

South County Community Action, Inc.
(A Nonprofit Corporation)

Financial Statements

For the Year Ended August 31, 2010

With Independent Auditors' Reports

SOUTH COUNTY COMMUNITY ACTION, INC.
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AUGUST 31, 2010

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To the Board of Directors of
South County Community Action, Inc.
Wakefield, Rhode Island

We have audited the accompanying statement of financial position of South County Community Action, Inc. (a not for profit corporation) as of August 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 the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South County Community Action, Inc. as of August 31, 2010, and the respective changes in its net assets and 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 a report dated March 14, 2011 on our consideration of South County Community Action, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements of South County Community Action, Inc. 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.


Parmelee, Poirier & Associates, LLP
March 14, 2011

SOUTH COUNTY COMMUNITY ACTION, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2010

ASSETS

ASSETS			
Cash and Cash Equivalents	\$	948,121	
Cash - Designated		184,100	
Grants and Contracts Receivable		963,976	
Accounts Receivable - Other		54,691	
Prepaid Expenses and Other Current Assets		1,638	
Property and Equipment - Net		4,164,944	
Loans Receivable		40,460	
Total Assets	\$	<u>6,357,931</u>	

LIABILITIES AND NET ASSETS

LIABILITIES			
Accounts Payable	\$	567,943	
Accrued Payroll and Payroll Taxes Payable		39,691	
Accrued Expenses and Other Current Liabilities		29,692	
Deferred Support		492,038	
Long-Term Debt		<u>2,734,546</u>	
Total Liabilities		<u>3,867,909</u>	
NET ASSETS			
Unrestricted		2,475,470	
Temporarily Restricted		<u>18,552</u>	
Total Net Assets		<u>2,494,022</u>	
Total Liabilities and Net Assets	\$	<u>6,357,931</u>	

See Accompanying Notes.

SOUTH COUNTY COMMUNITY ACTION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES AND OTHER SUPPORT			
Federal - Financial Assistance	\$ 5,897,584	\$ -	\$ 5,897,584
Federal - USDA	73,216	-	73,216
Federal - Commodities	43,830	-	43,830
Other - Financial Assistance	1,968,446	-	1,968,446
Tuition	415,533	-	415,533
Gifts and Donations	11,290	18,087	29,377
Other Revenue	86,229	-	86,229
Receipts Released from Restrictions	20,998	(20,998)	-
Total Revenues and Other Support	<u>8,517,127</u>	<u>(2,911)</u>	<u>8,514,216</u>
EXPENSES			
Program Services	7,507,810	-	7,507,810
Management and General	728,995	-	728,995
Total Expenses	<u>8,236,805</u>	<u>-</u>	<u>8,236,805</u>
OPERATING CHANGE IN NET ASSETS	<u>280,322</u>	<u>(2,911)</u>	<u>277,411</u>
OTHER INCOME (EXPENSE)			
Depreciation Expense	(117,350)	-	(117,350)
Capital item charge to grants	260,791	-	260,791
Loss on sale of property	(265,890)	-	(265,890)
	<u>(122,449)</u>	<u>-</u>	<u>(122,449)</u>
CHANGE IN NET ASSETS	<u>157,873</u>	<u>(2,911)</u>	<u>154,962</u>
NET ASSETS - BEGINNING OF YEAR	<u>2,317,597</u>	<u>21,463</u>	<u>2,339,060</u>
NET ASSETS - END OF YEAR	<u>\$ 2,475,470</u>	<u>\$ 18,552</u>	<u>\$ 2,494,022</u>

See Accompanying Notes.

