

FOUR BANDS COMMUNITY FUND, INC.  
AUDITED FINANCIAL STATEMENTS  
INCLUDING REPORTS REQUIRED UNDER OMB CIRCULAR A-133  
DECEMBER 31, 2008

**FOUR BANDS COMMUNITY FUND, INC.**  
EAGLE BUTTE, SOUTH DAKOTA

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DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
Four Bands Community Fund, Inc.  
Eagle Butte, South Dakota

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying statement of financial position of Four Bands Community Fund, Inc. (Four Bands), a non-profit organization, as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Four Bands' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and, in our report dated June 24, 2008 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Standards Applicable to Financial Audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Four Bands Community Fund, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2009, on our consideration of Four Bands Community Fund, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Dana F. Cole & Company, LLP*

DANA F. COLE & COMPANY, LLP  
Montevideo, Minnesota

April 30, 2009

# FOUR BANDS COMMUNITY FUND, INC.

## Statement of Financial Position

December 31, 2008

(With Comparative Totals as of December 31, 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 518,652	\$ 666,028	\$ 1,184,680	\$ 886,667
Certificates of Deposit	260,000	-	260,000	260,000
Accounts Receivable	1,094	-	1,094	1,838
Interest Receivable	14,324	-	14,324	4,705
Current Portion of Loans Receivable	148,000	-	148,000	100,000
Grants/Contributions Receivable	-	35,927	35,927	116,120
Inventory	11,432	-	11,432	12,122
Prepaid Insurance	3,419	-	3,419	3,397
<b>Total Current Assets</b>	<u>956,921</u>	<u>701,955</u>	<u>1,658,876</u>	<u>1,384,849</u>
<b>Capital Assets</b>				
Property and Equipment	158,660	-	158,660	150,730
Less Accumulated Depreciation	<u>(81,187)</u>	<u>-</u>	<u>(81,187)</u>	<u>(74,337)</u>
<b>Total Capital Assets</b>	<u>77,473</u>	<u>-</u>	<u>77,473</u>	<u>76,393</u>
<b>Other Assets</b>				
Loans Receivable - Long-term	579,920	-	579,920	232,119
Loan Loss Reserve	<u>(71,253)</u>	<u>-</u>	<u>(71,253)</u>	<u>(43,292)</u>
<b>Total Other Assets</b>	<u>508,667</u>	<u>-</u>	<u>508,667</u>	<u>188,827</u>
<b>Total Assets</b>	<u>\$ 1,543,061</u>	<u>\$ 701,955</u>	<u>\$ 2,245,016</u>	<u>\$ 1,650,069</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 734	\$ -	\$ 734	\$ 1,391
Accrued Interest Payable	500	-	500	495
Accrued Leave	10,391	-	10,391	11,059
Accrued Payroll Taxes and Benefits	35,038	-	35,038	13,111
Current Portion of Long-Term Liabilities	84,160	-	84,160	2,900
<b>Total Current Liabilities</b>	<u>130,823</u>	<u>-</u>	<u>130,823</u>	<u>28,956</u>
<b>Long-Term Liabilities</b>				
Notes Payable (net of current maturities)	<u>127,000</u>	<u>-</u>	<u>127,000</u>	<u>91,142</u>
<b>Total Liabilities</b>	<u>257,823</u>	<u>-</u>	<u>257,823</u>	<u>120,098</u>
<b>Net Assets:</b>				
Lending Net Assets	882,982	322,029	1,205,011	855,663
Operating Net Assets	<u>402,256</u>	<u>379,926</u>	<u>782,182</u>	<u>674,308</u>
<b>Total Net Assets</b>	<u>1,285,238</u>	<u>701,955</u>	<u>1,987,193</u>	<u>1,529,971</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,543,061</u>	<u>\$ 701,955</u>	<u>\$ 2,245,016</u>	<u>\$ 1,650,069</u>

