ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.

FINANCIAL REPORT

June 30, 2020

CONTENTS

C O N T E N T S (C O N T I N U E D)

DISCOVERY BLOCK • 828 GREAT NORTHERN BOULEVARD • P.O. BOX 1040 • HELENA, MONTANA 59624-1040
TEL: 406.442.1040 • FAX: 406.442.1100 • WEB: www.azworld.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rocky Mountain Development Council, Inc.
Helena, Montana

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Rocky Mountain Development Council, Inc. (Rocky) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rocky as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Schedule of Expenditures of Federal Awards and Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplementary information presented on pages 53 through 62 is also presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The Summary of Programs by Grantor Agencies, which is the responsibility of management, is of a nonaccounting nature and has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020, on our consideration of Rocky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rocky's internal control over financial reporting and compliance.

Anderson ZurMuehlen & Co., P.C.

Helena, Montana
December 17, 2020

CONSOLIDATED FINANCIAL STATEMENTS

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents, operations	$ 1,485,174
Cash and cash equivalents, custodial	110,934
Accounts receivable	95,389
Related party receivables	23,580
Grants receivable	634,469
Current portion of notes and interest receivable	13,873
Prepaid deposits and expenses	190,197
Inventory	52,537
Total current assets	2,606,153
FIXED ASSETS	
Land	3,832,868
Land improvements, net	186,756
Leasehold improvements, net	86,735
Buildings, net	18,030,068
Equipment, net	335,774
Total fixed assets	22,472,201
OTHER ASSETS	
Investments in partnerships	1,000
Cash restricted for security deposits and reserves	1,179,706
Cash restricted for housing projects	361,255
Construction in progress	11,528,040
Long-term related party receivable	9,992
Long-term notes and interest receivable	3,254,285
Long-term accounts receivable	27,224
Deferred costs, net	115,567
Total other assets	16,477,069
Total assets	$ 41,555,423

The Notes to Consolidated Financial Statements are an integral part of this statement.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
June 30, 2020

LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 2,038,938
Cash and cash equivalents held for others	110,934
Compensated absences	306,947
Refundable advances and deferred revenue	373,709
Current portion of long-term debt	263,582
Line of credit advances	7,895,746
Total current liabilities	10,989,856
LONG-TERM DEBT	
Notes and interest payable	2,467,392
Other liabilities	71,846
Total long term liabilities	2,539,238
Total liabilities	13,529,094
NET ASSETS	
Net assets without donor restrictions	
Net assets without donor restrictions and controlling interests in partnerships	15,843,576
Noncontrolling interests in partnerships	11,861,545
Total net assets without donor restrictions	27,705,121
Net assets with donor restrictions	321,208
Total net assets	28,026,329
Total liabilities and net assets	$ 41,555,423

The Notes to Consolidated Financial Statements are an integral part of this statement.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
REVENUES, GAINS, AND OTHER SUPPORT	
Grants - federal	$ 8,382,001
Grants - other	1,225,956
County tax	343,600
Local support	34,847
Fundraising and donations	320,777
Program service	1,815,350
Other	75,074
In-kind	925,219
Net assets released from restrictions	9,682
Total revenues, gains, and other support without donor restrictions	13,132,506
EXPENSES	
Program	
Aging and Nutrition	2,394,478
Senior Volunteer	784,665
Housing	3,090,113
Other	213,128
Child and Family	4,312,882
Senior Activities	106,513
Transportation	31,861
Weatherization	1,141,587
Total program expenses	12,075,227
General and administrative	1,888,938
Recovery of indirect costs from programs	(874,868)
Recovery of other allocated costs from programs	(950,647)
	63,423
Fundraising	38,278
Total expenses	12,176,928
Change in net assets without donor restrictions	955,578

The Notes to Consolidated Financial Statements are an integral part of this statement.

CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	118,298
Net assets released from restrictions	(9,682)
Change in net assets with donor restrictions	108,616
Change in net assets	1,064,194
Partnership distributions	2,222,950
Consolidated net assets, beginning of year	24,739,185
Consolidated net assets, end of year	$ 28,026,329

