

FOUR BANDS COMMUNITY FUND, INC.
AUDITED FINANCIAL STATEMENTS
INCLUDING REPORTS REQUIRED UNDER OMB CIRCULAR A-133
DECEMBER 31, 2010

FOUR BANDS COMMUNITY FUND, INC.
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DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

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, 2010, 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 2009 financial statements and, in our report dated June 23, 2010 we expressed an unqualified opinion on those financial statements.

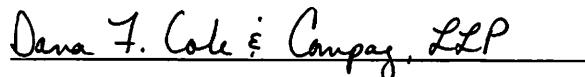
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Standards Applicable to Financial Audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2010, 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 27, 2011, 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.

Montevideo, Minnesota
June 27, 2011



FOUR BANDS COMMUNITY FUND, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	966,656	538,460	1,505,116	1,291,873
Certificates of deposit	462,651		462,651	360,000
Accounts receivable	28,102		28,102	534
Interest receivable	21,105		21,105	10,302
Current portion of loans receivable	198,139		198,139	195,000
Grants/contributions receivable	116,032	203,560	319,592	99,708
Inventory	9,090		9,090	9,800
Prepaid insurance	2,968		2,968	3,307
Total current assets	<u>1,804,743</u>	<u>742,020</u>	<u>2,546,763</u>	<u>1,970,524</u>
Capital assets				
Property and equipment	120,042		120,042	148,730
Leasehold Improvements	11,245		11,245	11,245
Less: accumulated depreciation	<u>(60,758)</u>		<u>(60,758)</u>	<u>(81,559)</u>
Total capital assets	<u>70,529</u>		<u>70,529</u>	<u>78,416</u>
Other assets				
Loans receivable - long-term	1,129,283		1,129,283	886,622
Loan loss reserve	<u>(132,151)</u>		<u>(132,151)</u>	<u>(84,068)</u>
Total other assets	<u>997,132</u>		<u>997,132</u>	<u>802,554</u>
TOTAL ASSETS	<u>2,872,404</u>	<u>742,020</u>	<u>3,614,424</u>	<u>2,851,494</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	11,415		11,415	1,474
Accrued interest payable	225		225	563
Accrued leave	11,991		11,991	11,740
Accrued payroll taxes and benefits	10,170		10,170	11,935
Current portion of long-term liabilities	170,000		170,000	7,000
Total current liabilities	<u>203,801</u>		<u>203,801</u>	<u>32,712</u>
Long-term liabilities				
Notes payable (net of current maturities)	84,716		84,716	201,194
Total liabilities	<u>288,517</u>		<u>288,517</u>	<u>233,906</u>
Net assets				
Lending net assets	1,934,480	245,135	2,179,615	1,327,965
Operating net assets	649,407	496,885	1,146,292	1,289,623
Total net assets	<u>2,583,887</u>	<u>742,020</u>	<u>3,325,907</u>	<u>2,617,588</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,872,404</u>	<u>742,020</u>	<u>3,614,424</u>	<u>2,851,494</u>

FOUR BANDS COMMUNITY FUND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	<u>2010</u>		<u>2009</u>	
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT, REVENUES AND RECLASSIFICATIONS				
Grant income		1,434,574	1,434,574	1,440,580
Contributions income	24,514	172,104	196,618	26,750
Program & other income	39,475		39,475	15,148
Interest income	107,512		107,512	74,734
	<u>171,501</u>	<u>1,606,678</u>	<u>1,778,179</u>	<u>1,557,212</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,507,580</u>	<u>(1,507,580)</u>	<u> </u>	<u> </u>
Total support, revenues and reclassifications	<u>1,679,081</u>	<u>99,098</u>	<u>1,778,179</u>	<u>1,557,212</u>
EXPENSES				
Program services	905,201	0	905,201	779,737
Fundraising	63,605	0	63,605	110,310
General and administrative	101,054	0	101,054	36,770
Total expenses	<u>1,069,860</u>	<u>0</u>	<u>1,069,860</u>	<u>926,817</u>
INCREASE (DECREASE) IN NET ASSETS	609,221	99,098	708,319	630,395
NET ASSETS, beginning of year	<u>1,974,666</u>	<u>642,922</u>	<u>2,617,588</u>	<u>1,987,193</u>
NET ASSETS, end of year	<u>2,583,887</u>	<u>742,020</u>	<u>3,325,907</u>	<u>2,617,588</u>

