
RURAL RESOURCES COMMUNITY ACTION

A WASHINGTON NON-PROFIT ORGANIZATION

Consolidated Financial Statements

For the Fiscal Year Ended February 28, 2017
With Comparative Totals for 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Rural Resources Community Action (a nonprofit organization), which comprise the consolidated statement of financial position as of February 28, 2017, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related consolidated notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of February 28, 2017, and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended February 29, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplementary information on pages 27-29 are presented for purposes of additional analysis and are 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2017 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



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

July 14, 2017

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

February 28, 2017 (With Comparative Totals for 2016)	2017	2016
ASSETS		
Assets:		
Cash	\$ 277,835	\$ 632,426
Restricted Cash	1,233,328	1,104,267
	<u>1,511,163</u>	<u>1,736,693</u>
Accounts Receivable	1,476,040	1,207,393
Inventory	40,925	22,755
Prepaid Expenses and Other Assets	38,365	50,059
Deposit, Unemployment Self Insurance Trust	81,197	93,657
Loans & Interest Receivable, net	1,544,768	1,626,176
Property and Equipment, net	4,892,740	5,170,945
Property and Equipment Holding Company, net	<u>2,089,260</u>	<u>2,114,718</u>
Total Assets	\$ <u>11,674,458</u>	\$ <u>12,022,396</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Cash Overdraft - Holding Company	\$ 3,161	\$ 14,778
Accounts Payable and Accrued Expenses	284,220	433,735
Payroll Taxes Payable	116,730	109,879
Accrued Salaries	346,364	341,902
Accrued Vacation	185,794	165,131
Reserve, Unemployment Self Insurance Trust	81,196	93,657
Other Payables	39,365	97,531
Refundable Advances and Other Deferred Liabilities	168,270	193,019
Revolving Loan and Grant Funds Payable	2,841,927	2,811,719
Notes Payable	3,443,327	3,529,665
Notes Payable - Holding Company	<u>1,255,861</u>	<u>1,325,368</u>
Total Liabilities	<u>8,766,215</u>	<u>9,116,384</u>
Net Assets:		
Unrestricted	1,779,425	1,835,808
Unrestricted - Holding Company	830,238	774,572
Temporarily Restricted	<u>298,580</u>	<u>295,632</u>
Total Net Assets	<u>2,908,243</u>	<u>2,906,012</u>
Total Liabilities and Net Assets	\$ <u>11,674,458</u>	\$ <u>12,022,396</u>

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

RURAL RESOURCES COMMUNITY ACTION

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Fiscal Year Ended February 28, 2017 (With Comparative Totals for 2016)	2017		2016	
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
Support & Revenue:				
Governmental Grants	\$ 12,399,070	\$ 54	\$ 12,399,124	\$ 11,875,675
Nongovernmental Grants	1,024,182	840	1,025,022	805,195
Contributions	73,294	88,166	161,460	189,797
Client Fees	14,013	326	14,339	15,954
Project Income	21,462	-	21,462	22,440
Rent Income	888,954	-	888,954	804,999
Interest Income	75	-	75	96
Other Income	32,223	1,489	33,712	24,052
Rent Income-Holding Company	67,349	-	67,349	111,066
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	87,927	(87,927)	-	-
Total Support & Revenues	14,608,549	2,948	14,611,497	13,849,274
Expenses:				
Program Services:				
Community Services	305,620	-	305,620	286,020
Transportation	679,668	-	679,668	726,067
Job Training & Employment	1,444,856	-	1,444,856	1,500,546
Victim Services	1,006,245	-	1,006,245	793,224
Housing Services	4,336,018	-	4,336,018	4,280,507
Head Start & Early Childhood	1,943,295	-	1,943,295	1,986,572
Community Living Connections	2,863,213	-	2,863,213	2,343,933
Fiscal Agent	1,129,519	-	1,129,519	1,014,774
Total Program Services	13,708,434	-	13,708,434	12,931,643
Administrative	747,295	-	747,295	734,327
Fundraising	28,180	-	28,180	24,685
Holding Company	124,639	-	124,639	123,612
Total Expenses	14,608,548	-	14,608,548	13,814,267
Other Revenue & Expenses:				
Loss on Disposal of Assets	(718)	-	(718)	(871)
Change in Net Assets	(717)	2,948	2,231	34,136
NET ASSETS, BEGINNING OF YEAR	2,610,380	295,632	2,906,012	2,871,876
NET ASSETS, END OF YEAR	\$ 2,609,663	\$ 298,580	\$ 2,908,243	\$ 2,906,012

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

RURAL RESOURCES COMMUNITY ACTION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Fiscal Year Ended February 28, 2017 (With Comparative Totals for 2016)

	Community Services	Transportation	Job Training & Employment	Victim Services	Housing Services	Head Start & Early Childhood	Community Living Connections	Fiscal Agent	Total Program Services
Salaries & Benefits	\$ 144,146	\$ 103,592	\$ 482,725	\$ 729,439	\$ 983,230	\$ 1,204,086	\$ 1,688,027	\$ 97,053	\$ 5,432,298
Participant Wages & Benefits	-	-	86,420	-	-	-	-	-	86,420
OJT Employer Reimbursement	-	-	18,946	-	-	-	-	-	18,946
Advertising & Public Relations	100	2,268	582	4,776	6,022	11,503	5,429	4,877	35,557
Contract Services	4,298	-	634,042	28,004	105	266,905	260,393	801,448	1,995,195
Expense Reimbursement	(5)	-	(1,579)	(4,767)	(23,850)	(7,058)	-	-	(37,259)
Fees & Permits	264	91	-	-	1,839	1,485	375	600	4,654
Food & Contract Meals	9,656	-	-	-	35,945	37,731	201,189	399	284,920
Fundraising	-	-	-	24,134	-	-	4,046	-	28,180
Insurance	145	416	299	3,500	28,204	4,604	5,440	3,002	45,610
Janitorial & Maintenance	20,575	-	855	2,084	69,664	26,167	22,447	-	141,792
Rent	38,146	-	20,098	3,348	3,922	17,781	26,609	13,317	123,221
Loan Funds	-	-	-	-	-	-	-	-	-
Meeting	7,787	248	2,518	1,629	83	9,561	2,742	6,397	30,965
Office Expenses	3,517	2,354	6,769	19,589	49,234	27,720	45,597	7,581	162,361
Other Equipment	12,794	-	2,869	14,781	17,898	5,630	30,139	2,074	86,185
Professional Services	3,933	2,554	4,516	8,457	21,869	11,068	12,879	73,338	138,614
Supplies & Software	16,255	5,789	1,186	27,599	24,124	57,232	15,862	6,680	154,727
Tax & Licenses	3,907	-	-	229	246	9	641	-	5,032
Telephone & Utilities	10,560	1,459	7,978	9,808	127,310	33,794	27,169	1,443	219,521
Travel & Training	7,050	8,941	46,354	40,069	51,039	49,964	92,059	27,881	323,357
Vehicle Expenses	2,831	6,332	-	6,837	16,488	-	16,595	48	49,131
Client Expenses	4,486	2,254	50,173	57,933	2,592,201	61	62,401	13	2,769,522
Volunteer Expenses	-	156,276	2,039	4,709	-	2,757	990	31,087	197,858
Transfers	6,660	2,109	10,819	16,280	53,939	42,340	42,183	75	174,405
Pooled Accounts	8,148	383,526	13,912	31,340	15,767	50,870	26,774	242	530,579
Commodities	-	-	-	-	-	-	261,249	-	261,249
Americorp Match	-	-	53,300	-	-	-	-	-	53,300
Miscellaneous	367	1,459	35	28	9,669	-	1,009	51,964	64,531
Interest	-	-	-	-	49,489	31,476	9,215	-	90,180
Depreciation	-	-	-	573	201,581	57,609	5,800	-	265,563
Total Expenses	\$ 305,620	\$ 679,668	\$ 1,444,856	\$ 1,030,379	\$ 4,336,018	\$ 1,943,295	\$ 2,867,259	\$ 1,129,519	\$ 13,736,614