SOUTH COUNTY COMMUNITY ACTION, INC.
STATEMENT OF ACTIVITIES BY FUNDING SOURCE
FOR THE YEAR ENDED AUGUST 31, 2010

	General Funds	Property & Equipment	CSBG 001-09	CSBG 001-10	CSBG 001-10 ARRA	Community Action Fund 003-10	Community Action Fund 003-11	RICCA Emergency Funds 017-10
REVENUES AND OTHER SUPPORT								
Federal - Financial Assistance			\$ 20,245	\$ 249,497	\$ 338,088	\$ -	\$ -	
Federal - U.S.D.A.								
Federal - Commodities						39,802	2,985	1,200
Other - Financial Assistance								
Tuition								
In-Kind Income								
Gifts and Donations	21,689							
Other Revenue	86,169			60				
Total Revenues and Other Support	107,858	-	20,245	249,557	338,088	39,802	2,985	1,200
EXPENSES								
Salaries and Fringe Benefits			7,343	106,047	276,885	22,595	2,404	
Consultant and Contracted Services	4,416		6,363	29,466	20,759	2,068	273	
Program Supplies and Expenses	14,032		1,975	31,975	7,204			1,200
Fuel Assistance								
Travel Expenses			180	587	397			
Facility Expenses	18,634		3,456	71,612	25,282	15,640	307	
Education and Training			117	4,983	557			
Vehicle & Equipment Rental and Repairs								
In-Kind Cost								
Office Supplies and Expenses	39		857	5,822	5,072			
Other Costs	2,940		185	1,387	1,931		1	
Total Expenses	40,061	-	20,475	251,879	338,088	40,303	2,985	1,200
Change in Net Assets from Operations	67,797		(230)	(2,322)		(501)		
OTHER CHANGES								
Depreciation Expense	(117,350)							
Acquisition/Transfer of Property and Equipment	164,002							
Repayment/Transfer of Debt Reduction	96,789							
Gain or (Loss) on Sale of Property	(265,890)							
Transfer of Unrestricted Change in Net Assets								
Total Other Changes	(122,449)	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	144,127	-	-	-	-	-	-	-
NET ASSETS - BEGINNING OF YEAR	2,339,060	-	-	-	-	-	-	-
NET ASSETS - END OF YEAR	2,483,187	-	-	-	-	-	-	-

See Accompanying Notes.

SOUTH COUNTY COMMUNITY ACTION, INC.
STATEMENT OF ACTIVITIES BY FUNDING SOURCE
FOR THE YEAR ENDED AUGUST 31, 2010

	RIF - Basic Flood 016-10	Emerg. Shelter Homeless Fund 018-10	FEMA Homeless Fund 019-10	RICAA Emerg. Shelter 020-10	HPRP Emerg. Shelter 021-12	HPRP Emerg. Shelter 025-12	RIEFAP 022-09	RIEFAP ARAA 026-09
REVENUES AND OTHER SUPPORT								
Federal - Financial Assistance								
Federal - U.S.D.A.								
Federal - Commodities	1,365	2,738	100,545	34,606			3,936	10,000
Other - Financial Assistance							3,375	
Tuition								
In-Kind Income		5,000						
Gifts and Donations								
Other Revenue								
Total Revenues and Other Support	1,365	7,738	100,545	34,606	113,456	68,078	7,311	10,000
EXPENSES								
Salaries and Fringe Benefits			12,005	41,283	40,721		3,936	10,000
Consultant and Contracted Services				708	113			
Program Supplies and Expenses	1,365	8,137	72,672	66,183	22,733		3,376	
Fuel Assistance					1,059			
Travel Expenses			450	1,733	1,328			
Facility Expenses				1,420	174			
Education and Training				6				
Vehicle & Equipment Rental and Repairs								
In-Kind Cost				199	86		10	
Office Supplies and Expenses				1,923	1,865		8	
Other Costs								
Total Expenses	1,365	8,137	85,127	113,456	68,078		7,330	10,000
OTHER CHANGES								
Change in Net Assets from Operations		(399)	15,418				(19)	
Depreciation Expense								
Acquisition/Transfer of Property and Equipment								
Repayment/Transfer of Debt Reduction								
Gain or (Loss) on Sale of Property								
Transfer of Unrestricted Change in Net Assets								
Total Other Changes								
CHANGE IN NET ASSETS								
NET ASSETS - BEGINNING OF YEAR								
NET ASSETS - END OF YEAR								

See Accompanying Notes.

SOUTH COUNTY COMMUNITY ACTION, INC.
STATEMENT OF ACTIVITIES BY FUNDING SOURCE
FOR THE YEAR ENDED AUGUST 31, 2010

	RIEFAP ARAA 022-10	Emerg Food and Shelter 023-10	Emerg Food and Shelter 023-09	LIHEAP 024-09	LIHEAP 024-10	EHAP 027-10	EHAP 027-10	Basic Head Start ARRA Funds 041-10		
\$	6,496		\$	13,174	\$	1,921,841	\$	-	\$	55,816
	40,456	\$	9,348	\$	3,816		64,511		3,652	
	46,952	9,348	3,816	13,174	1,921,841	64,511	3,652		3,652	55,816
	6,370			12,008	116,402	2,183				29,566
	40				12,626	1,341			135	
	40,516	9,348	2,957		19,244	61,088			3,509	46
					1,749,328					
					268					
	15				20,503					8,489
	80				3,461	41			8	
				(84)	9					
	47,020	9,348	2,957	11,924	1,921,841	64,654	3,652		3,652	17,715
										55,816
	(69)		859	1,251		(143)				

REVENUES AND OTHER SUPPORT

Federal - Financial Assistance
 Federal - U.S.D.A.
 Federal - Commodities
 Other - Financial Assistance
 Tuition
 In-Kind Income
 Gifts and Donations
 Other Revenue
 Total Revenues and Other Support