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

## FOUR BANDS COMMUNITY FUND, INC.

### Statement of Activities

Year Ended December 31, 2008

(With Comparative Totals for the Year Ended December 31, 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2008</u>	<u>Total 2007</u>
<b>Support, Revenues and Reclassifications</b>				
Grant Income	\$ -	\$ 1,293,972	\$ 1,293,972	\$ 1,604,410
Contributions Income	3,150	16,000	19,150	26,720
Program & Other Income	26,178	-	26,178	25,924
Retail Sales (Net of Cost of Goods Sold of \$0 and \$1,287 for 2008 and 2007, respectively)	-	-	-	(39)
Interest Income	54,124	-	54,124	26,234
Net Assets Released from Restriction	<u>1,428,128</u>	<u>(1,428,128)</u>	<u>-</u>	<u>-</u>
 Total Support, Revenues and Reclassification	 <u>1,511,580</u>	 <u>(118,156)</u>	 <u>1,393,424</u>	 <u>1,683,249</u>
<b>Expenses:</b>				
Program Services	779,461	-	779,461	634,386
Fundraising	132,651	-	132,651	92,007
General and Administrative	<u>24,090</u>	<u>-</u>	<u>24,090</u>	<u>110,515</u>
 Total Expenses	 <u>936,202</u>	 <u>-</u>	 <u>936,202</u>	 <u>836,908</u>
 <b>Change in Net Assets</b>	 <b>575,378</b>	 <b>(118,156)</b>	 <b>457,222</b>	 <b>846,341</b>
 <b>Net Assets - Beginning of Period</b>	 <u>709,860</u>	 <u>820,111</u>	 <u>1,529,971</u>	 <u>683,630</u>
 <b>Net Assets - End of Period</b>	 <u>\$ 1,285,238</u>	 <u>\$ 701,955</u>	 <u>\$ 1,987,193</u>	 <u>\$ 1,529,971</u>

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

## FOUR BANDS COMMUNITY FUND, INC.

### Statement of Cash Flows

Year Ended December 31, 2008

(With Comparative Totals for the Year Ended December 31, 2007)

	<b>Total 2008</b>	<b>Total 2007</b>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 457,222	\$ 846,341
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Loss on Disposal of Assets	3,246	-
Depreciation	16,591	17,167
Provision for Loan Loss Reserve	34,325	(29,791)
(Increase) Decrease in:		
Accounts Receivable	744	16,752
Interest Receivable	(9,619)	7,000
Grants/Contributions Receivable	80,193	23,618
Issuance of Loans Receivable	(519,395)	(139,537)
Repayments of Loans Receivable	117,230	66,094
Inventory	690	3,004
Prepaid Insurance	(22)	121
Increase (Decrease) in:		
Accounts Payable	(657)	(3,101)
Accrued Payroll Expenses	21,259	3,371
Accrued Interest Payable	5	-
Total Adjustments	<u>(255,410)</u>	<u>(35,302)</u>
Net Cash from Operating Activities	<u>201,812</u>	<u>811,039</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Investments	-	(180,000)
Payments for Property and Equipment	<u>(20,917)</u>	<u>(10,826)</u>
Net Cash from Investing Activities	<u>(20,917)</u>	<u>(190,826)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from Long-Term Debt	120,000	-
Payments from Long-Term Debt	<u>(2,882)</u>	<u>(8,935)</u>
Net Cash from Financing Activities	<u>117,118</u>	<u>(8,935)</u>
<b>Net Change in Cash</b>	298,013	611,278
<b>Cash - Beginning of Period</b>	<u>886,667</u>	<u>275,389</u>
<b>Cash - End of Period</b>	\$ <u>1,184,680</u>	\$ <u>886,667</u>
<b>Supplemental Information</b>		
Interest Paid	\$ <u>4,888</u>	\$ <u>4,236</u>

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

**FOUR BANDS COMMUNITY FUND, INC.**

Statement of Functional Expenses  
 Year Ended December 31, 2008  
 (With Comparative Totals for the Year Ended December 31, 2007)