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

RURAL RESOURCES COMMUNITY ACTION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

	Fiscal Year Ended February 28, 2017 (With Comparative Totals for 2016)		2017	2016
	<u>Administrative</u>	<u>Total</u>	<u>Holding Company</u>	<u>Consolidated Total</u>
Salaries & Benefits	\$ 1,055,383	\$ 6,487,681	\$ 5,935	\$ 6,493,616
Participant Wages & Benefits	-	86,420	-	86,420
OJT Employer Reimbursement	-	18,946	-	18,946
Advertising & Public Relations	2,231	37,788	-	37,788
Contract Services	-	1,995,195	-	1,995,195
Expense Reimbursement	(137,996)	(175,255)	-	(175,255)
Fees & Permits	157	4,811	-	4,811
Food & Contract Meals	226	285,146	-	285,146
Fundraising	1	28,181	-	28,181
Insurance	43,134	88,744	-	88,744
Janitorial & Maintenance	63,162	204,954	-	204,954
Rent	54,154	177,375	-	177,375
Loan Funds	-	-	-	-
Meeting	982	31,947	-	31,947
Office Expenses	40,637	202,998	-	202,998
Other Equipment	5,695	91,880	-	91,880
Professional Services	9,799	148,413	509	148,922
Supplies & Software	33,237	187,964	-	187,964
Tax & Licenses	5,243	10,275	293	10,568
Telephone & Utilities	68,941	288,462	-	288,462
Travel & Training	17,676	341,033	45	341,078
Vehicle Expenses	86,858	135,989	-	135,989
Client Expenses	-	2,769,522	-	2,769,522
Volunteer Expenses	113	197,971	-	197,971
Transfers	(174,522)	(117)	31	(86)
Pooled Accounts	(534,595)	(4,016)	160	(3,856)
Commodities	-	261,249	-	261,249
Americorp Match	-	53,300	-	53,300
Miscellaneous	10,379	74,910	6,700	81,610
Interest	460	90,640	65,495	156,135
Depreciation	95,940	361,503	45,471	406,974
	<u>\$ 747,295</u>	<u>\$ 14,483,909</u>	<u>\$ 124,639</u>	<u>\$ 14,608,548</u>
				<u>\$ 13,814,267</u>

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

RURAL RESOURCES COMMUNITY ACTION

CONSOLIDATED STATEMENT OF CASH FLOWS

Fiscal Year Ended February 28, 2017 (With Comparative Totals for 2016)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 2,231	\$ 34,136
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	406,974	397,132
(Gain) Loss on Disposal of Assets	718	871
Donated Property	-	(11,912)
Long-Term Debt Forgiven	-	(52,400)
(Increase) Decrease in Accounts Receivable	(268,647)	(108,602)
(Increase) Decrease in Loans and Interest Receivable	81,408	(1,252)
(Increase) Decrease in Deposit, Unemployment Self Insurance Trust	12,460	55,755
(Increase) Decrease in Prepaid Expenses and Other Assets	11,694	(24,575)
(Increase) Decrease in Inventory	(18,170)	(870)
Increase (Decrease) in Cash Overdraft - Holding Company	(11,617)	(19,433)
Increase (Decrease) in Accounts Payable & Accrued Expenses	(149,515)	52,228
Increase (Decrease) in Reserve, Advances and Other Deferred Liabilities	(12,461)	(55,755)
Increase (Decrease) in Accrued Salaries	4,462	42,948
Increase (Decrease) in Payroll Taxes Payable	6,851	(13,794)
Increase (Decrease) in Accrued Vacation	20,663	5,029
Increase (Decrease) in Other Payables	(58,166)	70,695
Increase (Decrease) in Refundable Advances & Other Deferred Liabilities	(24,749)	54,039
Increase (Decrease) in Revolving Loan & Grants Funds Payable	30,209	95,609
Net Cash Provided (Used) by Operating Activities	<u>34,345</u>	<u>519,849</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Assets	1,000	1,995
Purchases of Property and Equipment	(105,029)	(389,694)
Net Cash Provided (Used) by Investing Activities	<u>(104,029)</u>	<u>(387,699)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Long-Term Debt	-	200,000
Payments on Long-Term Debt	(155,846)	(145,707)
Net Cash Provided (Used) by Financing Activities	<u>(155,846)</u>	<u>54,293</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(225,530)	186,443
BEGINNING CASH AND CASH EQUIVALENTS	1,736,693	1,550,250
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,511,163</u>	<u>\$ 1,736,693</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Cash Paid During the Fiscal Years for Interest	\$ 90,640	\$ 120,977

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

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

NOTE 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

Fiscal Agent: This division accounts for revenues and expenditures related to other non-profits and coalitions that the Organization provides fiscal services. Revenues sources are provided by the administrative section, of contracts held for these outside entities.

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

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

Principles of consolidation:

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

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

Basis of accounting:

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

Use of estimates:

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

Recognition of contribution revenue:

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

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

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

Cash and cash equivalents:

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

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

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

Property and equipment:

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

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

Loans receivable:

The Organization obtains funds to loan to individuals. As discussed further in Note 15, an allowance for estimated uncollectible amounts is provided, and amounts are recorded at their discounted present value. The allowance for estimated uncollectible accounts is based on prior years' collection experience. The allowance for estimated uncollectible accounts as of February 28, 2017 and February 29, 2016, was \$39,500. For the fiscal years ended February 28, 2017 and February 29, 2016, bad debts were \$0.

Temporarily restricted net assets:

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

Advertising costs:

The costs of advertising are expensed as incurred. Advertising expense for the fiscal years ended February 28, 2017 and February 29, 2016, was \$34,249 and \$18,512, respectively.

Inventory:

Inventories consist of USDA surplus commodities shown at the cost value provided by the USDA, supplies and weatherization materials shown at cost. As of February 28, 2017 and February 29, 2016, inventory was \$40,925 and \$22,755, respectively.