EXPENSES

Salaries and Fringe Benefits
 Consultant and Contracted Services
 Program Supplies and Expenses
 Fuel Assistance
 Travel Expenses
 Facility Expenses
 Education and Training
 Vehicle & Equipment Rental and Repairs
 In-Kind Cost
 Office Supplies and Expenses
 Other Costs
 Total Expenses
 Change in Net Assets from Operations

OTHER CHANGES

Depreciation Expense
 Acquisition/Transfer of Property and Equipment
 Repayment/Transfer of Debt Reduction
 Gain or (Loss) on Sale of Property
 Transfer of Unrestricted Change in Net Assets
 Total Other Changes

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

SOUTH COUNTY COMMUNITY ACTION, INC.
STATEMENT OF ACTIVITIES BY FUNDING SOURCE
FOR THE YEAR ENDED AUGUST 31, 2010

	Basic Head Start 042-10	Basic Head Start 042-11	USDA CACFP 046-09	State Head Start 049-11	State Head Start 049-10	Joyful Learning Child Academy Day Care 051-10	Job Training WIA 063-09	Even Start 071-10
REVENUES AND OTHER SUPPORT								
Federal - Financial Assistance		444,826	73,216				6,982	66,667
Federal - U.S.D.A.								
Federal - Commodities				323	56,751	141,623		
Other - Financial Assistance						415,533		
Tuition								
In-Kind Income	551	1,120				1,017		
Gifts and Donations								
Other Revenue	783,781	445,946	73,216	323	56,751	558,173	6,982	66,667
Total Revenues and Other Support								
	783,781	445,946	73,216	323	56,751	558,173	6,982	66,667
EXPENSES								
Salaries and Fringe Benefits	481,549	293,032		323	50,042	191,790	3,609	55,166
Consultant and Contracted Services	21,307	26,320			2,888	7,382	1,446	
Program Supplies and Expenses	24,684	37,466	73,216		6	26,349	107	1,365
Fuel Assistance								
Travel Expenses	5,288	4,347			346	170	312	1,736
Facility Expenses	89,151	79,493			3,782	127,952	1,205	4,860
Education and Training	7,218	9,404				650		1,792
Vehicle & Equipment Rental and Repairs								
In-Kind Cost	2,464	1,519			459	305	345	892
Office Supplies and Expenses	145,815	669			2	2,249		338
Other Costs	777,476	452,251	73,216	323	57,525	356,847	7,022	66,149
Total Expenses								
	6,305	(6,305)	(0)	(774)	(41)			518
Change in Net Assets from Operations								
OTHER CHANGES								
Depreciation Expense								
Acquisition/Transfer of Property and Equipment								
Repayment/Transfer of Debt Reduction								
Gain or (Loss) on Sale of Property								
Transfer of Unrestricted Change in Net Assets								
Total Other Changes								
CHANGE IN NET ASSETS								
NET ASSETS - BEGINNING OF YEAR								
NET ASSETS - END OF YEAR								

See Accompanying Notes.

SOUTH COUNTY COMMUNITY ACTION, INC.
STATEMENT OF ACTIVITIES BY FUNDING SOURCE
FOR THE YEAR ENDED AUGUST 31, 2010

	Even Start 071-11	RIDE Education 072-11	Weatherization Assist Prog 081-09	Weatherization Assist Prog 081-10	Weatherization Assist Prog-ARRA 082-10	Weatherization Assist Prog -HHS 083-10	Boiler Replacement 084-09	Boiler Replacement 084-10
REVENUES AND OTHER SUPPORT								
Federal - Financial Assistance								
Federal - U.S.D.A.								
Federal - Commodities								
Other - Financial Assistance								
Tuition								
In-Kind Income								
Gifts and Donations								
Other Revenue								
Total Revenues and Other Support	20,678	2,037	245,981	206,644	766,577	93,456	40,100	77,813
EXPENSES								
Salaries and Fringe Benefits	15,722	671	26,606	43,148	65,677	15,956		
Consultant and Contracted Services			8,607	7,361	3,406	3,256		
Program Supplies and Expenses	81		197,802	143,883	689,365	71,061	40,100	77,813
Fuel Assistance					67			
Travel Expenses	228		5,963	9,835	4,357	2,533		
Facility Expenses	128		419	250	3,696			
Education and Training	60		1,593	1,531	813	649		
Vehicle & Equipment Rental and Repairs								
In-Kind Cost	2		1,334	636	2	1		
Office Supplies and Expenses	4,520	1,367	3,542					
Other Costs	20,740	2,037	245,981	206,644	767,383	93,456	40,100	77,813
Total Expenses	(62)				(806)	(0)		
OTHER CHANGES								
Depreciation Expense								
Acquisition/Transfer of Property and Equipment								
Repayment/Transfer of Debt Reduction								
Gain or (Loss) on Sale of Property								
Transfer of Unrestricted Change in Net Assets								
Total Other Changes								
CHANGE IN NET ASSETS								
NET ASSETS - BEGINNING OF YEAR								
NET ASSETS - END OF YEAR								