The Notes to Consolidated Financial Statements are an integral part of this statement.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	General and Administrative			Program Expenses				Program Expenses					Fundraising	
	Indirect Costs	Other Supporting Services	Total General and Administrative	Aging and Nutrition	Senior Volunteer	Housing	Other	Child and Family	Senior Activities	Transportation	Weatherization	Total Program	Total Fundraising	Total
Advertising/recruitment	$ -	$ 30	$ 30	479	$ 42,776	$ 11,618	$ -	$ 10,924	$ -	$ -	$ 1,524	$ 67,321	$ 500	$ 67,851
Assistance payments	-	-	-	-	-	5,985	-	-	-	-	340,650	346,635	-	346,635
Communications	29,682	37,807	67,489	37,960	12,080	60,006	5,192	73,892	3,782	291	16,680	209,883	1,165	278,537
Consultant/contract	6,390	17,329	23,719	20,258	1,256	71,909	3,480	67,264	216	105	338,239	502,727	4,736	531,182
Equipment rent/maintenance	11,750	42,237	53,987	5,934	300	-	1,709	4,574	-	1,470	-	13,987	3,306	71,280
In-kind	-	-	-	1,002	28,421	468	-	889,646	-	-	-	919,537	5,682	925,219
Insurance	18,099	10,385	28,484	10,531	-	108,547	824	28,282	1,481	3,288	10,807	163,760	-	192,244
Legal fees	1,485	-	1,485	559	-	-	1,105	-	-	-	-	1,664	-	3,149
Materials, supplies, and minor equipment	1,193	16,889	18,082	78,333	2,428	63,490	687	196,335	403	165	12,343	354,184	3,570	375,836
Meal costs	-	164,980	164,980	366,909	-	179,694	-	215,465	2,125	-	-	764,193	-	929,173
Occupancy	39,359	189,999	229,358	53,627	14,456	482,743	22,107	242,298	63,415	-	20,464	899,110	334	1,128,802
Office supplies	6,584	2,107	8,691	2,742	796	8,445	90	6,908	-	-	3,516	22,497	398	31,586
Other	6,020	937	6,957	23,500	2,293	109,810	3,685	6,708	-	150	475	146,621	3,930	157,508
Pass-through grants	-	-	-	834,145	-	63,256	-	-	-	-	-	897,401	-	897,401
Photocopies/printing	5,828	42	5,870	3,633	2,704	471	510	14,235	4,378	102	794	26,827	1,268	33,965
Salaries and related expenses	758,976	365,780	1,124,756	782,758	224,046	868,708	141,904	2,112,265	19,988	26,540	274,054	4,450,263	9,201	5,584,220
Stipends	-	-	-	-	285,107	-	-	-	-	-	-	285,107	-	285,107
Travel/training	3,854	845	4,699	42,409	9,644	8,410	957	35,625	6,614	-	25,447	129,106	539	134,344
Vehicle maintenance/repair	-	301	301	14,211	-	-	-	2,343	-	10,120	2,091	28,765	-	29,066
Volunteer participant expense	-	-	-	153	74,578	-	240	-	-	-	-	74,971	-	74,971
Interest expense	-	17,839	17,839	-	-	97,033	-	9,699	-	-	-	106,732	-	124,571
Depreciation and amortization	1,905	25,727	27,632	99	-	871,786	10,231	49,074	576	3,320	6,744	941,830	-	969,462
Indirect costs allocated to programs	-	104,579	104,579	140,603	83,780	77,734	20,407	347,345	3,535	5,477	87,759	766,640	3,649	874,868
Recovery of indirect costs	(874,868)	-	(874,868)	-	-	-	-	-	-	-	-	-	-	(874,868)
Recovery of other allocated costs	-	(950,647)	(950,647)	(25,367)	-	-	-	-	-	(19,167)	-	(44,534)	-	(995,181)
	$ 16,257	$ 47,166	$ 63,423	$ 2,394,478	$ 784,665	$ 3,090,113	$ 213,128	$ 4,312,882	$ 106,513	$ 31,861	$ 1,141,587	$ 12,075,227	$ 38,278	$ 12,176,928

The Notes to Consolidated Financial Statements are an integral part of this statement.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,064,194
Adjustments to reconcile the change in net assets to net cash flows from operating activities:	
Depreciation	954,260
Amortization	15,202
Loss on disposal of assets	5,213
Forgiveness of long-term notes receivable	55,000
Change in assets and liabilities:	
Decrease in current receivables	38,192
Increase in grant receivables	(149,874)
Increase in prepaid deposit and expenses	(60,717)
Decrease in inventory	2,127
Increase in accounts payable and accrued expenses	1,047,278
Increase in compensated absences	39,678
Increase in refundable advances and deferred revenue	8,166
Decrease in other liabilities	(30,000)
Net cash flows from operating activities	2,988,719
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(1,463,034)
Construction in progress	(10,228,767)
Proceeds from insurance claim on damaged property	11,760
Increase in long-term related party receivables	(1,768)
Increase in long-term accounts receivable	(22,767)
Increase in long-term interest receivable and notes receivable	(48,621)
Principal payments received on long-term notes receivable	12,952
Organizational, financing, and tax credit costs	(89,329)
Paid-in capital received on partnership investments	2,222,969
Net cash flows from investing activities	(9,606,605)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from construction line of credit	7,043,509
Proceeds from long-term debt	265,273
Principal payments on long-term debt	(312,249)
Net cash flows from financing activities	6,996,533
Net change in cash and cash equivalents	378,647
Cash and cash equivalents, beginning of year	2,758,422
Cash and cash equivalents, end of year	$ 3,137,069
SUPPLEMENTAL INFORMATION	
Interest Paid	$ 275,039