Accounts receivable:

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

Receivables are considered past due if not collected within 90 days. The Organization does not charge interest on past due receivables. As of February 28, 2017, all receivables are current.

Refundable advances & other deferred liabilities:

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

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

NOTE 2: EMPLOYEE BENEFITS AND COMPENSATED ABSENCES

The Organization sponsors a SEP/IRA plan (the Plan) which covers all employees meeting certain eligibility requirements (age, length of service, and minimum earnings). The Organization contributes four percent (4%) of each eligible employee's qualifying wages to the Plan. Employees are also entitled to make salary reduction agreements under the terms of the Plan. Pension costs for the fiscal years ended February 28, 2017 and February 29, 2016, were \$188,795 and \$179,988 respectively.

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

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

NOTE 3: DONATED GOODS AND SERVICES

The Organization receives substantial donations of labor and facilities. For financial reporting purposes, these amounts are not recorded on the financial statements since they do not meet the requirements for recording. In-kind revenues received but not recorded consist of the following for the fiscal year ended February 28, 2017:

Donated labor	\$ 479,737
Donated rent	4,491
Donated professional services	23,967
Subcontractors	12,246
Donated transportation	66,574
Other	<u>590,128</u>
Total	\$ <u><u>1,177,143</u></u>

In-kind revenues received but not recorded for the fiscal year ended February 29, 2016, was \$1,417,757.

NOTE 4: PROPERTY AND EQUIPMENT

Depreciation of property and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. The cost and estimated useful lives of such assets are as follows at February 28, 2017:

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

NOTE 4: PROPERTY AND EQUIPMENT (Continued)

	<u>Estimated Useful Lives</u>	
Land		\$ 888,756
Buildings and improvements	30 years	10,136,388
Furniture, fixtures, and equipment	5-10 years	189,798
Vehicles	10 years	<u>1,029,265</u>
		12,244,207
Less: accumulated depreciation		<u>(5,262,207)</u>
Net Property and Equipment		<u>\$ 6,982,000</u>

Accumulated depreciation as of February 29, 2016, was \$4,856,506.

NOTE 5: LEASES

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

The Organization's future minimum payments under lease commitment as of February 28, 2017, are as follows:

Fiscal years ending on the last day of February:	
2018	\$ 26,580
2019	20,940
2020	13,620
2021	6,080
2022	<u>-</u>
	<u>\$ 67,220</u>

For the fiscal years ended February 28, 2017 and February 29, 2016, Rural Resources Community Action paid Rural Resources Holding \$112,956 and \$98,914 in rent expense, respectively. This expense and income was removed in the consolidated financial statements.

Rental expense for the fiscal years ended February 28, 2017 and February 29, 2016, was \$177,375 and \$187,271, respectively.

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

NOTE 6: LEASE INCOME

The Organization leases office space to other organizations. The Organization's future lease income under lease commitments as of February 28, 2017, are as follows:

Fiscal years ending on the last day of February:

2018	\$ 54,636
2019	54,636
2020	52,036
2021	21,140
2022	<u>-</u>
	<u>\$ 182,448</u>

NOTE 7: UNEMPLOYMENT COMPENSATION TRUST

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

At February 28, 2017 and February 29, 2016, the Organization had funds on deposit with the Trust of \$81,196 and \$93,657 respectively. A corresponding liability has been accrued for the estimated claims liability at February 28, 2017 and February 29, 2016, of \$81,196 and \$93,657 respectively.

NOTE 8: CONCENTRATION OF CREDIT RISK

For the fiscal years ended February 28, 2017 and February 29, 2016, approximately 85% and 86%, respectively, of the Organization's funding was derived from grants funded through the Washington State Department of Commerce and other state and federal departments of government. These programs are funded primarily by federal funding through congressional budget appropriations.

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

NOTE 9: CONTINGENCIES

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

NOTE 10: LINE OF CREDIT

The Organization has a \$150,000 unsecured revolving line of credit with KeyBank. Interest is accrued at 6.5%. At February 28, 2017 and February 29, 2016, there was no balance drawn against the line.

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

NOTE 11: HEAD START

During the fiscal years ended February 28, 2017 and February 29, 2016, the Organization had expenses of \$1,500,473 and \$1,514,998, respectively, on the Head Start program.

NOTE 12: RESTRICTED CASH

Restricted cash as of February 28, 2017, consists of the following:

Replacement Reserves:

Allegiance	\$ 6,692
Quail Manor Apts	35,000
Columbia Senior Apts	39,435

Debt Reserve:

Main Facility	71,355
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Housing Repair Funds:

See Note 15	<u>1,080,846</u>
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	<u>\$ 1,233,328</u>
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Restricted cash as of February 29, 2016, was \$1,104,267.

NOTE 13: INCOME TAX & UNCERTAIN TAX POSITIONS

Rural Resources Community Action is a tax exempt non-profit organization under the Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. Rural Resources Holding is a tax exempt non-profit organization under the Internal Revenue Code Section 501(c)(25) and is not classified as a private foundation. Accordingly, the financial statements do not include any provision for income taxes.

The organization files income tax returns in the U.S. federal jurisdiction. The organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before February 28, 2014. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of February 28, 2017, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

NOTE 14: SUBSEQUENT EVENTS

No events have occurred through July 14, 2017, which is the date the financial statements were available to be issued based on organization facts and circumstances, for events requiring recording or disclosure in the financial statements for the fiscal year ended February 28, 2017.

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

NOTE 15: CLIENT LOAN PROGRAMS

The deferred loan programs (HPG, MHRP, HTF) were designed to assist low-income individuals by providing funding for home improvements or replace mobile homes. These loans are secured by a deed of trust and promissory note naming the Organization as the beneficiary. Deferred loans of \$332,241 and \$356,399 at February 28, 2017 and February 29, 2016, respectively, are non-interest bearing and require no monthly payments, with principal to be paid in full when the property is sold or a transfer of title occurs. These loans have a present value at February 28, 2017 and February 29, 2016, of \$225,375 and \$240,578, respectively. A corresponding revolving loan fund payable of \$225,375 and \$240,578 has also been accrued at February 28, 2017, and February 29, 2016, respectively.

Interest bearing loans of \$1,266,438 and \$1,336,704 at February 28, 2017 and February 29, 2016, respectively, carry a monthly repayment amount based upon the person's ability to make repayments with the same transfer of title clause as deferred loans. These loans bear interest at a rate of 1-3%. These loans may, under certain conditions and approval of the agency, be assumed if it is beneficial to the person and the agency. A corresponding revolving loan fund payable of \$1,426,333 and \$1,501,848 at February 28, 2017 and February 29, 2016, respectively, has also been accrued.

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

The Organization also has \$1,137,264 and \$1,020,399 at February 28, 2017, and February 29, 2016, respectively, in housing repair funds recorded as a liability. These funds will be used to make housing repair loans to clients.