FOUR BANDS COMMUNITY FUND, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	708,319	630,395
Adjustments to reconcile change in net assets to net cash from operating activities:		
Loss on disposal of assets	410	242
Depreciation	14,334	16,324
Provision for loan loss reserve	62,086	42,852
(Increase) Decrease in:		
Accounts receivable	(27,568)	560
Interest receivable	(10,803)	4,022
Grants/contributions receivable	(219,884)	(63,781)
Issuance of loans receivable	(585,253)	(548,031)
Repayments of loans receivable	325,450	167,414
Inventory	710	1,632
Prepaid insurance	339	112
Increase (Decrease) in:		
Accounts payable	9,941	740
Accrued payroll expenses	(1,514)	(21,754)
Accrued interest payable	(338)	63
Total Adjustments	<u>(432,090)</u>	<u>(399,605)</u>
Net cash from operating activities	<u>276,229</u>	<u>230,790</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(102,651)	(100,000)
Payments for property and equipment	(6,857)	(20,631)
Net cash from investing activities	<u>(109,508)</u>	<u>(120,631)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	50,000	
Payments for long-term debt	(3,478)	(2,966)
Net cash from financing activities	<u>46,522</u>	<u>(2,966)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 213,243	 107,193
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>1,291,873</u>	 <u>1,184,680</u>
 CASH AND CASH EQUIVALENTS, end of year	 <u><u>1,505,116</u></u>	 <u><u>1,291,873</u></u>
 SUPPLEMENTAL INFORMATION		
Interest paid	<u>6,912</u>	<u>7,335</u>
 NON-CASH TRANSACTIONS		
Assets disposed of	<u>35,545</u>	

FOUR BANDS COMMUNITY FUND, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEAR ENDED DECEMBER 31, 2010
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	<u>2010</u>			<u>2009</u>	
	Program Services	Fundraising	General & Administrative	Total	Total
Salaries, benefits & payroll taxes	409,741	40,974	61,461	512,176	472,204
Professional fees	117,752	11,775	17,663	147,190	112,065
Program expense	207,073	-	-	207,073	148,567
Staff travel & training	24,258	2,426	3,639	30,322	34,695
Depreciation	11,467	1,147	1,720	14,334	16,324
Loss on disposal of asset	328	33	49	410	242
Loan loss expense	62,086	-	-	62,086	42,852
Advertising	32,050	3,205	4,807	40,062	34,812
Office expenses	10,495	1,050	1,574	13,119	10,453
Training	9,215	922	1,382	11,519	17,749
Telephone	6,599	660	990	8,249	8,192
Interest	5,259	526	789	6,574	7,398
Miscellaneous	-	-	5,648	5,648	10,587
Utilities	3,225	322	484	4,031	3,499
Postage	3,104	310	466	3,880	3,995
Insurance	2,550	255	382	3,187	3,183
TOTAL EXPENSES	<u>905,201</u>	<u>63,605</u>	<u>101,054</u>	<u>1,069,860</u>	<u>926,817</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, 2010.

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.

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.
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, 2010, 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 \$40,062 for 2010.

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, 2009, 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, 2010, total payments past due were \$60,433, and the Organization is pursuing collections in Tribal Court. The total balance owing on these loans is also \$60,433.

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 four 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 \$386,373 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 up to \$250,000 and offers micro loans of \$10,000 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, 2010:

Small business loans	1,053,546
Micro loans	176,183
Credit builders loans	97,693
	<u>1,327,422</u>
Allowance for doubtful loans	<u>(132,151)</u>
Net loans receivable	<u><u>1,195,271</u></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, 79 percent is concentrated in the seventeen 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	84,068
Loan loss reserve charged to operating expense	<u>62,086</u>
	146,154
Less amounts charged off	<u>(14,003)</u>
Ending balance	<u><u>132,151</u></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, 2010:

