review.

During the year, the department experienced a leadership transition, and the new Director is receiving additional training on reporting requirements and internal control expectations. Management will also provide periodic training to staff involved in report preparation and review to reinforce control requirements and expectations. Management expects significant improvement for the fiscal year ending in 2026.

Contact Persons:

Ryan Berendsen, Chief Operating Officer
Delana Kromer, Controller

Rural Resources Community Action Summary Schedule of Prior Audit Findings

The Organization provides the following responses to the prior audit findings.

FINDING 2024-001 – Material Weakness – Internal Controls over Financial Reporting; Lack of adequate controls surrounding the financial close and reporting cycle

CORRECTIVE ACTIONS TAKEN/PLANNED:

The Organization experienced significant turnover of long-time fiscal staff during fiscal years 2022 and 2023. Loss of critical employees resulted in difficulty maintaining a sufficient internal control environment. Management recognized that large scale changes were needed and in early 2023, management engaged a professional accounting firm to implement a full suite of new accounting software. Additionally, management worked to ensure a fully staffed fiscal department. The implementation of new accounting software during fiscal year 2024 came with many hurdles due to the complex nature of the Organization and grant accounting. The Organization has continually worked to establish policies and procedures surrounding budgeting, payroll, cybersecurity, monthly close processes, and preparation of the SEFA. The Organization has established programmatic budgets with budget vs actual reporting capabilities; developed procedures to ensure payroll is accurately calculated and reported; engaged cybersecurity company, Philantech, to implement a full suite of IT solutions and provide employee training; and developed monthly close processes to ensure accurate allocations and timely reconciliations of account balances. The Organization is evaluating changes needed within the claiming process and within the accounting software to separate revenues and expenditures by funding type, i.e., Federal, State, County, etc. The Organization expects that changes will be implemented for the FY25 audit. The Organization is working to have a fully revised and approved accounting manual by December 2025. Individual policies will be submitted to the board for approval as they are revised.

Current Year Status: This is a repeat finding as finding 2025-001, though the severity was decreased to a significant deficiency. This was not fully corrected in the time frame as described above, and as such will strive to fully implement the controls as described in the 2026 fiscal year.

**FINDING 2024-002 – Equipment & Real Property Management;
Material Weakness in Internal Control over Compliance and Instance of Material Noncompliance**

Condition: The Organization did not inventory equipment purchased with federal funds within the last two years.

Current Year Status: This was corrected in the time frame as described above, as such this is not a repeat finding.

**FINDING 2024-003 – Reporting;
Significant Deficiency in Internal Control over Compliance**

CORRECTIVE ACTIONS TAKEN/PLANNED:

Management agrees with the assessment and has implemented corrective action. The Organization has implemented a review and documentation control surrounding the timely submission of all financial reports, special reports, and performance reports. Reports required by contract must be submitted timely and must have two levels of documented review. All financial reports required by contract must have a documented review by a member of the fiscal department. Additionally, report backup and proof of timely submission must be retained.

Rural Resources Community Action Summary Schedule of Prior Audit Findings

Current Year Status: This is a repeat finding as finding 2025-02. This was not corrected in the time frame as described above, and as such will strive to implement the controls as described in the 2026 fiscal year.

**FINDING 2024-004 – Reporting;
Material Weakness in Internal Control over Compliance and Instance of Material Noncompliance**

CORRECTIVE ACTIONS TAKEN/PLANNED:

Management agrees with the assessment and has implemented corrective action. The Organization has implemented a review and documentation control surrounding the timely submission of all financial reports, special reports, and performance reports. Reports required by contract must be submitted timely and must have two levels of documented review. All financial reports required by contract must have a documented review by a member of the fiscal department. Additionally, report backup and proof of timely submission must be retained.

Current Year Status: This is a repeat finding as finding 2025-03. Though this was correct within the Aging cluster, this was noted within the WIOA cluster in the current year, and as such is not considered resolved. This was not fully corrected in the time frame as described above, and as such will strive to fully implement the controls as described in the 2026 fiscal year.

**FINDING 2024-005 – Allowable Costs;
Significant Deficiency in Internal Control over Compliance**

Condition: A new payroll system was implemented, and the employee portion of benefits had an allocation error for certain types of employee compensation.

Current Year Status: This was corrected in the time frame described above, as such this is not a repeat finding.