Beginning in 2005, the MHRP deferred loans provide for a 3% interest rate. Interest accrued at February 28, 2017 and February 29, 2016, respectively, was \$52,955 and \$48,894. Under terms of the program, when a client pays off their loan they will also pay the accrued interest.

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

NOTE 16: NOTES PAYABLE

Notes payable as of February 28, 2017, was the following:

Non-interest bearing note payable to the Washington State Department of Commerce. The note is deferred until sale, refinance, change of ownership or use of buildings, or July 2046, whichever occurs first. The note is secured by real estate.	\$ 339,600
Non-interest bearing note payable to the Washington State Department of Commerce. The note is deferred until the sale, refinance, change of ownership or use of buildings, or November 2032, whichever occurs first. If after review of the project in 2032 the Department determines there is insufficient cash flow, then the loan will be forgiven. The note is secured by real estate.	147,372
Note payable to the Farmers Home Administration in semi-annual installments of \$4,785, including interest at 4.875%. The note matures in November 2032 and is secured by real estate.	80,642
Note payable to Washington Community Reinvestment Association in monthly installments of \$450 including interest at 3.50%. The note matures in December 2022 and is secured by real estate.	51,405
Note payable to USDA in monthly installments of \$898, including interest at 4.5%. The note matures in November 2039 and is secured by real estate.	152,605
Note payable to USDA in monthly installments of \$450, including interest at 4.5%. The note matures in September 2040 and is secured by real estate.	78,001
Note payable to the Washington State Department of Commerce, due in annual installments of \$12,888, including interest at 1.00%. The note matures in January 2050 and is secured by real estate.	369,923
Note payable to Tri County Economic Development District due in monthly installments of \$645. The balance is to pay off over a 20-year period, including interest at 6.00%. The loan matures in November 2034, and is secured by real estate.	95,966

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

NOTE 16: NOTES PAYABLE (Continued)

Note payable to Tri County Economic Development District due in monthly installments of \$1,075. The balance is to be paid off over a 20-year period, including interest at 4.00%. The loan matures in November 2034, and is secured by real estate.	143,896
Note payable to Tri County Economic Development District due in monthly installments of \$359. The balance is to be paid off over a 20-year period, including interest at 6.00%. The loan matures in November 2034, and is secured by real estate.	47,952
Note payable to USDA in monthly installments of \$9,061, including interest at 4.75%. The note matures in July 2032 and is secured by real estate.	1,143,785
Note payable to KeyBank due in monthly installments of \$2,189. The balance is to be paid off over a 20-year period, including interest at 7.972%. The loan matures August 1, 2022, and is secured by real estate.	112,075
Note payable to Ally Financial due in monthly installments of \$376, including interest at 4.89%. The loan matures in October 2018, and is secured by vehicle.	7,210
Note payable to Washington Community Reinvestment Association in monthly installments of \$652, including interest at 4.75%. The loan matures in February 2018, and is secured by a deed of trust on real estate.	94,553
Note payable to the Washinton State Department of Commerce, due in quarterly installments of \$1,974, including interest at 1.00%. The note matures in December 2044 and is secured by a deed of trust on real estate.	192,587
Note payable to Mountain West Bank in monthly installments of \$312, including interest at 4%. The loan matures June 1, 2021, and is secured by a deed of trust on real estate.	14,856

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

NOTE 16: NOTES PAYABLE (Continued)

Note payable to USDA in monthly installments of \$1,730, including interest at 4.25%. The note matures in April of 2049 and is secured by real estate. 362,714

Note payable to USDA in monthly installments of \$2,390, including interest at 4.00%. The note matures in November of 2044 and is secured by real estate. 479,635

Loan payable to the state of Washington, Department of Commerce. Payable in annual payments of \$6,365, which includes interest at 2.00%. The loan matures on December 31, 2048. The loan is secured by a deed of trust on real estate. Loan terms include a requirement that the project provide low income housing for a 50-year period. 149,360

Note payable to KeyBank, payable in monthly payments of \$2,243, including interest at 7.45%. The note matures October 1, 2019, and is secured by the real estate of the project and an assignment of rents. 66,987

Non-interest bearing note payable to the Washington State Department of Commerce. The note is deferred until the sale, refinance, change of ownership or use of buildings, or December 2044, whichever occurs first. The note is secured by real estate. 568,064

\$ 4,699,188

Notes payable as of February 29, 2016, was \$4,855,033.

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

2018	\$ 164,021
2019	170,976
2020	170,163
2021	157,669
2022	162,791
Thereafter	<u>3,873,568</u>
	<u>\$4,699,188</u>

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

NOTE 17: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods as of February 28, 2017:

Newport Donations	\$ 20,368
ROE Foundation	18
Literacy Donations	2,880
Victim Services Stock Equity	3,597
Dispute Resolution Center	3,075
Victim Services Special Projects & Fundraising	171,609
ROE Victim Services	15,479
Senior Projects & Sr. Nutrition Projects	12,992
Senior Nutrition Fundraising	36,839
Emergency Shelter Special Projects	925
Stock Donations	2,526
Employment & Training Special Projects	17,902
Columbia Senior Housing Donations	752
Legal Aid Donations	1,337
Warming Center	269
Youth Donations	<u>8,012</u>
	\$ <u><u>298,580</u></u>

Temporarily restricted net assets as of February 29, 2016, was \$295,632.

RURAL RESOURCES COMMUNITY ACTION
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended February 28, 2017

NOTE 17: TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets released from restriction for the fiscal year ended February 28, 2017, were as follows:

Newport Donations	\$	4,632
Literacy Special Fund		1
Victim Services Special Projects		29,511
Victim Services Fund Raising		2,258
Stock Donations		366
ROE Foundation		1,630
Employment and Training Special Projects		(17,630)
Women Making a Difference		26,218
Dispute Resolution Center		300
ROE Family Support		1,199
Legal Aid Special Account		1,700
Senior Projects & Sr. Nutrition Projects		11,899
Senior Nutrition Fund Raising		19,777
Warming Center		(270)
Pullman Council on Aging		<u>6,336</u>
	\$	<u><u>87,927</u></u>

Temporarily restricted net assets released from restriction for the fiscal year ended February 29, 2016, were \$83,174.