Change in Net Assets from Operations

OTHER CHANGES

Depreciation Expense
Acquisition/Transfer of Property and Equipment
Repayment/Transfer of Debt Reduction
Gain or (Loss) on Sale of Property
Transfer of Unrestricted Change in Net Assets
Total Other Changes

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

SOUTH COUNTY COMMUNITY ACTION, INC.
STATEMENT OF ACTIVITIES BY FUNDING SOURCE
FOR THE YEAR ENDED AUGUST 31, 2010

	7,923 \$	110,204 \$	168,551 \$	60,469	49,911	8,971	1,171,274 \$	38,209
	7,923	110,204	168,551	60,469	49,911	8,971	1,171,274	38,209
REVENUES AND OTHER SUPPORT								
Federal - Financial Assistance								
Federal - U.S.D.A.								
Federal - Commodities								
Other - Financial Assistance				60,469	49,911		1,171,274	38,209
Tuition								
In-Kind Income								
Gifts and Donations								
Other Revenue								
Total Revenues and Other Support	7,923	110,204	168,551	60,469	49,911	8,971	1,171,274	38,209
EXPENSES								
Salaries and Fringe Benefits	6,364	53,871	58,025	27,092	14,849	8,858	435,269	14,477
Consultant and Contracted Services		207	3,126	526	728	37	35,388	
Program Supplies and Expenses		4,307	4,457	1,304	3,039	34	66,853	423
Fuel Assistance								
Travel Expenses		672	872	806	1,067		13,491	744
Facility Expenses		1,041	2,324	867	458		62,170	536
Education and Training				10			6,230	40
Vehicle & Equipment Rental and Repairs				2				
In-Kind Cost								
Office Supplies and Expenses	1,559	739	31	93	29	49	1,499	80
Other Costs		49,691	99,507	29,214	30,504		550,374	22,000
Total Expenses	7,923	110,599	168,342	59,914	50,674	8,978	1,171,274	38,299
Change in Net Assets from Operations		(395)	209	555	(763)	(8)		(90)
OTHER CHANGES								
Depreciation Expense								
Acquisition/Transfer of Property and Equipment								
Repayment/Transfer of Debt Reduction								
Gain or (Loss) on Sale of Property								
Transfer of Unrestricted Change in Net Assets								
Total Other Changes								
CHANGE IN NET ASSETS								
NET ASSETS - BEGINNING OF YEAR								
NET ASSETS - END OF YEAR								

See Accompanying Notes.

SOUTH COUNTY COMMUNITY ACTION, INC.
STATEMENT OF ACTIVITIES BY FUNDING SOURCE
FOR THE YEAR ENDED AUGUST 31, 2010

	Community Information Specialist-Elderly Affairs 141-11	SHIP Specialist - Elderly Affairs 142-10	SHIP Specialist - Elderly Affairs 142-11	MIPPA Elderly Affairs 144-10	Senior Medicare Elderly Affairs 145-11	Totals
REVENUES AND OTHER SUPPORT						
Federal - Financial Assistance						\$ 5,897,584
Federal - U.S.D.A.						73,216
Federal - Commodities						43,830
Other - Financial Assistance	\$ 2,165	\$ 20,902	\$ 98	\$ 3,728	\$ 5,275	1,968,446
Tuition						415,533
In-Kind Income						29,377
Gifts and Donations						86,229
Other Revenue						
Total Revenues and Other Support	2,165	20,902	98	3,728	5,275	8,514,216
EXPENSES						
Salaries and Fringe Benefits	1,917	18,056	98	3,034	4,501	2,717,808
Consultant and Contracted Services		218			300	209,556
Program Supplies and Expenses	97	365				1,881,069
Fuel Assistance		428		100	144	1,750,387
Travel Expenses		1,654		294	268	39,101
Facility Expenses						567,617
Education and Training	60	250				45,130
Vehicle & Equipment Rental and Repairs						4,590
In-Kind Cost				300	62	28,195
Office Supplies and Expenses						993,352
Other Costs	2,074	20,971	98	3,728	5,275	8,236,805
Total Expenses	91	(69)	-	0	-	277,411
Change in Net Assets from Operations						
						(117,350)
OTHER CHANGES						
Depreciation Expense						164,002
Acquisition/Transfer of Property and Equipment						96,789
Repayment/Transfer of Debt Reduction						(265,890)
Gain or (Loss) on Sale of Property						-
Transfer of Unrestricted Change in Net Assets						(122,449)
Total Other Changes						154,962
CHANGE IN NET ASSETS						2,339,060
NET ASSETS - BEGINNING OF YEAR						\$ 2,494,022
NET ASSETS - END OF YEAR						

See Accompanying Notes.