Expense Categories	Program Services		Fundraising	General & Administrative		2008	2007
						Total	Total
Salaries, Benefits & Payroll Taxes	\$	354,171	\$	80,885	\$	449,685	\$ 346,039
Professional Fees		127,621		29,078		161,545	206,337
Program Expense		131,930		-		131,930	116,587
Staff Travel & Training		35,098		7,997		44,428	36,225
Depreciation		13,107		2,986		16,591	17,167
Loss on Disposal of Asset		2,565		584		3,246	-
Loan Loss Expense		34,325		-		34,325	29,791
Advertising		37,617		2,432		41,288	26,734
Office Expenses		7,157		1,631		9,060	16,946
Training		9,772		2,227		12,370	5,163
Telephone		8,703		1,983		11,017	14,806
Interest		4,893		-		4,893	4,236
Miscellaneous		2,699		615		3,416	7,336
Utilities		3,381		770		4,279	3,689
Postage		3,849		877		4,872	2,737
Insurance		2,573		586		3,257	3,115
<b>Total Expenses</b>	\$	<u>779,461</u>	\$	<u>132,651</u>	\$	<u>936,202</u>	\$ <u>836,908</u>

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

**FOUR BANDS COMMUNITY FUND, INC.**  
EAGLE BUTTE, SOUTH DAKOTA

NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 1 – ORGANIZATION**

Four Bands Community Fund, Inc. (Four Bands) is a nonprofit corporation organized to assist entrepreneurs of the Cheyenne River Indian Reservation with training, business incubation and access to capital, encouraging economic development and enhancing the quality of life for all communities and residents of the reservation. Four Bands solicits grants from various federal and private sources to achieve its objectives and has one office located in Eagle Butte, South Dakota. Four Bands is a native community development financial institution certified by the U.S. Department of Treasury.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Financial Statement Presentation

Four Bands has adopted Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations”. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net assets categories according to externally (donor) imposed restrictions. A description of the three net asset categories utilized by Four Bands follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Four Bands and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently. Generally, the donors of these assets permit Four Bands to use all or part of the income earned on any related investments for general or specific purposes. Four Bands had no permanently restricted net assets as of December 31, 2008.

B. Contributions

Four Bands utilizes Statement of Financial Accounting Standards (SFAS) No. 116, “Accounting for Contributions Received and Made”. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires Four Bands to distinguish between contributions received for each net assets category in accordance with donor imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

C. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**FOUR BANDS COMMUNITY FUND, INC.**  
EAGLE BUTTE, SOUTH DAKOTA

NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, Four Bands considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2008, Four Bands had no cash equivalents.

E. Inventory

Inventory of merchandise for the “Made on the Rez” program is stated at the lower of cost or market, using the first-in, first-out method. The Board elected to terminate this social enterprise program and intends on disposing of the inventory.

F. Property and Equipment

Property and Equipment are stated at cost. Expenditures for property and those which substantially increase useful lives, in excess of \$1,000 are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

G. Depreciation

Four Bands provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives which range from 3 to 20 years.

H. Income Taxes

Four Bands is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Four Bands’ tax-exempt purpose is subject to taxation as unrelated business income. In addition, Four Bands has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization has elected to defer the provisions of FIN 48, *Accounting for Income Taxes*, under the provisions of FSP FIN 48-3. The Organization uses a FAS 5, *Loss Contingencies*, approach for evaluating uncertain tax positions and continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

I. Advertising

Advertising costs are expensed as incurred. Advertising expense was \$41,288 for 2008.

**FOUR BANDS COMMUNITY FUND, INC.**  
EAGLE BUTTE, SOUTH DAKOTA

NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

J. Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Four Bands' financial statements for the year ended December 31, 2008, from which the summarized information was derived.

K. Revenue Recognition

Grant amounts awarded, but not received, are reported as receivables. Grant revenue is recognized in the period the grant is awarded, provided it is unconditional, and is recorded as revenue in the permanently restricted, temporarily restricted, or unrestricted net assets, depending on the grantor's intent. Conditional grants are recognized as revenue is earned.

L. Functional Expenses

Expenses have been recorded in program services, general and administrative and fundraising categories based on specific identification. In the absence of specific identification, expenses have been allocated based on estimated staff time spent in each category.