The Notes to Consolidated Financial Statements are an integral part of this statement.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2020

CASH AND CASH EQUIVALENTS PER THE STATEMENT OF FINANCIAL POSITION	
Cash and cash equivalents, operations	1,485,174
Cash and cash equivalents, custodial	110,934
Cash restricted for security deposits and reserves	1,179,706
Cash restricted for housing projects	361,255
Total cash and cash equivalents, end of year	$ 3,137,069
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES	
Financed acquisition of property and equipment	$ 1,047,557

The Notes to Consolidated Financial Statements are an integral part of this statement.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
Rocky Mountain Development Council, Inc. (Rocky) is a non-profit-501(c)(3) agency created and operated for the purpose of (in a broad definition) serving low-income families and individuals of all ages primarily in Lewis and Clark, Broadwater, and Jefferson Counties of the State of Montana, to achieve economic betterment and relief of poverty. Rocky is designated as a Community Action Agency as defined in 42 U.S. Code, Sections 2781 and 2837, and as such aids in the delivery of social services and stimulation of county development through its own activities or through collaboration with other appropriate agencies. Rocky is directed by a 15-member Board of Directors (the Board). Daily management is provided through an Executive Director who is hired by and responsible to the Board.

Rocky provides centralized administration and support for approximately 18 community service programs funded by various federal, state and local government agencies. The programs of Rocky are organized and operated on the basis of activity types. Program activity separation is used to aid management in demonstrating compliance with finance-related, legal, and contractual provisions.

Rocky has established several entities to own and operate various housing facilities it has developed through its housing program. As required by U.S. generally accepted accounting principles (GAAP), these financial statements include the consolidated activity of Rocky, Rocky Mountain Front Properties, Inc. (RMFP), RMDC Eagle Rock, Inc. (ERI), Eagles Manor II Residences, LP (EM II), Eagles Manor III Residences, LP (EM III), Penkay Eagles Manor, Inc., Eagles Manor Project No. 2, Inc., Big Boulder Residences, LP (Big Boulder), River Rock Residences, LP (River Rock), Ptarmigan Residence, LLLP (Ptarmigan), Pheasant Glen LLLP (Pheasant Glen), Red Alder Residences 4% LLLP (RA4), and Red Alder Residences 9% LLLP (RA9). All material transactions between these organizations are eliminated from the consolidated financial statements.

Following is a description of these entities and the facilities they operate.

RMFP
RMFP is a wholly owned for-profit subsidiary of Rocky, created in June 2004 by Rocky to own and operate an eight-unit affordable family housing complex located in Augusta, Montana. Rocky also holds the majority of the Board of Directors positions.

Eagles Manor Complex
The Eagles Manor complex, located in Helena, Montana, was constructed to house low-to-moderate income senior citizens, and is comprised of three separate properties.

The original facility (Penkay Eagles Manor) is comprised of 66 units and is owned and operated by Eagle Rock Residences, LP (a related party as more fully described below). Rocky supported the renovation of this facility with funds obtained through its housing program. Rocky also redeveloped a portion of the pre-existing facility into 44 units located on the Eagles Manor campus, now owned and operated by EM II.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EM II was organized in December 2006 by Rocky to develop affordable housing. RMDC Eagles Manor II, LLC is the general partner, and MPEG Special Fund II, LP and MPEG Acceptance Corporation, SLP are the limited partners. In January 2008, EM II acquired the property owned by Eagles Manor Project No. 2, Inc., which is located on the Eagles Manor campus in Helena, Montana. EM II has operated the facility since the acquisition.

Finally, an additional 30 units were constructed on the Eagles campus, owned and operated by EM III, which was organized by Rocky in 2006 to develop and operate affordable housing. Since its creation, the organization constructed and began operating a 30-unit housing facility on the Eagles Manor campus in Helena, Montana. Penkay Eagles Manor, Inc. is the general partner and Homestead Equity Fund VI, LP and Homestead SLP, LLC are the limited partners.