Other Information

Rural Resources Community Action
Schedule of Expenditures of State and County Awards (Unaudited)
Year Ended June 30, 2025

State/County Grantor/Pass Through Grantor/ Program or Cluster Title	Additional Information	Pass Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
State of Washington Awards				
Washington Department of Commerce				
Apple Health and Homes Capacity Building Grant		24-49101-412	\$ -	\$ 22,649
Home Repair Grant Program		S23-92402-419	-	160,872
Weatherization Plus Health Program		S23-92401-419	-	303,906
Consolidated Homeless Grant		24-46108-31	-	1,755,294
Housing Trust Fund Operations & Maintenance Grant		24-49102-049	-	48,312
Community Services Block Grant		S24-32101-224	-	20,366
Community Services Block Grant		S24-32B902-224	-	54,184
Violence Against Women DVLA Grant Program		S25-31108-032	-	22,924
Crime Victim Service Center		24-31219-026	-	168,632
OCVA Core and Specialized Sexual Assault Services		25-31310-143	-	325,837
Childcare Partnership Grant		24-21450210-018	-	80,003
Large Scale Solar		24-92601-129	-	105,000
State Home Energy Assistance Program (State-HEAP)		S24-32608-072	-	205,851
State Home Energy Assistance Program - Weatherization		S24-326010-419	-	142,846
Total Washington State Department of Commerce			-	3,416,676
Washington State Department of Agriculture				
Emergency Food Assistance Program (EFAP) State		K4509	-	63,941
Emergency Food Assistance Program (EFAP) State		K4509	58,692	80,665
Emergency Food Assistance Program (EFAP) Early Action		K4509	29,897	73,735
Emergency Food Assistance Program (EFAP) State		K5497	-	65,432
Emergency Food Assistance Program (EFAP) Supplemental		K5510	-	28,707
Coronavirus State and Local Fiscal Recovery Fund (TEFAP GAP)		K4702	-	547,153
We Feed Washington Pilot Food Program		K5530	-	5,954
Total Washington State Department of Agriculture			88,589	865,587
Washington State Employment Security Department				
State Economic Security For All		K8509	167,239	441,754
Community Reinvestment EcSA Career Accelerator Incentive Program		K8273	562,639	1,198,586
Total Washington State Employment Security Department			729,878	1,640,340
Washington State Department of Children, Youth, and Families				
Early Childhood Education and Assistance Program (ECEAP) services		25-1089	-	882,030
ECEAP Layered Curriculum Funding Award		24-1128	-	91,816
Total Washington State Department of Children, Youth, and Families			-	973,846
Washington State Department of Social & Health Services				
Domestic Violence Primary Prevention		2413-53342	-	132,953
Community Based Domestic Violence Program Emergency		2412-56777	-	449,510
Total Washington State Department of Social & Health Services			-	582,463
Washington State Department of Transportation				
Demand Response (DAR)		PTD0711	-	578,941
Commuter Route		PTD0712	-	153,892
Ferry County Deviated Fixed Route		PTD0710	-	134,000
Total Washington State Department of Transportation			-	866,833
State of Washington Office of Insurance Commissioner				
Client Services (MIPPA)		MS2542	-	7,065
Client Services (SHIBA)		C202510	-	14,680
Total State of Washington Office Of Insurance Commissioner			-	21,745
Aging and Long Term Care of Eastern Washington				
Community Living Connections SCSA - Tri Cty		2024:42,43:25	-	57,702
Community Living Connections SCSA - Tri Cty		24-25:42,43:25	-	54,026
Community Living Connections American Rescue Plan - Tri Cty	COVID-19	2024:42,43:25	-	7,158
Family Caregiver Support - Tri Cty		2024:79:25	-	102,498
Family Caregiver Support - Tri Cty		24-25:79:25	-	99,473
Family Caregiver Support - Whi Cty		2024:79:25	-	45,350

See report of independent auditors.

**Rural Resources Community Action
Schedule of Expenditures of State and County Awards (Unaudited)
Year Ended June 30, 2025**

