

FOUR BANDS COMMUNITY FUND, INC.  
AUDITED FINANCIAL STATEMENTS  
INCLUDING REPORTS REQUIRED UNDER OMB CIRCULAR A-133  
DECEMBER 31, 2009

FOUR BANDS COMMUNITY FUND, INC.  
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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

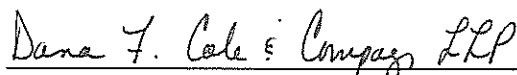
We have audited the accompanying statement of financial position of Four Bands Community Fund, Inc. (Four Bands), a non-profit organization, as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the 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 2008 financial statements and, in our report dated April 30, 2009 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, 2009, 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 June 23, 2010, 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.

  
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Montevideo, Minnesota

June 23, 2010

FOUR BANDS COMMUNITY FUND, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2009  
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	748,659	543,214	1,291,873	1,184,680
Certificates of deposit	360,000		360,000	260,000
Accounts receivable	534		534	1,094
Interest receivable	10,302		10,302	14,324
Current portion of loans receivable	195,000		195,000	148,000
Grants/contributions receivable	-	99,708	99,708	35,927
Inventory	9,800		9,800	11,432
Prepaid insurance	<u>3,307</u>		<u>3,307</u>	<u>3,419</u>
Total current assets	<u>1,327,602</u>	<u>642,922</u>	<u>1,970,524</u>	<u>1,658,876</u>
Capital assets				
Property and equipment	148,730		148,730	158,660
Leasehold Improvements	11,245		11,245	-
Less: accumulated depreciation	<u>(81,559)</u>		<u>(81,559)</u>	<u>(81,187)</u>
Total capital assets	<u>78,416</u>		<u>78,416</u>	<u>77,473</u>
Other assets				
Loans receivable - long-term	886,622		886,622	579,920
Loan loss reserve	<u>(84,068)</u>		<u>(84,068)</u>	<u>(71,253)</u>
Total other assets	<u>802,554</u>		<u>802,554</u>	<u>508,667</u>
<b>TOTAL ASSETS</b>	<u>2,208,572</u>	<u>642,922</u>	<u>2,851,494</u>	<u>2,245,016</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Accounts payable	1,474		1,474	734
Accrued interest payable	563		563	500
Accrued leave	11,740		11,740	10,391
Accrued payroll taxes and benefits	11,935		11,935	35,038
Deferred revenue	-		-	-
Current portion of long-term liabilities	<u>7,000</u>		<u>7,000</u>	<u>84,160</u>
Total current liabilities	<u>32,712</u>		<u>32,712</u>	<u>130,823</u>
Long-term liabilities				
Notes payable (net of current maturities)	<u>201,194</u>		<u>201,194</u>	<u>127,000</u>
Total liabilities	<u>233,906</u>		<u>233,906</u>	<u>257,823</u>
Net assets				
Lending net assets	1,174,074	153,891	1,327,965	1,205,011
Operating net assets	<u>800,592</u>	<u>489,031</u>	<u>1,289,623</u>	<u>782,182</u>
Total net assets	<u>1,974,666</u>	<u>642,922</u>	<u>2,617,588</u>	<u>1,987,193</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>2,208,572</u>	<u>642,922</u>	<u>2,851,494</u>	<u>2,245,016</u>

See accompanying notes to financial statements.

FOUR BANDS COMMUNITY FUND, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2009  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	Unrestricted	<u>2009</u> Temporarily Restricted	Total	<u>2008</u> Total
<b>SUPPORT, REVENUES AND RECLASSIFICATIONS</b>				
Grant income	-	1,440,580	1,440,580	1,293,972
Contributions income	26,750	-	26,750	19,150
Program & other income	15,148	-	15,148	26,178
Interest income	<u>74,734</u>	<u>-</u>	<u>74,734</u>	<u>54,124</u>
	116,632	1,440,580	1,557,212	1,393,424
 NET ASSETS RELEASED FROM RESTRICTIONS	 <u>1,499,613</u>	 <u>(1,499,613)</u>	 <u>-</u>	 <u>-</u>
 Total support, revenues and reclassifications	 <u>1,616,245</u>	 <u>(59,033)</u>	 <u>1,557,212</u>	 <u>1,393,424</u>
 <b>EXPENSES</b>				
Program services	779,737	-	779,737	779,461
Fundraising	110,310	-	110,310	132,651
General and administrative	<u>36,770</u>	<u>-</u>	<u>36,770</u>	<u>24,090</u>
Total expenses	<u>926,817</u>	<u>-</u>	<u>926,817</u>	<u>936,202</u>
 INCREASE (DECREASE) IN NET ASSETS	 689,428	 (59,033)	 630,395	 457,222
 NET ASSETS, beginning of year	 <u>1,285,238</u>	 <u>701,955</u>	 <u>1,987,193</u>	 <u>1,529,971</u>
 NET ASSETS, end of year	 <u>1,974,666</u>	 <u>642,922</u>	 <u>2,617,588</u>	 <u>1,987,193</u>

See accompanying notes to financial statements.