Penkay Eagles Manor, Inc. was acquired by Rocky in June 2006 to develop and operate affordable housing. The organization serves as the general partner for EM III and is the sole member of RMDC Eagles Manor II, LLC, which is the general partner for EM II. The organization is the sole member of both Red Alder 4%, LLC and Red Alder 9%, LLC, which are the general partners for RA4 and RA9 (further described below). Rocky holds the majority of Board of Directors positions.

Big Boulder
Big Boulder was organized in April 2009 by Rocky to develop and operate affordable housing in Boulder, Montana. The Big Boulder rehabilitation project was completed in November 2011. Big Boulder operates and maintains 36 units. RMDC Big Boulder, LLC is the general partner and Rocky is the limited partner.

River Rock
River Rock was organized in December 2010 by Rocky to develop and operate affordable housing in Helena, Montana. Construction of the 33-unit property was completed in August 2013. RMDC River Rock, LLC is the general partner and American Express - Utah Equity Fund is the limited partner.

Eagles Manor Project No. 2, Inc. was formed in December 1975 to develop and operate affordable housing. Rocky assumed majority membership of the organization's Board of Directors in March 2008. The organization serves as the sole member of RMDC Big Boulder, LLC, which is the general partner for Big Boulder. The organization also serves as the sole member of RMDC River Rock, LLC, which is the general partner for River Rock.

Ptarmigan
Ptarmigan was organized in 2000 to develop and operate affordable housing in Helena, Montana. Construction of the 22-unit single-family residence was completed in June 2001. December 31, 2015, marked the end of Ptarmigan's 15-year tax credit compliance period. Effective April 1, 2016, the Investor Limited Partner assigned its 99.99% limited partner interest to Rocky. RMDC Ptarmigan, Inc. is the general partner and Rocky is the limited partner.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ERI

ERI was organized in November 2003 by Rocky as a 501(c)(3) supporting organization and as such provides supportive services to the residents of Eagle Rock Residences, LP (Penkay), EM II, EM III, Big Boulder, River Rock, Ptarmigan, and Pheasant Glen. These services primarily relate to the provision of a congregate meal program for the residents of the Eagles Manor complex, maintenance and housekeeping services. Rocky holds the majority of the Board of Directors positions and has provided financial support to ERI.

Pheasant Glen

Pheasant Glen was organized in 2002 to develop and operate affordable housing in Helena, Montana. Construction of the 32-unit single-family residence was completed in August 2003. December 31, 2017, marked the end of Pheasant Glen's 15-year tax credit compliance period. Effective January 1, 2019, the Investor Limited Partner assigned its 99.99% limited partner interest to Rocky. RMDC Ptarmigan, Inc. is the general partner and Rocky is the limited partner.

RA4 and RA9 (Red Alder Residences)

RA4 was organized in August 2018 to develop and operate affordable housing in Helena, Montana. Construction of the 48-unit property began in September 2019 and is expected to be substantially complete in January 2021. The general partner, Red Alder 4% LLC, is wholly owned by Penkay Eagles Manor, Inc. The limited partner is Community Affordable Housing Fund, LLC.

RA9 was organized in August 2018 to develop and operate affordable housing in Helena, Montana. Construction of the 37-unit property began in September 2019 and is expected to be substantially complete in October 2020. The general partner, Red Alder 9% LLC, is wholly owned by Penkay Eagles Manor, Inc. The limited partner is Community Affordable Housing Fund, LLC.

Other Related Party Entities

Rocky has also participated in the development of other low-income housing projects, but does not control these through direct ownership or control of their operations combined with an economic interest; therefore, they are not included in Rocky's consolidated financial statements. Rocky created RMDC Ptarmigan, Inc., a non-profit corporation, to serve as the general partner for two limited partnerships established to own and operate Ptarmigan and Pheasant Glen affordable housing complexes in Helena, Montana. RMDC Ptarmigan, Inc., as general partner, has a .01% ownership interest in Ptarmigan and Pheasant Glen. RMDC Ptarmigan, Inc. created RMDC Penkay LLC, which is the general partner of Eagle Rock Residences, LP (Penkay).

Basis of Accounting and Presentation

The accompanying consolidated financial statements reflect practices common to non-profit organizations in accordance with GAAP as codified by the Financial Accounting Standards Board (FASB). The consolidated financial statements are prepared using the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Presentation (Continued)
As required by GAAP, Rocky classifies contributions as with or without donor restrictions, in accordance with donor stipulations. Donor restricted support is reported as an increase in net assets with donor restrictions. When the time restriction expires or use restriction is met through expenditure, net assets with donor restrictions are reclassified to net assets without donor restrictions. All expenses are reported as net assets without donor restriction, after satisfaction of applicable restrictions. Contributions in which donor restrictions are satisfied in the same year received are considered support without donor restrictions.