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2017

Federal Grantor/ Pass-through Grantor Program Title	Program ID	CFDA Number	Award Number	Period of Award		Total Authorized Award	Funds Received During the Year	Expenditures	
								From Pass-Through Awards	From Direct Awards
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Head Start	HSX	93.600	10CH020202	06/01/15	05/31/16	\$ 1,475,911	\$ 414,595	\$ -	\$ 378,641
Head Start	HS	93.600	10CH020203-03	06/01/16	05/31/17	1,705,745	995,062	-	1,121,832
Passed through Washington State Department of Commerce:									
Low Income Home Energy Assistance Pgm WAP	LWXN	93.568	F16-43101-419	01/01/16	09/03/17	345,346	148,175	153,665	-
Low Income Home Energy Assistance Pgm EAP	EAPX	93.568	F15-32606-072	10/01/14	03/31/16	889,045	-	-	-
Low Income Home Energy Assistance Pgm EAP	EAPX	93.568	F16-32606-072	10/01/15	03/31/17	798,148	610,026	558,406	-
Low Income Home Energy Assistance Pgm EAP	EAP	93.568	F17-32606-072	10/01/16	03/31/18	587,855	-	137,189	-
Community Services Block Grant	CSBGX	93.569	F15-32100-024	01/01/15	09/30/16	161,211	8,395	-	-
Community Services Block Grant	CSBG	93.569	F16-32101-024	10/01/15	09/30/16	167,868	167,868	153,034	-
Community Services Block Grant	CSBG	93.569	F17-32101-024	10/01/16	09/30/18	161,211	44,719	68,733	-
Rape Prevention Education	RPEX	93.136	F15-31310-611	07/01/15	01/31/17	100,000	69,630	62,611	-
Rape Prevention Education	RPE	93.136	F16-31310-611	02/01/17	01/31/18	65,198	-	3,523	-
Passed through Washington State Department of Social and Health Services:									
Domestic Violence	DVX	93.671	1512-38445	07/01/15	06/30/16	86,974	43,108	35,313	-
Domestic Violence	DV	93.671	1612-68538	07/01/16	06/30/17	47,955	21,644	28,028	-
Substance Abuse Block Grant	SABG	93.959	1512-42504	07/01/15	06/30/17	124,572	15,020	14,357	-
Partnership for Success	PFS	93.243	1512-42504	07/01/15	06/30/17	219,996	106,614	93,199	-
Passed through Department of Early Learning:									
Parent Education & Support Services		93.590	16-1372	01/30/17	01/31/18	24,865	-	-	-
Passed through Washington State Health Care Authority:									
ABCD Health Care	ABCDHC	93.778	K758	07/01/15	06/30/17	24,100	6,913	7,972	-
Passed through Aging and Long Term Care of Eastern Washington:									
Senior Transportation	SRTRSX	93.044	14-15:41:25(3)	01/01/16	12/31/16	103,439	94,073	85,861	-
Senior Transportation	SRTRS	93.044	14-17:41:25(5)	01/01/17	12/31/17	103,439	4,949	14,598	-
Senior Nutrition	CONGX, HDMX	93.045	15-16:61,64:25	01/01/16	12/31/16	185,179	178,639	155,183	-
Senior Nutrition	CONG, HDM	93.045	15-17:61,64:25(6)	01/01/17	12/31/17	185,179	19,596	48,682	-
Case Management	CMX, CM-WCX, IA-WCX	93.044	2016:42,43:25	01/01/16	12/31/16	91,290	84,552	76,948	-
Case Management	CM, IA-WC	93.044	16-17:42,43:25	01/01/17	12/31/17	84,382	10,420	18,188	-
Senior Nutrition	NSIPX	93.045	N/A	01/01/16	12/31/16	41,280	41,280	41,280	-
Senior Nutrition	NSIP	93.045	N/A	01/01/17	12/31/17	36,033	-	-	-
Senior Legal Assistance	SLASX	93.044	13-16:31:25(7)	01/01/16	12/31/16	7,661	6,750	6,500	-
Senior Legal Assistance	SLAS	93.044	2017:31:25	01/01/17	12/31/17	9,735	-	225	-
<i>Subtotal Cluster</i>						847,617	440,259	447,467	-

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2017

	Program ID	CFDA Number	Award Number	Period of Award		Total Authorized Award	Funds Received During the Year	Expenditures	
								From Pass-Through Awards	From Direct Awards
Case Management	SSCMX, SSCM-WCX	93.778	2016:43.1:25	01/01/16	12/31/16	902,371	830,397	759,636	-
Case Management	SSCM, SSCM-WC	93.778	16-17:43.1:25(3)	01/01/17	12/31/17	949,556	72,238	145,715	-
Family Caregiver Support	FCGSX, FCGS-WCX	93.052	2016:78.1,78.2,79:25	01/01/16	12/31/16	83,073	88,077	81,057	-
Family Caregiver Support	FCGS, FCGS-WC	93.052	16-17:78.1,78.2,79:25(4)	01/01/17	12/31/17	77,387	6,429	15,555	-
Passed through Blue Mountain Action Council:									
Community Jobs & Supported Work Programs	CJX	93.558	RRS16-32710-001	07/01/15	06/30/16	64,875	25,859	12,711	-
Community Jobs & Supported Work Programs	CJ	93.558	RRS17-32710-001	07/01/16	06/30/17	47,475	22,134	22,383	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES						9,958,354	4,137,164	2,800,553	1,500,473
<u>U.S. DEPARTMENT OF ENERGY</u>									
Passed through Washington State Department of Commerce:									
DOE Weatherization Program	DOEX	81.042	F15-43103-419	07/01/15	06/30/16	60,642	44,354	32,212	-
DOE Weatherization Program	DOE	81.042	F16-43103-419	07/01/16	06/30/17	58,812	12,927	25,977	-
Bonneville Power Low Income Weatherization Pgm	BPAWXN	81.999	F15-43104-419	10/01/15	09/30/17	123,753	70,803	74,603	-
TOTAL DEPARTMENT OF ENERGY						243,207	128,084	132,792	-
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
Head Start USDA	HS/ECEAP USDAX	10.558	N/A	06/01/15	05/31/16	51,500	18,968	-	18,968
Head Start USDA	HS/ECEAP USDA	10.558	N/A	06/01/16	05/31/17	51,500	31,500	-	31,500
USDA Loan **	COLVILLE HS	10.218	97-13	11/15/99	11/15/39	197,600	-	-	156,422
USDA Loan **	COLVILLE HS	10.218	97-14	09/20/00	09/20/40	100,000	-	-	79,847
USDA Loan **	MAIN BLDG LOAN	10.218	97-15	07/30/02	07/30/32	1,720,000	-	-	1,196,832
USDA Loan **	NEWPORT HS	10.218	97-17	03/12/09	03/12/49	398,500	-	-	367,940
Farmers Home Administration Loan **	CHEWELAH HS	10.218	97-11	11/26/97	11/26/27	150,000	-	-	86,082
USDA Loan **	Allegiance	10.766		12/3/14	12/3/44	500,000	-	-	488,931
Passed through Washington State Department of Social and Health Services:									
Basic Food Education & Outreach	BFEO	10.561	1513-48006	10/01/15	09/30/16	321,151	74,961	61,334	-
Passed through People for People:									
Basic Food Education & Outreach	BFEO	10.561	RR-1613-75656	10/01/16	09/30/17	158,120	21,082	66,949	-