FOUR BANDS COMMUNITY FUND, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	630,395	457,222
Adjustments to reconcile change in net assets to net cash from operating activities:		
Loss on disposal of assets	242	3,246
Depreciation	16,324	16,591
Provision for loan loss reserve	42,852	34,325
(Increase) Decrease in:		
Accounts receivable	560	744
Interest receivable	4,022	(9,619)
Grants/contributions receivable	(63,781)	80,193
Issuance of loans receivable	(548,031)	(519,395)
Repayments of loans receivable	167,414	117,230
Inventory	1,632	690
Prepaid insurance	112	(22)
Increase (Decrease) in:		
Accounts payable	740	(657)
Accrued payroll expenses	(21,754)	21,259
Accrued interest payable	<u>63</u>	<u>5</u>
Total Adjustments	<u>(399,605)</u>	<u>(255,410)</u>
Net cash from operating activities	<u>230,790</u>	<u>201,812</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(100,000)	-
Payments for property and equipment	<u>(20,631)</u>	<u>(20,917)</u>
Net cash from investing activities	<u>(120,631)</u>	<u>(20,917)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	-	120,000
Payments for long-term debt	<u>(2,966)</u>	<u>(2,882)</u>
Net cash from financing activities	<u>(2,966)</u>	<u>117,118</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	107,193	298,013
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,184,680</u>	<u>886,667</u>
CASH AND CASH EQUIVALENTS, end of year	<u>1,291,873</u>	<u>1,184,680</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>7,335</u>	<u>4,888</u>

See accompanying notes to financial statements.

FOUR BANDS COMMUNITY FUND, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2009  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	<u>2009</u>			<u>2008</u>
	Program Services	Fundraising	General & Administrative	Total
Salaries, benefits & payroll taxes	377,763	70,831	23,610	472,204
Professional fees	89,652	16,810	5,603	112,065
Program expense	148,567	-	-	148,567
Staff travel & training	27,756	5,204	1,735	34,695
Depreciation	13,059	2,449	816	16,324
Loss on disposal of asset	194	36	12	242
Loan loss expense	42,852	-	-	42,852
Advertising	27,850	5,222	1,741	34,812
Office expenses	8,362	1,568	523	10,453
Training	14,199	2,662	887	17,749
Telephone	6,554	1,229	410	8,192
Interest	5,918	1,110	370	7,398
Miscellaneous	8,470	1,588	529	10,587
Utilities	2,799	525	175	3,499
Postage	3,196	599	200	3,995
Insurance	<u>2,546</u>	<u>477</u>	<u>159</u>	<u>3,183</u>
<b>TOTAL EXPENSES</b>	<u>779,737</u>	<u>110,310</u>	<u>36,770</u>	<u>926,817</u>
				<u>936,202</u>

See accompanying notes to financial statements.

FOUR BANDS COMMUNITY FUND, INC.  
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 utilizes FASB ASC 958-205 "Financial Statements of Not-for-Profit Organizations". FASB ASC 958-205 sets standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset 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, 2009.

B. Contributions

Four Bands utilizes FASB ASC 958-605 "Accounting for Contributions Received and Made". FASB ASC 958-605 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 asset 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 promises become unconditional.

FOUR BANDS COMMUNITY FUND, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2009, Four Bands had \$300,000 of 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).

Four Bands has adopted the provisions of FASB ASC 740-10 "Accounting for Uncertain Tax Positions". Four Bands 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 \$34,812 for 2009.

FOUR BANDS COMMUNITY FUND, INC.  
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, 2009, total payments past due were \$17,694, and the Organization is pursuing collections in Tribal Court. The total balance owing on these loans is also \$17,694.

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.  
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.

N. Compensated Absences

Employees' vacation benefits are recognized in the period earned.

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 three financial institutions. Deposits in two 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 \$164,218 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, 2009:

Small business loans	959,036
Micro loans	71,713
Credit builders loans	<u>50,873</u>
	1,081,622
Allowance for doubtful loans	<u>(84,068)</u>
Net loans receivable	<u>997,554</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, 89 percent is concentrated in the twelve Small Business Loans.