M. Loans Receivable and Loan Loss Reserve

Loans are considered long-term investments and are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Loans are recorded at the time the loan closing takes place. Interest income is recognized on loans receivable at the rate stated in each loan agreement and is accrued through each payment date. A loan is considered past due when a payment is 90 days or more past due. As of December 31, 2008, total payments past due were \$50,602, and the Organization is pursuing collections in Tribal Court. These past due payments are on loans with a current balance of \$103,275.

The loan loss reserve is established through a provision charged to expense based on specific loan allowances. Loans are charged against the loan loss reserve when management believes the collectability of the principal is unlikely. The reserve is an amount that management believes will be adequate to absorb possible losses on existing loans that may be uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as overall portfolio quality, review of specific loan problems, and current economic conditions that may affect the borrowers' ability to pay. The loan committee reviews the status of the loan portfolio on a quarterly basis.

The recovery of the loan balances is susceptible to changes in local conditions. While management uses available information to recognize losses, additions in the future to the allowance may be necessary based on changes in local economic conditions and the debtor's business management practices. Therefore, it is at least reasonably possible that the estimated collectability of loans receivable may change in the near term.

**FOUR BANDS COMMUNITY FUND, INC.**  
EAGLE BUTTE, SOUTH DAKOTA

NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. Loans Receivable and Loan Loss Reserve (Continued)

The accrual of interest on loans is generally discontinued at the time Four Bands receives a judgment against the borrower in tribal court. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

A loan is considered impaired when, based on current information and events, it is probable that Four Bands will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Impairment is measured on a loan by loan basis.

**NOTE 3 – CONCENTRATION OF RISK**

Four Bands receives a substantial portion of its funding from grantors. A significant reduction of this support would likely mean a change of program services offered by Four Bands.

Four Bands' cash accounts are located at two financial institutions. Deposits in one financial institution were in excess of the federally insured limit of the Federal Depository Insurance Corporation. A portion of the excess over the federally insured limit was covered by a \$1 million BancInsure, Inc. Excess Deposit Insurance Bond. The remaining balance of \$156,411 was not insured; however the Organization did not incur any losses due to this undercollateralization.

**NOTE 4 – REVOLVING LOAN FUNDS**

Four Bands offers small business loans in amounts of \$5,000 to \$100,000 and offers micro loans of \$5,000 or less. The interest rates on these loans are 1.5 percent to 3.5 percent over prime. Four Bands also offers credit builder loans at 2 percent to 4 percent over prime. The following loans are outstanding as of December 31, 2008:

	<u>2008</u>
Small Business Loans	\$611,634
Microloans	<u>116,286</u>
	727,920
Allowance for Doubtful Loans	<u>(71,253)</u>
Net Loans Receivable	<u>\$656,667</u>

Four Bands receives grant funds to finance the revolving loan fund. These funds can be used for lending and/or to cover the loan loss reserve. Restrictions related to the revolving loan fund are disclosed in Note 4, however, there is no restriction on the use of interest collected. Most loans are partially secured by assets of the borrowers, but it is not the policy of Four Bands to obtain security on 100 percent of the balances. Of Four Bands' loan portfolio, 84 percent is concentrated in the ten Small Business Loans.

A summary of the activity in the allowance for loan losses is as follows:

	<u>2008</u>
Beginning Balance	\$ 43,292
Loan Loss Reserve Charged to Operating Expense	<u>34,825</u>
	78,117
Less Amounts Charged Off	<u>(6,864)</u>
Ending Balance	<u>\$ 71,253</u>

**FOUR BANDS COMMUNITY FUND, INC.**  
EAGLE BUTTE, SOUTH DAKOTA

NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 4 – REVOLVING LOAN FUNDS (Continued)**

Four Bands has no commitments to loan additional funds to borrowers whose loans are on nonaccrual status.

**NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following as of December 31:

	<u>2008</u>	<u>2007</u>
Rural Business Enterprise Grant: 2006 - 2007	\$ -	\$ 136
Rural Community Innovations: 2007	-	15,335
Rural Community Innovations: 2008	9,720	-
Assets for Independence	22,677	32,104
CDFI Fund - NACA (TA): 2006	19,344	93,309
CDFI Fund - NACA (FA): 2006	507	446,659
CDFI Fund - NACA (TA): 2008	102,335	-
CDFI Fund - NACA (FA): 2008	321,522	-
Rural Housing & Economic Development: 2005-2007	18,085	-
Citigroup Foundation: 2004	19,270	24,150
Citigroup Foundation: 2007	-	25,000
Citigroup Foundation: 2008	20,259	-
Bush Foundation: 2004	2,452	5,000
Bush Foundation: 2006 - 2009 (Yr 2)	-	1,243
Scott Evans Foundation	-	730
Johnson Scholarship Foundation	-	41,148
Cheyenne River Sioux Tribal Ventures	44,344	116,347
South Dakota Community Foundation: 2007	-	5,000
South Dakota Community Foundation: 2005	10,919	13,950
Tides Foundation: 2008	13,497	-
NWAF Great Strides: 2008	63,937	-
NWAF Sharing: 2008	<u>33,087</u>	<u>-</u>
	<u>\$701,955</u>	<u>\$820,111</u>

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2008 Net Value</u>
Buildings and Land Improvements	\$ 61,722	\$17,177	\$44,545
Equipment	<u>96,938</u>	<u>64,010</u>	<u>32,928</u>
Total	<u>\$158,660</u>	<u>\$81,187</u>	<u>\$77,473</u>

**NOTE 7 – RELATED PARTY TRANSACTION**

As of December 31, 2008 Four Bands has two certificate of deposit accounts and one savings account located at First Financial Bank. An officer of this financial institution is also on the Board of Directors of Four Bands.

**FOUR BANDS COMMUNITY FUND, INC.**  
EAGLE BUTTE, SOUTH DAKOTA

NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 8 – LONG-TERM DEBT**

Long-Term Debt at December 31 is comprised of the following:

	<u>2008</u>
Note payable to First Financial Bank USA, matures September 15, 2009; monthly payments of \$337; including interest at 3.25 percent. Secured by office building.	\$ 34,160
Note payable to First Nations Oweesta Corporation, matures July 1, 2009; quarterly interest only payments at 5 percent, with lump sum payment due at maturity. Unsecured.	50,000
Individual investor loan payable, matures May 1, 2010; annual interest only payments at 2 percent, with a lump sum payment due at maturity. Unsecured.	7,000
Note payable to First Nations Oweesta Corporation, matures September 8, 2011; quarterly interest only payments at 3.5 percent, with lump sum payment due at maturity. Unsecured.	<u>120,000</u>
	<u>\$ 211,160</u>

Aggregate maturities of long-term debt for the years ending December 31, are as follows:

2009	\$ 84,160
2010	7,000
2011	<u>120,000</u>
Total	<u>\$211,160</u>

**NOTE 9 – SUBSEQUENT EVENT**

Four Bands was awarded \$196,000 in federally appropriated funds for recapitalization of the revolving loan fund and \$237,500 for recapitalization and training/technical assistance costs.