The resulting classes of net assets are:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed stipulations. This category also includes net assets which have been designated by the board or other designated funds.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that will be met by actions of Rocky or through the passage of time. When a purpose or time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and Cash Equivalents
Cash and cash equivalents consists of operational, custodial, and restricted accounts. Rocky maintains pooled petty cash and deposit accounts that are used by all programs during the normal course of operations. Rocky is also the custodian of cash for several groups/councils. See Note 3 for disclosure of Rocky's custodial cash accounts. For purposes of the consolidated statement of cash flows, all checking accounts, savings accounts, overnight repurchase agreements, and restricted reserve accounts are considered cash equivalents. Deposits are carried at cost, which approximates fair value.

Rocky and its consolidated entities maintain cash accounts in multiple financial institutions. Accounts at the financial institutions (for each entity with separate tax identification numbers) are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Rocky's main operating account has unlimited coverage through a repurchase agreement, under which all deposits are fully collateralized. At June 30, 2020, the uninsured cash balance was $46,086.

Accounts Receivable
Accounts receivable primarily represent amounts due from various agencies (holders of contracts not based on federal funding), tenants and other customers for services provided by Rocky and its entities. No allowance for uncollectible accounts is established as management considers all balances materially collectible. Receivables are typically billed monthly unless contract provisions require a different cycle. Additional collection steps are taken once an account is 30 days past due. An account is written off as a bad debt expense if it is six months past due and deemed uncollectible or no payment terms are agreed upon.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Party Receivables
Related party receivables represent amounts due from organizations affiliated with Rocky.

Grants Receivable
Grants receivable consist of amounts due from federal, state, and local government agencies for goods or services provided by Rocky in accordance with the terms of grant agreements based on federal funding. No allowance for uncollectible accounts is established as management considers all balances materially collectible.

Notes and Interest Receivable
Rocky has made loans to provide funding for affordable housing projects and agreed to defer payments due for services rendered to other organizations. Information concerning these loans is provided in Note 5. The amount reported as current portion of notes and interest receivable represents the estimated loan principal and interest payments that Rocky will receive within one year of June 30, 2020. The remaining balances are due for various terms, as more fully disclosed in Note 5.

Prepaid Deposits and Expenses
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventory
Inventory is valued at the lower of cost or net realizable value, and consists of administrative, food, weatherization, education, and kitchen supplies.

Assets Held for Sale
Long-lived assets that are not used in normal operations and will be sold within one year are classified as an asset held for sale. Assets held for sale are reported at the lower of cost or fair value. There were no assets held for sale at June 30, 2020.

Fixed Assets
Rocky and the consolidated entities capitalize property and equipment with an original cost greater than $5,000. Donated fixed assets are recorded at their estimated fair value at the date of donation. The use and disposal of assets purchased with grant funds are restricted by the terms of the original grant and federal regulations. Depreciation expense reflected in the accompanying financial statements was computed using the straight-line method over estimated useful lives of 5 to 40 years.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Restricted for Security Deposits, Reserves, and Housing Projects

Rocky's consolidated housing entities are required to maintain separate accounts for tenant security deposits, operating reserves, and capital replacement reserves. Operating and replacement reserve requirements are established by partnership agreements or funding source regulations and require approval before withdrawals are made. For purposes of the consolidated statement of cash flows, restricted security deposits and reserve accounts are included in cash equivalents.

As a Community Housing Development Organization (CHDO), Rocky has loaned HOME and CDBG grant funds to other housing entities for development of low-income housing. Cash restricted for housing projects represents loan repayments that are restricted for HOME and CDBG eligible housing activities. Also included are loan repayments from participants in Rocky's GR8 Hope Loan Program that provided down payment assistance loans from 2002 through 2010. For purposes of the consolidated statement of cash flows, restricted housing cash is included in cash equivalents.

Construction In Progress

Construction in progress represents costs incurred for new construction and improvement projects for Rocky and its consolidated entities. At June 30, 2020, construction in progress is comprised of costs incurred to construct the RA4 and RA9 projects. Included in these costs is $166,980 of capitalized interest related to the construction of the combined RA4 and RA9 projects. Construction in progress is presented net of eliminations of $243,623 in the accompanying consolidated statement of financial position. Eliminations consist of combined RA4 and RA9 developer fees of $231,690, interest expense of $11,905 owed by RA4 to Rocky, and interest expense of $28 owed by RA4 to Penkay Eagles Manor, Inc.