SOUTH COUNTY COMMUNITY ACTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2010

	Total Program Expenses	Management and General	Fundraising Expenses	Total
Salaries and Fringe Benefits	\$ 2,368,667	\$ 349,140	-	\$ 2,717,808
Consultant and Contracted Services	38,735	170,821	-	209,556
Program Supplies and Expenses	1,837,604	43,464	-	1,881,069
Fuel Assistance	1,750,387	-	-	1,750,387
Travel Expenses	38,369	732	-	39,101
Facility Expenses	420,245	147,372	-	567,617
Education and Training	40,030	5,100	-	45,130
Vehicle & Equipment Rental and Repairs	4,590	-	-	4,590
Office Supplies and Expenses	18,640	9,554	-	28,195
Other Costs	990,540	2,811	-	993,352
	<u>7,507,810</u>	<u>728,995</u>	<u>-</u>	<u>\$ 8,236,805</u>
Depreciation Expense	96,638	20,712	-	117,350
Total Expenses	<u>\$ 7,338,558</u>	<u>\$ 749,707</u>	<u>\$ -</u>	<u>\$ 8,088,265</u>

See Accompanying Notes.

SOUTH COUNTY COMMUNITY ACTION, INC.
STATEMENT OF CASH FLOWS
AUGUST 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	\$ 154,962
Change in Net Assets	
Items Which Do Not Affect Cash	
Depreciation	117,350
Loss on Sale of Property	265,890
(Increase) Decrease in Operating Assets	(75,121)
Cash Escrow	(422,768)
Grants and Contracts Receivable	(4,909)
Accounts Receivable - Other	5,320
Prepaid Expenses and Other Current Assets	
Increase (Decrease) in Operating Liabilities	378,887
Accounts Payable	7,321
Accrued Payroll and Payroll Taxes Payable	(11,144)
Accrued Expenses and Other Current Liabilities	191,011
Deferred Support	606,797
Net Cash Provided From (Used by) Operating Activities	606,797
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Loans Receivable	2,380
Purchase of Capital Items	(687,715)
Proceeds from Sale of Capital Items	169,624
Net Cash Provided from (Used by) Investing Activities	(515,711)
 CASH FLOWS FROM FINANCING ACTIVITIES	
Payments of Long-Term Debt	(98,868)
Proceeds from Long-Term Debts	536,000
Net Cash Used by Financing Activities	437,132
 INCREASE (DECREASE) IN CASH	528,218
 CASH - BEGINNING OF PERIOD	419,903
 CASH - END OF PERIOD	\$ 948,121

Interest Expense \$166,263

See Accompanying Notes.

SOUTH COUNTY COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

South County Community Action, Inc. (the “Organization”) is a nonprofit community action agency located in Wakefield, Rhode Island. The Organization provides various social services including fuel assistance, education, preservation of housing, housing development, energy conservation, job development and training and youth programs to individuals and families in need located in Charlestown, Exeter, Hopkinton, Narragansett, New Shoreham, North Kingstown, Richmond, South Kingstown, West Greenwich and Westerly areas.

Funding for programs sponsored by the Organization is derived principally from grants and contracts awarded by the United States Department of Health and Human Services, the Rhode Island State Energy Office, various governmental departments of the State of Rhode Island and support from local towns.

BASIS OF ACCOUNTING

The financial statements of The Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

USE OF ESTIMATES

The preparation of financial statements in conformity 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the expected useful lives of the assets. Depreciation and amortization of property and equipment are provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

SOUTH COUNTY COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

<i>Description</i>	<i>Years</i>
Furniture and equipment	5-7
Buildings and building improvements	20-39

Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the asset is placed in service at which time the Organization reclassifies temporarily restricted net assets to unrestricted net assets.

TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets would be those restricted by donors to be maintained by the Organization in perpetuity.

CONTRIBUTIONS

Unconditional promises to give are recognized as revenues in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

RECOGNITION OF DONOR RESTRICTIONS

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

IN-KIND CONTRIBUTIONS

In-Kind contributions recorded are the estimated value of donated space and professional services. This space and professional services are used mainly for the Head Start and Even Start programs.