SUPPLEMENTAL INFORMATION

**FOUR BANDS COMMUNITY FUND, INC.  
EAGLE BUTTE, SOUTH DAKOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2008**

<u>Federal Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Award</u>	<u>Federal Expenditures</u>
<b>Direct Funding:</b>				
<b>U.S. Department of the Treasury</b>				
<b>Community Development Financial Institutions Fund</b>				
Native American CDFI Assistance (Financial): 2006	21.020	061NA006881	500,000	446,152
Native American CDFI Assistance (Technical): 2006	21.020	061NA006881	118,000	73,965
Native American CDFI Assistance (Financial): 2008	21.020	081NA007629	400,000	78,478
<b>Total U.S. Department of the Treasury</b>				<u>598,595</u>
<b>U.S. Department of Health and Human Services</b>				
Administration for Native Americans: 2008-2010	93.612	90NA8031	139,848	32,000
Assets for Independence Demonstration Program	93.602	90E10334	47,647	9,427
<b>Total U.S. Department of Health and Human Services</b>				<u>41,427</u>
<b>U.S. Department of Agriculture</b>				
Rural Business Enterprise Grant: 2006-2007	10.769	RBEG 10	65,000	19,383
Rural Business Enterprise Grant: 2007-2008	10.769	RBEG 12	74,000	62,983
Rural Business Enterprise Grant: 2008-2009	10.769	RBEG 13	75,000	3,927
Rural Business Opportunity Grant: 2007-2008	10.773	RBOG 11	95,000	84,696
<b>Total U.S. Department of Agriculture</b>				<u>170,989</u>
<b>U.S. Department of Housing and Urban Development</b>				
Rural Housing and Economic Development: 2005-2007	14.250	RH05SD10027	380,000	78,134
<b>Total U.S. Department of Housing and Urban Development</b>				<u>78,134</u>
<b>National Endowment for the Arts</b>				
Promotion of the Arts Grants to Organizations and Individuals	45.024	755007053	20,000	18,698
<b>Total National Endowment for the Arts</b>				<u>18,698</u>
Total Expenditures of Federal Awards			\$	<u>907,843</u>

**NOTE A: Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting.

ADDITIONAL REPORTS REQUIRED BY THE SINGLE  
AUDIT ACT AND GENERALLY  
ACCEPTED GOVERNMENT AUDITING STANDARDS

DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Four Bands Community Fund, Inc.  
Eagle Butte, South Dakota

We have audited the financial statements of Four Bands Community Fund, Inc. (a nonprofit organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated April 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

Compliance and Other Matters

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

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

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

*Dana F. Cole & Company, LLP*

DANA F. COLE & COMPANY, LLP  
Montevideo, Minnesota

April 30, 2009

DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Four Bands Community Fund, Inc.  
Eagle Butte, South Dakota

Compliance

We have audited the compliance of Four Bands Community Fund, Inc., (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Four Bands Community Fund, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Four Bands Community Fund, Inc.'s management. Our responsibility is to express an opinion on Four Bands Community Fund, Inc.'s compliance based on our audit.

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

In our opinion, Four Bands Community Fund, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

*Dana F. Cole & Company, LLP*

DANA F. COLE & COMPANY, LLP  
Montevideo, Minnesota

April 30, 2009

OTHER REQUIRED SCHEDULES

**FOUR BANDS COMMUNITY FUND, INC.  
EAGLE BUTTE, SOUTH DAKOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2008**

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Four Bands Community Fund, Inc., Eagle Butte, South Dakota.
2. A significant deficiency was disclosed during the audit of the financial statements and reported in the "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*."
3. No instances of noncompliance material to the financial statements of Four Bands Community Fund, Inc., Eagle Butte, South Dakota, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit and reported in the "Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133 are reported in the schedule.
7. The programs tested as major programs included: Native American CDFI Assistance – CFDA # 21.020.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Four Bands Community Fund, Inc., Eagle Butte, South Dakota was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

*Conditions and Criteria:* Organization management is responsible for establishing and maintaining internal controls for the proper recording of all Organization's accounting transactions, including account coding and reporting of accruals and net assets.

*Cause:* The Organization's accounting records are being maintained on an accrual basis of accounting, but were missing some year end adjustments required by generally accepted accounting principles (GAAP).

*Effect:* As part of the audit we proposed audit adjustments related to disposal of capital assets and net assets adjusted for restrictions and designation.

*Auditor's Recommendation:* The Organization should make appropriate adjustments at year end to ensure they follow GAAP.

*Entity Response:* The Organization will continue to improve their internal control system related to GAAP reporting, by continuing to provide training and support in preparation of year end reporting requirements.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

None

**FOUR BANDS COMMUNITY FUND, INC.  
EAGLE BUTTE, SOUTH DAKOTA**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended December 31, 2008**

There were no prior year audit findings that are required to be reported.