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2017

	Program ID	CFDA Number	Award Number	Period of Award		Total Authorized Award	Funds Received During the Year	Expenditures	
								From Pass-Through Awards	From Direct Awards
Passed through Washington State Department of Agriculture:									
The Emergency Food Assistance Program	TEFAPX	10.568	K1671	10/01/15	09/30/16	41,090	18,452	6,832	-
The Emergency Food Assistance Program	TEFAP	10.568	K1671	10/01/16	09/30/17	40,486	10,283	17,502	-
Commodities TEFAP Food *		10.569	N/A	03/01/16	02/28/17	192,497	192,497	192,497	-
<i>Subtotal Cluster</i>						274,073	221,232	216,831	-
Commodity Supplemental Food Program	CSFPX	10.565	K1671	10/01/15	09/30/16	18,428	12,447	10,744	-
Commodity Supplemental Food Program	CSFP	10.565	K1671	10/01/16	09/30/17	14,876	4,405	8,152	-
Commodities CSFP Food *		10.565	N/A	03/01/16	02/28/17	68,752	68,752	68,752	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						4,024,500	453,346	432,763	2,426,522
<u>Federal Emergency Management Assistance</u>									
Food & Shelter Assistance Program	FEMA	97.024	8932-00	10/1/2015	6/30/2017	-	7,664	-	4,779
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>									
Passed through Washington State Department of Commerce:									
Tenant Based Rental Assistance	TBRAX	14.239	15-42401-122	07/01/15	06/30/16	60,910	19,891	14,681	-
Tenant Based Rental Assistance	TBRA	14.239	15-42401-122	07/01/16	06/30/17	256,990	53,134	56,752	-
Tenant Based Rental Assistance - Ferry County	TBRA-FCX	14.239	15-42401-125	07/01/15	06/30/16	95,454	22,205	15,526	-
Passed through Stevens County:									
Community Development Block Grant	CDBGX	14.228	15-62210-013	07/01/15	06/30/16	92,440	44,806	35,741	-
Community Development Block Grant	CDBG	14.228	C-84-2016	07/01/16	06/30/17	94,065	38,108	54,275	-
Passed through Spokane Housing Authority:									
Rental Assistance Program	RAPX	14.856	N/A	01/01/16	12/31/16	170,000	129,291	132,715	-
Rental Assistance Program	RAP	14.856	N/A	01/01/17	12/31/17	175,000	27,021	21,975	-
Section 8 Housing Choice Vouchers		14.871	N/A			1,750,000	1,649,722	1,649,722	-
Section 8 Fraud Recovery		14.871				-	257	-	-
Passed through Washington State Housing Finance Commission:									
Super NOFA Housing Counseling	SNHCX	14.169	N/A	10/01/13	03/31/15	15,000	1,577	-	-
Super NOFA Housing Counseling	SNHCX	14.169	N/A	10/01/15	06/30/16	44,500	22,558	40,604	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						2,754,359	2,008,570	2,021,990	-

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2017

Program ID	CFDA Number	Award Number	Period of Award	Total Authorized Award	Funds Received During the Year	Expenditures From Pass-Through Awards	From Direct Awards	
<u>DEPARTMENT OF LABOR</u>								
Passed through Washington State Employment Security Department:								
Title I-B Adult	IBADULT	17.258	6110-7104	07/01/14	06/30/16	28,845	-	
Title I-B Adult	IBADULT	17.258	6110-1105	10/01/14	06/30/16	378,632	-	
Title I-B Dislocated Worker	IBDW	17.278	6110-7204	07/01/14	06/30/16	39,222	-	
Title I-B Dislocated Worker	IBDW	17.278	6110-1205	10/01/14	06/30/16	281,067	-	
Title I-B Youth	IBYOUTH	17.259	6110-7004	04/01/14	06/30/16	547,457	-	
Title I-B Administrative Cost Pool	WIAADM	258,259,278	6110-7304	04/01/14	06/30/16	68,392	-	
Title I-B Administrative Cost Pool	WIAADM	258,259,278	6110-1305	10/01/14	06/30/16	73,299	6,483	
Title I-B Adult	IBADULT	17.258	6110-7105	07/01/15	06/30/17	31,618	-	
Title I-B Adult	IBADULT	17.258	6110-1106	10/01/15	06/30/17	346,705	256,060	
Title I-B Dislocated Worker	IBDW	17.278	6110-7205	07/01/15	06/30/17	63,581	-	
Title I-B Dislocated Worker	IBDW	17.278	6110-1206	10/01/15	06/30/17	319,591	277,241	
Title I-B Youth	IBYOUTH	17.259	6110-7005	04/01/15	06/30/17	521,664	138,012	
Title I-B Administrative Cost Pool	WIAADM	258,259,278	6110-7305	04/01/15	06/30/17	68,538	59,313	
Title I-B Administrative Cost Pool	WIAADM	258,278	6110-1306	10/01/15	06/30/17	74,032	72,764	
Title I-B Adult	IBADULT	17.258	6110-7106	07/01/16	06/30/18	58,524	52,297	
Title I-B Adult	IBADULT	17.258	6110-1107	10/01/16	06/30/18	401,076	-	
Title I-B Dislocated Worker	IBDW	17.278	6110-7206	07/01/16	06/30/18	57,095	-	
Title I-B Dislocated Worker	IBDW	17.278	6110-1207	10/01/16	06/30/18	304,213	-	
Title I-B Youth	IBYOUTH	17.259	6110-7006	04/01/16	06/30/18	606,777	309,115	
Title I-B Administrative Cost Pool	WIAADM	258,259,278	6110-7306	04/01/16	06/30/18	80,267	9,991	
Title I-B Administrative Cost Pool	WIAADM	258,259,278	6110-1307	10/01/16	06/30/18	78,365	-	
WIOA Implementation Planning Grant	IMP	17.278	6110-7494-02	05/01/15	06/30/16	42,250	17,180	
Rapid Response Long-Term Unemployed	RRLTU	17.278	6110-7503-11	04/01/14	03/31/16	96,899	20,275	
Youth Works	YWX	258,259,278	6110-7624-03	01/01/15	06/30/16	84,054	19,681	
Youth Works	YW	258,259,278	6110-7625-04	07/01/16	03/31/18	63,798	17,974	
Rapid Response Increased Employment	RRIE	17.278	K-4985	11/01/16	06/30/18	72,979	-	
<i>Subtotal Cluster</i>						4,788,940	1,256,386	1,257,865
Job Driven NEG	JDNEG	17.277	6110-7564-02	07/01/14	07/31/16	146,316	45,243	34,439
Sector Partnership NEG	SPNEG	17.277	6110-7575-02	10/01/15	04/30/17	230,232	45,353	37,936
TOTAL DEPARTMENT OF LABOR						5,165,488	1,346,981	1,330,240
<u>VETERANS AFFAIRS ADMINISTRATION</u>								
Passed through the WA State Veterans Affairs								
Ferry County Veterans Van		64.035	305E-14-099	07/01/13		58,667	325	1,154