In accordance with SFAS No. 116, other in-kind contributions of donated goods and volunteer services were not recorded. These contributions had an estimated fair value of \$74,464 and were used mainly in the Head Start and Even Start programs.

DEFERRED SUPPORT

Grant and contract funds recorded in the operating funds are restricted by the grantors for particular operating purposes. These funds are deemed to be earned and reported as revenues when the Organization has incurred expenses in compliance with the specific restrictions. Such amounts received by the Organization, but not yet earned, are reported as deferred support.

SOUTH COUNTY COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

GRANTS AND CONTRACTS REVENUE RECOGNITION

The Organization receives significant grants from federal, state and local governments. Entitlement to the resources is generally conditional upon compliance with the terms and conditions of the grant and contract agreements and is subject to review and audit by the grantors or their representatives. Such audits could result in a request for reimbursement to the grant agency if expenditures are disallowed. Management is not aware of any potential disallowances.

INCOME TAXES

No provision for federal and state income taxes has been reflected in the accompanying financial statements since the Organization qualifies as a tax-exempt organization as provided under the Internal Revenue Code, Section 501 (c)(3) and is classified as other than a private foundation.

NOTE 2 – CASH DEPOSITS

Deposits are in various financial institutions and are carried at cost. The carrying amount of deposits is separately displayed on the Statement of Financial Position as "Cash and Cash Equivalents" or "Cash – Designated", except for those balances that include petty cash. A summary of bank balances and carrying amounts at August 31, 2010 is as follows:

	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Insured (Federal depository insurance funds)	\$ 589,643	\$ 439,204
Uninsured or un-collateralized	<u>542,578</u>	<u>569,369</u>
TOTAL DEPOSITS	<u>\$ 1,132,221</u>	<u>\$ 1,008,573</u>

The difference between the carrying amount and the bank balance is made up of outstanding checks and deposits in transit.

NOTE 3 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment – at cost, less accumulated depreciation at August 31, 2010:

Land	\$	215,724
Building and Improvements		4,586,807
Equipment, Furniture & Fixtures		154,257
Motor Vehicles		<u>134,546</u>
		5,091,334
Less: Accumulated Depreciation		<u>926,391</u>
	\$	<u>4,164,943</u>

SOUTH COUNTY COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE 3 – PROPERTY AND EQUIPMENT (continued)

Depreciation expense charged to operations was \$117,350 for the year ended August 31, 2010.

NOTE 4 – LOANS RECEIVABLE

The Organization has a loan receivable from Community Housing Corporation for Washington County (CHCWC) that is non-interest bearing and is to be repaid upon CHCWC's collection on various mortgages receivable that are secured by property located in Richmond, Rhode Island. Repayment is due upon the sale or transfer of the secured property. The balance as of August 31, 2010 was \$25,148.

In addition, the Organization has four loans receivable from individuals as part of the Home Repair Program. These loans have an interest rate of 2% which will be waived if certain conditions are met. The balance of these loans, as of August 31, 2010, was \$15,311.

NOTE 5 – INVESTMENT IN LAND

During fiscal year 2010, South County Community Action sold its' investment in land which was purchased for \$129,000 for \$50,000. This resulted in a net loss on the sale of \$79,000. The land was located in Richmond, Rhode Island.

NOTE 6 – LONG-TERM DEBT

The following is a summary of long-term debt at August 31, 2010:

Mortgage payable to Citizens bank; payable in monthly installments of \$2,052.85, including interest at 5.6%; secured by property located on Kingstown Road in South Kingstown, Rhode Island as well as property located on Grove Ave in Westerly, Rhode; final payment due February 25, 2014	\$ 105,702
Mortgage payable to Citizens bank; payable in monthly installments of \$1,156.99, including interest at 7.26%; secured by property located on South County Trail Charlestown, Rhode Island; final payment due February 8, 2012	107,394
Mortgage payable to Washington Trust Company; payable in monthly installments of \$2,355.05, including interest at 9.25%; secured by property located on Pond Street in Westerly, Rhode Island; final payment due October 25, 2022.	222,663
Mortgage payable to Westerly Savings Bank; Payable in monthly installments of \$404.74, including interest at 7%; secured by property located on Pond Street in Westerly, Rhode Island; final payment due July 8, 2012.	16,514

SOUTH COUNTY COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE 6 – LONG-TERM DEBT (continued)