Assets for Independence: 2008	52,873
CDFI Fund - NACA (TA): 2010	136,995
CDFI Fund - NACA (FA): 2010	315,613
Administration for Native Americans - EBO	572
Citigroup Foundation: 2010	29,013
Cheyenne River Sioux Tribal Ventures: Yr 4	28,198
Cheyenne River Sioux Tribal Ventures CDF: 2009	10,848
NWAF Great Strides: 2008	52,873
NWAF Making Waves: 2010	98,517
First Nations Development Institute: 2009	6,040
FINRA: 2010	8,953
FS Native CDFI Network	1,525
	<u>742,020</u>

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Cost	Accumulated Depreciation	Net Value
Buildings	<u>61,722</u>	<u>25,217</u>	<u>36,505</u>
Leasehold improvements	11,245	1,125	10,120
Equipment	<u>58,320</u>	<u>34,416</u>	<u>23,904</u>
Total	<u><u>131,287</u></u>	<u><u>60,758</u></u>	<u><u>70,529</u></u>

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

NOTE 7. RELATED PARTY TRANSACTION

As of December 31, 2010 Four Bands has four certificate of deposit accounts and one savings account and one loan located at First Financial Bank. An officer of this financial institution is also on the Board of Directors of Four Bands.

NOTE 8. LONG-TERM DEBT

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

	2010
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.	27,716
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, 2013; 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.	120,000
Note payable to CRST - Tribal Ventures, matures October 1, 2011; quarterly interest only payments at 1.0 percent, with lump sum payment due at maturity. Secured by a CD.	50,000
	254,716

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

2011	170,000
2012	50,000
2013	7,000
2014	27,716
Total	254,716

NOTE 9. SUBSEQUENT EVENT

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 27, 2011, 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, 2010

<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>
Direct Funding:				
U.S. Department of the Treasury				
Community Development Financial Institutions Fund				
Native American CDFI Assistance (Technical): 2008	21.020	081NA007629	102,335	24,043
Native American CDFI Assistance (Financial): 2009	21.020	092NA008214	470,000	266,390
Native American CDFI Assistance (Technical): 2009	21.020	091NA008079	131,451	130,795
Native American CDFI Assistance (Financial): 2010	21.020	101NA008528	500,000	184,387
Native American CDFI Assistance (Technical): 2010	21.020	101NA008528	144,638	7,643
Total U.S. Department of the Treasury				<u>613,258</u>
U.S. Department of Health and Human Services				
Assets for Independence Demonstration Program 2005-2010	93.602	90E10334/01	47,647	11,941
Assets for Independence Demonstration Program 2008-2013	93.602	90EI053601	63,529	1,127
Administration for Native Americans: 2009-2010	93.612	90NA8031/02	143,804	111,804
Administration for Native Americans: 2010 - 2011	93.612	90NS001401	131,405	19,096
Total U.S. Department of Health and Human Services				<u>143,968</u>
U.S. Department of Agriculture				
Rural Business Enterprise Grant: 2010-2011	10.769	RBEG 14	50,000	4,589
Rural Business Opportunity Grant: 2009-2010	10.773	RBOG 14	50,000	25,399
Total U.S. Department of Agriculture				<u>29,988</u>
U.S. Department of Housing and Urban Development				
Rural Housing and Economic Development: 2005-2007	14.250	RH05SD10027	380,000	5,233
Rural Housing and Economic Development: 2008-2011	14.250	RH07SDI0049	300,000	133,022
Economic Development Initiative - Special Project 2010	14.251	B09SPSD0238	237,500	237,500
Total U.S. Department of Housing and Urban Development				<u>375,755</u>
Total Expenditures of Federal Awards				<u>\$ 1,162,969</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, 2010, and have issued our report thereon dated June 27, 2011. 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*.

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 27, 2011

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Four Bands Community Fund, Inc., (a nonprofit organization) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on Four Bands Community Fund, Inc.'s major federal program for the year ended December 31, 2010. 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

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 to determine the 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 27, 2011

Dana F. Cole & Company, LLP

OTHER REQUIRED SCHEDULES

FOUR BANDS COMMUNITY FUND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010

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 "Independent Auditors' Report on Compliance with Requirements that could have a direct and material effect on 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**

There were no prior year audit findings.