Deferred Costs

Deferred costs include financing charges and fees paid by EM II, EM III, Big Boulder, River Rock, Ptarmigan, Pheasant Glen, RA4, and RA9. They are reported net of accumulated amortization in the accompanying consolidated statement of financial position. See Note 7.

Compensated Absences

Rocky and ERI permit nonunion employees to accumulate earned, unused vacation and sick leave benefits. Rocky and ERI policy allows the accrual of up to 240 hours of unused annual leave. At termination, nonunion employees are paid for any accumulated, unused annual leave and 25% of accumulated, unused sick leave multiplied by their current salary rate. Rocky's policy allows for the conversion of unused sick leave to vacation leave at a 4 to 1 ratio for non-union employees. Rocky's union employees are granted personal leave and are permitted to accumulate earned, unused annual sick leave. At termination, union employees are paid 25% of accumulated, unused sick leave multiplied by their current salary rate.

Advance Payments and Deferred Revenue

Advance payments for program fees are reported as deferred revenue. Advance payments for federal and non-federal grants are reported as refundable advances.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

Services or goods donated to Rocky are recorded as revenue and then expensed or capitalized in an amount equal to the estimated fair value of those services or goods received in accordance with GAAP.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Material estimates that are particularly susceptible to significant change relate to Rocky's guaranty agreements and responsibilities as the organization responsible for managing a number of low-income housing properties in Rocky's service area. The above noted obligations and commitments are more fully described in Note 15. Management has calculated its estimated liability as required by GAAP and has determined it to be immaterial at June 30, 2020.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grant awards for which advance payments are received are classified as refundable advances until expended for the purposes of the grant.

Net Assets and Noncontrolling Interests in Partnership Equity

The interests in partnership equity held by the limited partners of EMII, EMIII, River Rock, RA4, and RA9, including capital contributions required by the respective partnership agreements, is presented as noncontrolling interests, a component of consolidated net assets without donor restriction.

The Big Boulder partnership agreement also requires monetary contributions from the general and limited partner. The contributions received by partners are reported as part of consolidated net assets without donor restriction as this entity is directly controlled by Rocky.

The interests in partnership equity held by the general partner of Ptarmigan and Pheasant Glen are presented as noncontrolling interest. The limited partner interests are held by Rocky at June 30, 2020, and as such are presented as controlling interest.

Functional Allocation of Expenses

The costs of Rocky's various programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function.

The functional expense statement reports certain categories of expenses that are allocated to more than one program or supporting function. Therefore, some expenses require allocation on a reasonable basis that is consistently applied.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

Commercial liability and umbrella insurance expense is allocated to programs that require specific other coverages, such as property and professional liability, on an equitable basis. Rocky's audit fee is allocated to programs based on a formula that incorporates which programs are selected for the Single Audit, as well as the time and effort spent by Rocky's independent auditor. Salaries, benefits, payroll taxes, other payroll expenses, and all other expenses that cannot be directly identified to a particular program are allocated on the basis of estimates of time and effort by programs. Time and effort is based on a combination of time sheet direct reporting when practical and a percentage estimate that is preassigned to certain specific programs that is reviewed periodically.

Indirect costs that benefit all Rocky programs are allocated to each program using an approved indirect cost rate. Although the provisional approved rate for Rocky is 13.3% for fiscal year 2020, the effective rate applied during fiscal year 2020 is 13.0%.

Rocky maintains separate internal service funds, including kitchen, buildings, copier and network, for activities that benefit programs. The cost of these activities is allocated to the programs based on rates internally calculated on an annual basis in order to recover the costs of those activities. Allocation of actual costs may result in over- or under-recovery as the rates are set in advance, based on budgeted costs. Any over- or under-recovery is included in the calculation of the rates for the next fiscal year. Building expenses, including depreciation, are allocated to programs on a square footage basis. Network expenses are allocated based on devices used by programs, as well as connectivity to Rocky's network. Copier expenses are allocated to programs based on actual usage.

Advertising and Recruitment Costs

Recruitment, advertising, and promotional costs are expensed as incurred. For the year ended June 30, 2020, recruitment, advertising, and promotional costs totaled $67,851.

Tax Status

Rocky is a non-profit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). Affiliated 501(c)(3) non-profits included in these consolidated statements are ERI, Penkay Eagles Manor, Inc., and Eagle Manor Project No. 2, Inc.

RMFP is subject to federal and state income tax as a C-Corporation. EM II, EM III, Big Boulder, River Rock, Ptarmigan, Pheasant Glen, RA4, and RA9 are each organized as limited partnerships, with tax years ending each December 31.