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2017

Program ID	CFDA Number	Award Number	Period of Award	Total Authorized Award	Funds Received During the Year	Expenditures			
						From Pass-Through Awards	From Direct Awards		
<u>U.S. DEPARTMENT OF JUSTICE</u>									
Passed through Washington State Department of Commerce:									
STOP Violence Against Women	STOPX	16.588	F15-31103-061	01/01/16	12/31/16	63,855	60,003	51,067	-
STOP Violence Against Women	STOP	16.588	F16-31103-063	01/01/17	12/31/17	63,855	2,757	5,718	-
Sexual Assault Treatment / Prevention	SAX	16.575	16-31310-143	07/01/15	06/30/16	117,589	66,173	46,079	-
Sexual Assault Treatment / Prevention	SA	16.575	17-31310-143	07/01/16	06/30/17	115,641	47,368	71,628	-
Sexual Assault Services Formula Grant Program	SASP	16.017	F15-31311-514	01/01/16	12/31/16	36,750	35,564	32,078	-
Crime Victim Service Center	CVSCX	16.575	S16-31119-031	07/01/15	06/30/16	129,649	62,231	50,245	-
Crime Victim Service Center	CVSC	16.575	S17-31119-031	07/01/16	06/30/17	191,198	95,753	114,691	-
Training Bank Grant Program	TBGP	16.575	F16-31119-923	09/01/16	06/30/17	5,000	5,000	5,000	-
Passed through Washington State Department of Social & Health Services:									
Domestic Violence	DVX	16.575	1512-38445	07/01/15	06/30/16	144,858	71,847	58,854	-
Domestic Violence	DV	16.575	1612-68538	07/01/16	06/30/17	147,020	66,699	85,957	-
Passed through Children's Advocacy Centers of Washington:									
National Children's Alliance - Kids First	CACWANCA	16.785	2-COLV-WA-SA16	01/01/16	12/31/16	9,000	9,000	9,000	-
TOTAL U.S. DEPARTMENT OF JUSTICE						1,024,415	522,396	530,318	-
<u>DEPARTMENT OF EDUCATION</u>									
Passed through State Board for Community and Technical Colleges:									
Adult Basic Education	ABEX	84.002	265-BEDA-16	07/01/15	06/30/16	26,981	8,392	8,200	-
Adult Basic Education	ABE	84.002	265-BEDA-17	07/01/16	06/30/17	25,848	5,098	5,527	-
BEdA WIOA Transition Grant	WIOA	84.002	265-WIOA-16	07/01/15	06/30/16	4,500	2,315	1,426	-
Passed through Employment Security Department:									
Pre-Employment Transition Services	Pre-ETS	84.412	1612-64022	05/01/16	09/30/18	230,000	35,436	41,741	-
TOTAL DEPARTMENT OF EDUCATION						287,329	51,241	56,894	-
TOTAL FEDERAL FINANCIAL ASSISTANCE						\$ 23,501,319	\$ 8,655,772	\$ 7,306,704	\$ 3,931,774

* Noncash Assistance

** Loans

RURAL RESOURCES COMMUNITY ACTION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended February 28, 2017

NOTE 1: BASIS OF ACCOUNTING

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

NOTE 2: DE-MINIMIS COST RATE

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

NOTE 3: FEDERAL EXPENDITURES FROM LOANS

	<u>Beginning Balance</u>	<u>Current Year Activity</u>	<u>Ending Balance</u>
USDA Loan	\$ 488,932	\$ (9,297)	\$ 479,635
USDA Loan	1,196,833	(53,048)	1,143,785
USDA Loan	79,847	(1,846)	78,001
USDA Loan	156,422	(3,817)	152,605
USDA Loan	86,082	(5,440)	80,642
USDA Loan	<u>367,940</u>	<u>(5,226)</u>	<u>362,714</u>
Total	<u>\$2,376,056</u>	<u>\$ (78,674)</u>	<u>\$2,297,382</u>

NOTE 4: SUB RECIPIENTS

During the fiscal year ended February 28, 2016, the Organization paid the following program amounts to sub recipients:

Basic Food Education & Outreach	10.561	\$ 58,829
Title IB Dislocated Worker	17.278	\$ 280,813
Title IB Youth	17.259	\$ 126,060
Title IB Adult	17.258	\$ 75,773
Youth Works	17.258, 259, 278	\$ 8,179
Rapid Response Long Term Unemployed	17.278	\$ 1,160
STOP Violence Against Women	16.588	\$ 28,004
Sector Partnership NEG	17.277	\$ 30,438
Job Driven NEG	17.277	\$ 29,242
Community Jobs & Supported Work Programs	93.558	\$ 34,656
The Emergency Food Assistance Program	10.569	\$ 192,497

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF NON-FEDERAL AWARDS

Fiscal Year Ended February 28, 2017

Pass-through Grantor Program Title	Program ID	Award Number	Period of Award		Total Authorized Award	Funds Received During the Year	Expenditures During the Year
Washington State Department of Commerce:							
Domestic Violence Legal Advocacy	DVLAX	S16-31108-024	07/01/15	06/30/16	\$ 24,000	\$ 14,232	\$ 9,839
Domestic Violence Legal Advocacy	DVLA	S17-31108-013	07/01/16	06/30/17	24,500	11,446	13,737
Homeowners Revolving Loan Fund	HRLF	08-94100-008	05/01/08	12/31/33	1,105,100	-	-
Quail Manor - HTF Loan	QUAIL	99-40497-215	01/01/00	12/31/50	505,162	-	379,021
Sexual Assault Treatment / Prevention	SAX	16-31310-143	07/01/15	06/30/16	122,372	78,455	57,238
Sexual Assault Treatment / Prevention	SA	17-31310-143	07/01/16	06/30/17	110,479	45,322	100,177
Crime Victim Service Center Program	CVSCX	S16-31119-031	07/01/15	06/30/16	25,619	12,297	9,929
Crime Victim Service Center Program	CVSC	S17-31119-031	07/01/16	06/30/17	26,072	13,057	15,640
Matchmaker Program	MP	S15-94102-419	07/01/15	06/30/17	190,165	108,389	109,924
Consolidated Homeless Grant	CHG	16-46108-31	01/01/16	06/30/17	219,828	118,864	107,920
Consolidated Homeless Grant - Ferry County	CHG-FC	16-46108-300	01/01/16	06/30/17	125,166	49,220	44,102
Community Services Block Grant State	CSBG SX	S16-32101-224	07/01/15	06/30/16	15,297	4,842	1,732
Community Services Block Grant State	CSBGS	S16-32101-224	07/01/16	06/30/17	15,297	7,483	8,556
Washington State Department of Social and Health Services:							
Domestic Violence	DVX	1512-38445	07/01/15	06/30/16	100,976	49,267	40,357
Domestic Violence	DV	1612-68538	07/01/16	06/30/17	173,252	103,286	101,285
Basic Food Education & Outreach	BFE OX	1513-48006	10/01/15	09/30/16	10,000	8,333	8,333
Work First Domestic Violence	WFDVX	1512-43798	07/01/15	06/30/16	8,000	3,560	1,304
Work First Domestic Violence	WFDV	1512-43798-01	07/01/16	06/30/17	8,000	4,140	5,251
Child Advocacy Centers of WA	CACWAX	1536-41187	07/01/15	06/30/16	990,000	559,056	385,045
Child Advocacy Centers of WA	CACWA	1632-64547	07/01/16	06/30/17	990,000	449,094	615,696
Substance Abuse Block Grant	SABG	1512-42504	07/01/15	06/30/17	10,832	960	-
Dedicated Marijuana Account		1512-42504		06/30/17	91,100	51,508	55,200
Washington State Department of Transportation:							
WSDOT Consolidated Grant Program	WSDOT	UCB1285	07/01/15	06/30/17	1,256,000	564,912	573,179