Mortgage payable to Washington Trust Company; payable in monthly installments of \$6,207.19, including interest at 7.01%; secured by property located on Kingstown Road in Wakefield, Rhode Island; final payment due November 30, 2010.	700,740
Mortgage payable to Washington Trust Company; payable in monthly installments of \$3,370.00, including interest at a rate of 7.65%; secured by property located on Kingstown Road in Wakefield, Rhode Island; final payment due October 30, 2017.	432,524
Mortgage payable to Sun Life Assurance Company of Canada; payable in monthly installments of \$7,856.38, including interest at 7.375%; secured by property located on Kingstown Road in Wakefield, Rhode Island; final payment due July 01, 2019.	614,705
Mortgage payable to Coastway Bank; payable in monthly installments of \$3,840.07, including interest at 6.0%; secured by property located on Tower Hill Road in North Kingstown, Rhode Island; final payment due August 1, 2030.	<u>534,304</u>
Total Long-Term Debt	<u>\$ 2,734,546</u>

The following are maturities of long-term debt for each of the next five years and in the aggregate:

<u>AUGUST 31,</u>	
2011	137,592
2012	146,988
2013	156,845
2014	166,579
2015	173,805
Beyond 2015	<u>1,952,737</u>
	<u>\$ 2,734,546</u>

During the year ended August 31, 2010, the Organization incurred and paid interest costs of \$166,263 and is included in “facility expenses” in the accompanying Statement of Functional Expenses.

NOTE 7 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets in the amount of \$18,552 are available for emergency food and shelter needs at August 31, 2010. There were no permanently restricted net assets at August 31, 2010.

SOUTH COUNTY COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE 8 – PENSION PLAN

The Organization sponsors a defined contribution money purchase retirement plan under Section 403(b) of the Internal Revenue Code which provides for retirement benefits for substantially all employees. Under the plan, participants may contribute a portion of their compensation within certain limitations. The Organization contributes 2 percent of each participant's compensation. Expenses relating to the plan were \$16,832 for the year ended August 31, 2010.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Organization has an agreement with Tri-Town Community Action Agency, a Rhode Island non-profit community action agency, whom provides management services under a four year contract. The contract is ongoing and provides for the Organization to pay \$130,000 per year for the management services provided.

NOTE 10 – OTHER REPORTS

Reports have been issued by our auditors dated February 14, 2011, as required by the Government Auditing Standards and OMB Circular A-133 and accompany these financial statements. The purpose of these reports is to comment on the audit findings for the year ended August 31, 2010 as they relate to The Organization's internal control structure and compliance with the requirements of the grants administered during the period ended August 31, 2010 in accordance with Government Auditing Standards and OMB Circular A-133.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 14, 2011, the date the financial statements were available to be issued. As a result of this review, no material subsequent events were noted.

SOUTH COUNTY COMMUNITY ACTION AGENCY

SINGLE AUDIT SECTION

**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 of
South County Community Action, Inc.
Wakefield, Rhode Island

We have audited the financial statements of South County Community Action, Inc. (a Rhode Island nonprofit organization) as of and for the year fiscal ended August 31, 2010, and have issued our report thereon dated March 14, 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 the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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 Matter

As part of obtaining reasonable assurance about whether Organization'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 South County Community Action, Inc.'s management, others within the Organization, 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.



Parmelee, Poirier & Associates, LLP
Parmelee, Poirier & Associates, LLP
March 14, 2011

**INDEPENDENT AUDITOR'S 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 of
South County Community Action, Inc.
Wakefield, Rhode Island

Compliance

We have audited the compliance of South County Community Action, Inc. (the Organization), with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization'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 the Organization'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 the Organization's compliance with those requirements.

In our opinion, the Organization, 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 August 31, 2010.

Internal Control Over Compliance

Management of the Organization 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 the Organization'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 the Organization's internal control over compliance.

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

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 South County Community Action, Inc.'s management, others within the Organization, 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.


Parmelee, Poirier & Associates, LLP
March 14, 2011

SOUTH COUNTY COMMUNITY ACTION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010