FOUR BANDS COMMUNITY FUND, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. REVOLVING LOAN FUNDS (Continued)

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

Beginning balance	71,253
Loan loss reserve charged to operating expense	<u>42,852</u>
	114,105
Less amounts charged off	<u>(30,037)</u>
Ending balance	<u>84,068</u>

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, 2009:

Assets for Independence	11,942
Assets for Independence: 2008	54,000
CDFI Fund - NACA (TA): 2008	24,043
CDFI Fund – NACA (TA): 2009	130,861
CDFI Fund – NACA (FA): 2009	266,391
Rural Housing & Economic Development: 2005-2007	5,233
Citigroup Foundation: 2004	11,940
Citigroup Foundation: 2009	8,699
Cheyenne River Sioux Tribal Ventures	10,036
Cheyenne River Sioux Tribal Ventures: Yr 3	22,517
South Dakota Community Foundation: 2005	6,510
South Dakota Community Foundation: 2009	7,500
Tides Foundation: 2009	29,250
NWAF Great Strides: 2008	<u>54,000</u>
	<u>642,922</u>

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	2009 Net <u>Value</u>
Buildings	61,722	21,197	40,525
Leasehold improvements	11,245	375	10,870
Equipment	<u>87,008</u>	<u>59,987</u>	<u>27,021</u>
Total	<u>159,975</u>	<u>81,559</u>	<u>78,416</u>

NOTE 7. RELATED PARTY TRANSACTION

As of December 31, 2009 Four Bands has four 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.  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT

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

	<u>2009</u>
Note payable to First Financial Bank USA, matures September 1, 2014; monthly payments of \$337; including interest at 2.90 percent. Secured by office building.	31,194
Note payable to First Nations Oweesta Corporation, matures July 1, 2012; quarterly interest only payments at 3.50 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>208,194</u>

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

2010	7,000
2011	120,000
2012	50,000
2013	
2014	<u>31,194</u>
Total	<u>208,194</u>

NOTE 9. SUBSEQUENT EVENT

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 23, 2010, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2009

<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	507
Native American CDFI Assistance (Technical): 2006	21.020	061NA006881	118,000	19,344
Native American CDFI Assistance (Financial): 2008	21.020	081NA007629	400,000	321,522
Native American CDFI Assistance (Technical): 2008	21.020	081NA007629	102,335	78,292
Native American CDFI Assistance (Financial): 2009	21.020	092NA008214	470,000	203,609
Native American CDFI Assistance (Technical): 2009	21.020	091NA008079	131,451	590
<b>Total U.S. Department of the Treasury</b>				<u>623,864</u>
<b>U.S. Department of Health and Human Services</b>				
Assets for Independence Demonstration Program 2005-2010	93.602	90E10334/01	47,647	10,735
Assets for Independence Demonstration Program 2008-2013	93.602	90EI0536	63,529	9,529
Administration for Native Americans: 2008-2010	93.612	90NA8031	139,848	107,848
Administration for Native Americans: 2009-2010	93.612	90NA8031/02	143,804	32,000
<b>Total U.S. Department of Health and Human Services</b>				<u>160,112</u>
<b>U.S. Department of Agriculture</b>				
Rural Business Enterprise Grant: 2008-2009	10.769	RBEG 13	75,000	71,073
Rural Business Opportunity Grant: 2009-2010	10.773	RBOG 14	50,000	24,646
<b>Total U.S. Department of Agriculture</b>				<u>95,719</u>
<b>U.S. Department of Housing and Urban Development</b>				
Rural Housing and Economic Development: 2005-2007	14.250	RH05SDI0027	380,000	12,852
Rural Housing and Economic Development: 2008-2011	14.250	RH07SDI0049	300,000	120,967
Economic Development Initiative - Special Project 2009	14.251	B08SPSD0601	196,000	196,000
<b>Total U.S. Department of Housing and Urban Development</b>				<u>329,819</u>
Total Expenditures of Federal Awards				<u>\$ 1,209,514</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, 2009, and have issued our report thereon dated June 23, 2010. 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

We noted certain matters that we reported to management of Four Bands Community Fund, Inc. in a separate letter dated June 23, 2010.

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.

  
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Montevideo, Minnesota  
June 23, 2010

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 its major federal program for the year ended December 31, 2009. Four Bands Community Fund, Inc.'s major federal program is 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 program 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 of 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 its major federal program for the year ended December 31, 2009.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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.

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 deficiencies, 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.

Montevideo, Minnesota  
June 23, 2010

Dana L. Cole & Company, LLP

OTHER REQUIRED SCHEDULES

FOUR BANDS COMMUNITY FUND, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2009

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. No significant deficiencies relating to the audit of the financial statements are 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, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are 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 program for Four Bands Community Fund, Inc., Eagle Butte, South Dakota expresses an unqualified opinion on its major federal program.
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 program tested as a major program 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 qualified as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None

FOUR BANDS COMMUNITY FUND, INC.  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

A. FINDINGS - FINANCIAL STATEMENTS AUDIT

*Conditions and Criteria:* Organization management was 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.

*Recommendation:* The auditor recommended that the Organization make appropriate adjustments at year end to ensure they follow GAAP.

*Current Status:* The Organization improved their internal control system related to GAAP reporting. No similar finding was noted in the 2009 audit.