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF NON-FEDERAL AWARDS

Fiscal Year Ended February 28, 2017

Pass-through Grantor Program Title	Program ID	Award Number	Period of Award	Total Authorized Award	Funds Received During the Year	Expenditures During the Year
Washington State Department of Early Learning:						
Early Childhood Education and Assistance Program	ECEAPX	16-1120	07/01/15 06/30/16	499,417	261,415	170,728
Early Childhood Education and Assistance Program	ECEAP	16-1120-02	07/01/15 06/30/16	481,192	242,763	295,720
Passed through State Board for Community and Technical Colleges:						
BEdA CBO State Grant	CBOX	265-CBO-16	07/01/15 06/30/16	5,826	3,526	2,541
BEdA CBO State Grant	CBO	265-CBO-16	07/01/15 06/30/16	3,646	573	812
BEdA Leadership Grant	BLBG	265-BLBG-16	07/01/15 06/30/16	4,050	733	82
BEdA Leadership Grant	BLBG	265-BLBG-16	07/01/15 06/30/16	2,984	1,640	2,366
Passed through Aging and Long Term Care of Eastern Washington:						
Case Management	IAX, CM-WCX, IA-WCX	2016:42,43:25	01/01/16 12/31/16	209,937	179,297	162,336
Case Management	IA, CM-WC, IA-WC	16-17:42,43:25(2)	01/01/17 12/31/17	216,845	13,092	28,998
Family Caregiver & Kinship Caregiver	FCGSX, KGX, KNX, FCGS-WCX, KG-WCX, KN-WCX	2016:78.1,78,2,79:25	01/01/16 12/31/16	376,869	343,588	295,951
Family Caregiver & Kinship Caregiver	FCGS, KG, KN, FCGS-WC, KG-WC, KN-WC	16-17:78.1,78,2,79:25(4)	01/01/17 12/31/17	346,208	33,244	62,218
Home Care Referral Registry	HCRRX	2015:93:25	07/01/15 06/30/16	40,160	18,222	15,506
Home Care Referral Registry	HCRRX	15-16:93:25	07/01/16 12/31/16	20,080	20,080	20,082
Home Care Referral Registry	HCRRX	15-17:93:25(4)	01/01/17 12/31/17	40,160	3,588	7,272
Senior Farmers Market	SFM	2016:67:25	06/01/16 11/30/16	500	500	500
Washington State Office of Insurance Commission:						
Statewide Health Insurance Benefits Advisors	SHIBA	CS201712	07/01/15 06/30/17	86,870	38,827	47,196
Washington State Housing Finance Commission:						
Consumer Foreclosure Remedies Fund Program	CFRF		07/01/16 06/30/17	21,600	4,250	2,894
Attorney General's Office Grant	AGO		07/01/15 06/30/17	10,000	7,750	6,527

RURAL RESOURCES COMMUNITY ACTION

SCHEDULE OF EXPENDITURES OF NON-FEDERAL AWARDS

Fiscal Year Ended February 28, 2017

Pass-through Grantor Program Title	Program ID	Award Number	Period of Award		Total Authorized Award	Funds Received During the Year	Expenditures During the Year	
Washington State Health Care Authority:								
ABCD Health Care	ABCDHC	K758 01	07/01/15	06/30/17	24,100	6,913	7,972	
Washington State Department of Agriculture:								
Emergency Food Assistance Program	EFAPX	K1671	07/01/15	06/30/16	86,595	38,575	34,174	
Emergency Food Assistance Program	EFAP	K1671	07/01/16	06/30/17	86,442	38,043	46,809	
TOTAL - STATE AWARDS					8,710,698	3,461,876	3,798,949	
<u>COUNTY AWARDS</u>								
Stevens County:								
2060 Low-Income Housing Expenses	HR2060X		01/01/16	12/31/16	25,000	10,904	10,904	
2060 Low-Income Housing Expenses	HR2060		01/01/16	12/31/16	5,000	-	431	
2163 Homeless Housing & Assistance	HB2163X		01/01/16	12/31/16	82,400	68,090	68,090	
2163 Homeless Housing & Assistance	HB2163		01/01/16	12/31/16	82,400	-	10,579	
<u>CITY AWARDS</u>								
City Police Departments	Chewelah, Colville, Kettle Falls	A.101.24.42	01/01/16	12/31/2016	14,500	15,356	18,280	
City Police Departments	Chewelah, Colville, Kettle Falls	A.101.24.42	01/01/17	12/31/2017	14,500	1,644	4,092	
TOTAL - COUNTY/CITY AWARDS					223,800	95,994	112,377	
<u>VENDORS</u>								
Passed through Washington State Department of Social and Health Services								
40516	COPEX	COPEX	101259202	01/01/16	12/31/16	-	5,837	8,033
40517	COPEX	COPEX	101259202	01/01/17	12/31/17	-	800	436
Allegiance	Allegiance		101259201	03/01/16	02/28/17	-	257,603	567,006
TOTAL - VENDORS					-	264,240	575,475	
TOTAL AWARDS					\$ 8,934,498	\$ 3,822,110	\$ 4,486,801	

RURAL RESOURCES COMMUNITY ACTION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal Year Ended February 28, 2017

No matters are reportable.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Rural Resources Community Action (a nonprofit organization), which comprise the statement of financial position as of February 28, 2017, and the related statements of activities, and cash flows for the fiscal year then ended, and the related consolidated notes to the financial statements, and have issued our report thereon dated July 14, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



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

July 14, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the Rural Resources Community Action (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended February 28, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2017.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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



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

July 14, 2017

RURAL RESOURCES COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended February 28, 2017

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified: No

Significant deficiencies identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

Material weaknesses identified: No

Significant deficiencies identified not considered to be material weaknesses: No

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a): No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
93.569	Community Services Block Grant
93.568	Low Income Home Energy Assistance Program
17.258, 259, 278	Workfirst Investment Act/Workforce Innovation & Opportunity Act

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

Auditee qualified as low-risk auditee: Yes

Section II – Financial Statement Findings: None

Section III – Federal Award Findings and Questioned Costs: None