Fair Value Measurements

GAAP provides a framework for measuring fair value. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement
Rocky adopted the following Accounting Standards Updates (ASU) in fiscal year 2020:

ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Rocky has implemented the provisions of ASU-2018-08 applicable to contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation.

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606) including the subsequent revisions (collectively referred to as Topic 606).* This accounting standard was issued to clarify the principles of recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards. Rocky adopted Topic 606 using the modified retrospective method. Implementation of the standard did not have a material effect on Rocky's methodology for the recognition of revenue.

NOTE 2. LIQUIDITY AND AVAILABILITY

Rocky regularly monitors the availability of resources required to meet its operating needs. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Rocky considers all expenditures related to its ongoing program activities to be general expenditures. In addition, Rocky considers general and administrative, and fundraising functions provided to support Rocky's programs to be general expenditures.

The following financial assets are expected to be available to support Rocky in the year ending June 30, 2021:

Cash and cash equivalents, operations	$ 1,485,174
Accounts receivable	95,389
Related party receivables	23,580
Grants receivable	634,469
Current portion of notes and interest receivable	13,873
	$ 2,252,485

During the year ended June 30, 2021, Rocky expects to receive $145,965 in developer fee income, which will add to the available financial assets listed above.

NOTE 2. LIQUIDITY AND AVAILABILITY (CONTINUED)

In addition to financial assets available to meet general expenditures over the next 12 months, Rocky operates with a balanced budget. During the year ended June 30, 2020, approximately 73% of Rocky's operating budget was received through federal, state, and other grants. Cash is received on a reimbursement basis for these grants. Rocky has a revolving line of credit that is available to fund Rocky's cash needs due to timing differences between program expenditures and their reimbursements. There is no outstanding balance at June 30, 2020.

NOTE 3. CASH AND CASH EQUIVALENTS HELD FOR OTHERS

Rocky is the custodian of cash for several groups/councils. Activities of the groups are related to programs that Rocky administers. Rocky does not control the activities or funds but receives and disburses funds on their behalf. The amounts represent deposit accounts held by Rocky as well as a corresponding current liability.

Amounts held on behalf of these groups at June 30, 2020, are as follows:

Head Start Parent Fund	$ 22,884
Friends of Head Start	79,372
Senior Bingo Fund	276
Employee Social Fund	4,973
Helena Senior Advisory Council	3,429
	$ 110,934

NOTE 4. RELATED PARTIES

Related Party Receivables

Related party receivables represent balances due from entities affiliated with Rocky, other than notes receivable as disclosed in Note 5. These arise from expenses paid on behalf of the entities by Rocky, as well as amounts due to Rocky for property management and accounting services provided to the entities. Amounts that are not expected to be collected within one year are classified as long-term.

NOTE 4. RELATED PARTIES (CONTINUED)

Related Party Receivables (Continued)
The table below summarizes balances receivable from these external related parties and those which have been eliminated within the consolidated entity.

	Stand Alone June 30, 2020	Consolidating Eliminations	Consolidated June 30, 2020
Current related party receivables			
Rocky			
Eagle Rock Residence LP (Penkay)	$ 17,959	$ -	$ 17,959
EM II	7,413	(7,413)	-
EM III	14,429	(14,429)	-
Ptarmigan	5,218	(5,218)	-
Pheasant Glen	4,329	(4,329)	-
Big Boulder	8,115	(8,115)	-
RMFP	19,944	(19,944)	-
Townsend Housing Inc.	2,059	-	2,059
River Rock	4,595	(4,595)	-
Total RMDC	84,061	(64,043)	20,018
ERI	16,877	(13,315)	3,562
Total	$ 100,938	$ (77,358)	$ 23,580
Long-term related party receivables			
Rocky			
Penkay Eagles Manor Inc.	$ 7,116	$ (7,116)	$ -
Eagle Manor Project No. 2 Inc.	28,996	(28,996)	-
RMDC Ptarmigan Inc.	9,992	-	9,992
Total	$ 46,104	$ (36,112)	$ 9,992

Related Party Transactions
Rocky provides property management and accounting services to external related parties and those within the consolidated entity. ERI provides maintenance services to these entities and food service to the residents of the Eagle Manor Complex.