Federal Grantor / Pass-Through Grantor /	Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF ENERGY				
<i>Pass-Through State of Rhode Island State Energy Office</i>				
	Weatherization Assistance for Low-Income Persons	81.042	WETHERIZATION 09-06	\$ 546,081
	Weatherization Assistance for Low-Income Persons	81.042	Boiler 08-06	117,913
	ARRA-Weatherization Assistance for Low-Income Persons	81.042	WETHERIZATION ARRA	767,383
Total U.S. Department of Energy				<u>\$ 1,431,377</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Direct Programs:</i>				
<i>Head Start - Cluster</i>				
	Head Start	93.600	01CH0134/31	\$ 777,476
	Head Start	93.600	01CH0134/32	452,251
	ARRA-Head Start	93.708	01SE0134/01	55,816
<i>Pass-Through State of Rhode Island State Energy Office</i>				
	Low Income Energy Assistance	93.568	LIHEAP 2009-02	11,924
	Low Income Energy Assistance	93.568	LIHEAP 2010-02	1,921,841
<i>Pass-Through State of Rhode Island Department of Human Services</i>				
	Medical Assistance Program	93.778	N/A	46,317
<i>CSBG-Cluster</i>				
	Community Services Block Grant	93.569	CSBG 09-06	20,475
	Community Services Block Grant	93.569	CSBG 10-06	251,879
	ARRA-Community Services Block Grant	93.710	CSBG ARRA 09-06	338,088
	Temporary Assistance for Needy Families	93.558	YS 104-10	29,630
	Temporary Assistance for Needy Families	93.558	YS 104-11	16,687
Total U.S. Department of Health and Human Services				<u>\$ 3,922,384</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Pass-Through State of Rhode Island State Department of Education</i>				
	Even Start Statewide Educational Agencies	84.213	N/A	\$ 86,889
	RIDE Statewide Educational Agencies	84.002A	2725150.02	2,037
Total U.S. Department of Education				<u>\$ 88,926</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Pass-Through Various Local Cities and Towns</i>				
	ARRA-Homeless Prevention and Rapid Re-housing Program	14.262	N/A	\$ 181,534
	Community Development Block Grants - Small Cities Program	14.219	N/A	16,901
Total U.S. Department of Housing and Urban Development				<u>\$ 198,435</u>

SOUTH COUNTY COMMUNITY ACTION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010

Federal Grantor / Pass-Through Grantor /	Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Pass-Through State of Rhode Island</i>				
<i>State Department of Human Services</i>				
Emergency Food Assistance - Cluster				
	ARRA-Emergency Food Assistance Program (Food Commodities)	10.569	FNS-10-06	\$ 10,000
	Emergency Food Assistance Program (Administrative Costs)	10.568	FNS-09-10-06	54,350
	Child and Adult Care Food Program	10.558	N/A	73,216
	Total U.S. Department of Agriculture			<u>\$ 137,566</u>
THE U.S. DEPARTMENT OF LABOR				
<i>Pass-Through Workforce Partnership</i>				
<i>of Greater Rhode Island</i>				
	WIA Youth Activities	17.259	WIA 116-09	\$ 285,963
	Total U.S. Department of Labor			<u>\$ 285,963</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Direct Program:</i>				
	Emergency Food & Shelter National Board Program	97.024	N/A	\$ 12,305
	Disater Grants Public Assistance	97.036	N/A	85,127
	Total U.S. Department of Homeland Security			<u>\$ 97,432</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 6,162,083</u>

SOUTH COUNTY COMMUNITY ACTION, INC.
Schedule of Findings and Questioned Costs
For The Fiscal Year Ended August 31, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness (es) identified? yes X no

Significant deficiency (ies) identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness (es) identified? yes X no

Significant deficiency (ies) identified that are not considered to be material weakness (es)? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB circular A-133? yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
81.042	Weatherization Assistance for Low Income Persons
81.042	ARRA – Weatherization for Low Income Persons
93.569	ARRA - Community Service Block Grant
93.569	Community Service Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS yes X none

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS yes X none

SOUTH COUNTY COMMUNITY ACTION, INC.
Schedule of Findings and Questioned Costs
For The Fiscal Year Ended August 31, 2010
(continued)

**SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT
AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

A. Significant Deficiency in Internal Control

None Reported.

B. Compliance

None Reported.

SECTION III – FINDINGS AND QUESTIONED COST FOR FEDERAL AWARDS

A. Findings

None Reported

B. Questioned Costs

None Reported

SOUTH COUNTY COMMUNITY ACTION, INC.
Schedule of Prior Year Findings and Questioned Costs
Year Ended August 31, 2010

PRIOR YEAR FINDINGS AND QUESTIONED COST FOR FEDERAL AWARDS

A. Findings

None Reported

B. Questioned Costs

None Reported

SOUTH COUNTY COMMUNITY ACTION, INC.
Notes to Schedule of Expenditures of Federal Awards
August 31, 2010

1. **General** - The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal programs of South County Community Action, Inc.
2. **Basis of Accounting** - The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.
3. **Determination of Type A, Type B and Major Programs** - The determination of Type A and Type B federal programs was based upon the expenditures for all federal programs for South County Community Action, Inc. As such, the threshold for determining Type A vs. Type B programs is determined at the entity level. For the fiscal year-ended August 31, 2010, grants with expenditures exceeding \$300,000 were determined to be Type A programs and all other grants were considered Type B programs. The following programs were considered major programs:

<u>CFDA</u>	<u>Program Name</u>
81.042	Weatherization Assistance for Low Income Persons
81.042	ARRA - Weatherization Assistance for Low Income Persons
93.569	ARRA - Community Service Block Grant
93.569	Community Service Block Grant