State/County Grantor/Pass Through Grantor/ Program or Cluster Title	Additional Information	Pass Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
Family Caregiver Support - Whi Cty		24-25:79:25	-	40,314
Kinship Caregiver Support Program- Tri Cty		2024:78.1,78.2:25	-	11,935
Kinship Caregiver Support Program- Tri Cty		24-25:78.1,78.2:25	-	20,040
Kinship Navigator Program- Tri Cty		2024:78.1,78.2:25	-	18,465
Kinship Navigator Program- Tri Cty		24-25:78.1,78.2:25	-	18,006
Senior Nutrition American Rescue Plan - HDM	COVID-19	23-24:61,64:25	-	1,956
Senior Nutrition American Rescue Plan - Cong	COVID-19	23-24:61,64:25	-	1,816
Senior Nutrition Home Delivery State		23-24:61,64:25	-	6,425
Senior Nutrition Home Delivery State		23-25:61,64:25	-	6,288
State Senior Nutrition funds		23-24:61,64:25	-	23,835
State Senior Nutrition funds		23-25:61,64:25	-	26,643
State Senior Nutrition funds		23-24:61,64:25	-	109,378
State Senior Nutrition funds		23-25:61,64:25	-	79,928
Senior Farmers Market Nutrition Program		2024:67:25	-	4,088
Senior Farmers Market Nutrition Program		2025:67:25	-	819
Title XIX Case Management - Whi Cty		2024:43.1:25	-	105,602
Title XIX Case Management - Whi Cty		24-25:43.1:25	-	105,384
Title XIX Case Management - Whi Cty		2024:43.1:25	-	340
Title XIX Case Management - Whi Cty		24-25:43.1:25	-	1,188
Title XIX Case Management - Tri Cty		2024:43.1:25	-	332,248
Title XIX Case Management - Tri Cty		24-25:43.1:25	-	294,844
Title XIX Case Management - Tri Cty		2024:43.1:25	-	70
Title XIX Case Management - Tri Cty		24-25:43.1:25	-	10,889
Medicaid Transformation Demonstration - Tri Cty		2024:MTP:25	-	143,507
Medicaid Transformation Demonstration - Tri Cty		24-25:MTP:25	-	154,066
Medicaid Transformation Demonstration - Whi Cty		2024:MTP:25	-	90,797
Medicaid Transformation Demonstration - Whi Cty		24-25:MTP:25	-	77,714
Total Aging and Long Term Care of Eastern Washington			-	2,052,792
Action Health Partners				
Care Connect Care Coordination		RRCA CC	-	33,395
Care Connect Care Coordination		AHP-CC-2025	-	78,378
Total Action Health Partners			-	111,773
Better Health Together				
Community Sponsorship Grant		CommSpon-24	-	863
Total Better Health Together			-	863
Washington State Health Care Authority				
Clubhouse and Peer-run Program		K7569	-	330,559
ABCD Dental Services		K7473	-	8,598
Total Washington State Health Care Authority			-	339,157
Children's Advocacy Centers of Washington				
Children's Advocacy Centers of Washington		340-A-STEVENS-CAP-24	-	51,797
Total Children's Advocacy Centers of Washington			-	51,797
			818,467	10,923,872
County Awards				
Northeast Tri-County Health District				
Document Assistance Program		N/A	-	300
Total Northeast Tri-County Health District			-	300
Stevens County Commissioners Office				
Stevens County Local Homeless Funds		N/A	-	83,102
Stevens County Local Homeless Funds		N/A	-	67,071
Stevens County Pre-Purchase Counseling Program		N/A	-	6,580
Stevens County Pre-Purchase Counseling Program		N/A	-	6,934
Hunters Septic Repair		N/A	-	812
Opioid Settlement Funds Agreement		C-056-2025	-	16,218

See report of independent auditors.

**Rural Resources Community Action
Schedule of Expenditures of State and County Awards (Unaudited)
Year Ended June 30, 2025**

State/County Grantor/Pass Through Grantor/ Program or Cluster Title	Additional Information	Pass Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
Local DRF Support		C-089-2025	-	78,859
CHG Supplemental		24-46108-205	-	247,432
Total Stevens County Commissioners Office			-	507,008
Lincoln County Commissioners Office				
Lincoln County Local Homeless Funds		N/A	-	23,472
Lincoln County Local Homeless Funds		N/A	-	40,582
Lincoln County Pre-Purchase Counseling Program		N/A	-	2,247
Lincoln County Pre-Purchase Counseling Program		N/A	-	759
Lincoln County Navigator Program		N/A	-	7,763
Lincoln County Navigator Program		N/A	-	8,744
Total Lincoln County Commissioners Office			-	83,567
Ferry County Commissioners Office				
Ferry County Local Homeless Funds		N/A	-	18,103
Ferry County Local Homeless Funds		N/A	-	20,778
Total Ferry County Commissioners Office			-	38,881
Spokane County Community Services Department				
Community Behavioral Health Rental Assistance		N/A	-	204,439
Total Spokane County Community Services Department			-	204,439
Total Stevens County Commissioners Office			-	834,195
City of Colville				
Cities		N/A	-	82
Cities		N/A	-	350
Total City of Colville			-	432
City of Chewelah				
Community Behavioral Health Rental Assistance		N/A	-	5,001
Total City of Chewelah			-	5,001
Total Stevens County Commissioners Office			-	5,433
Total Expenditures of State and County Awards			\$ 818,467	\$ 11,763,500

See report of independent auditors.

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