NOTE 4. RELATED PARTIES (CONTINUED)

Related Party Transactions (Continued)

The following is a schedule of the revenue for these services provided by Rocky and ERI, including the amounts eliminated within the consolidated entity:

	RMDC	ERI	Consolidating Eliminations	Total
RMDC Ptarmigan Inc.	$ 688	$ -	$ -	$ 688
Eagle Rock Residence LP (Penkay)	144,007	48,886	-	192,893
Townsend Housing Inc.	19,313	(2)	-	19,311
Pheasant Glen	49,839	16,509	(66,348)	-
RMFP	20,567	-	(20,567)	-
ERI	13,776	-	(13,776)	-
EM II	94,412	32,860	(127,272)	-
EM III	55,157	14,164	(69,321)	-
Penkay Eagle Manor Inc.	826	-	(826)	-
Eagle Manor Project No. 2 Inc.	494	-	(494)	-
Big Boulder	90,712	358	(91,070)	-
River Rock	49,413	18,017	(67,430)	-
Ptarmigan	35,809	16,273	(52,082)	-
Rocky	-	(2)	2	-
	$ 575,013	$ 147,063	$ (509,184)	$ 212,892

NOTE 5. LONG-TERM NOTES AND INTEREST RECEIVABLE

Long-term notes and interest receivable consist of the following at June 30, 2020:

	Note Principal June 30, 2020	Note Interest June 30, 2020	Total Stand Alone June 30, 2020	Consolidating Eliminations	Consolidated June 30, 2020
Rocky					
Roadrunner Residence (HOME)	$ 122,895	$ -	$ 122,895	$ -	$ 122,895
Eagle Rock Residence LP (Penkay) (CDBG)	480,000	85,226	565,226	-	565,226
Eagle Rock Residence LP (Penkay) (HUD)	299,896	191,297	491,193	-	491,193
Eagle Rock Residence LP (Penkay) (HOME)	512,843	339,766	852,609	-	852,609
Eagle Rock Residence LP (Penkay) (FHLB)	650,000	-	650,000	-	650,000
Eagle Rock Residence LP (Penkay) (HUD II)	346,500	225,862	572,362	-	572,362
Pheasant Glen (CDBG)	506,157	212,746	718,903	(718,903)	-
Pheasant Glen (HOME)	411,856	296,822	708,678	(708,678)	-
Ptarmigan (Operating Deficit)	3,805	841	4,646	(4,646)	-
Ptarmigan (CDBG)	310,000	58,904	368,904	(368,904)	-
Ptarmigan (HOME)	364,175	49,235	413,410	(413,410)	-
ERI (Operating loan)	165,922	-	165,922	(165,922)	-
EM II (HOME)	500,000	-	500,000	(500,000)	-
EM II (CDBG)	366,658	-	366,658	(366,658)	-
EM III (HOME)	516,461	246,590	763,051	(763,051)	-
EM III (HUD)	196,000	101,020	297,020	(297,020)	-
EM III (Developer Fee)	111,775	-	111,775	(111,775)	-
Big Boulder (HOME)	420,999	20,544	441,543	(441,543)	-
Big Boulder (HOME 2)	26,550	742	27,292	(27,292)	-
River Rock (HOME)	742,530	169,504	912,034	(912,034)	-
River Rock (CDBG)	272,126	2,729	274,855	(274,855)	-
RA4 (Program Income)	122,542	1,081	123,623	(123,623)	-
RA4 (HOME)	393,388	2,765	396,153	(396,153)	-
RA4 (HTF)	1,344,879	8,060	1,352,939	(1,352,939)	-
	9,187,958	2,013,733	11,201,691	(7,947,406)	3,254,285
EAGLE MANOR PROJECT NO. 2 INC.	373,859	22,188	396,047	(396,047)	-
PENKAY EM INC.	4,850	28	4,878	(4,878)	-
Total	$ 9,566,667	$ 2,035,949	$ 11,602,616	$ (8,348,331)	$ 3,254,285

Roadrunner Residence LP

On April 1, 1999, Rocky executed a promissory note loaning $55,000 to Roadrunner Residence LP for the purpose of constructing a low-income rental housing project. Rocky received the $55,000 as a subsidy from Federal Loan Home Bank (FHLB) (through U.S. Bank). Interest accrued at 1% per annum. The principal balance and accrued interest were due April 1, 2019. At June 30, 2019, the principal and accrued interest balance was $66,137. On February 27, 2020, Rocky forgave the receivable from Helena Housing Authority for Roadrunner Residence LP. See Note 9 for disclosure on Rocky's note payable to FHLB related to this note receivable, which was forgiven in 2019. There is no outstanding balance at June 30, 2020.

On December 1, 1998, Rocky executed an agreement loaning $340,000 to Roadrunner Residence LP for the purpose of constructing a low-income rental housing project. Rocky received the $340,000 in a federal grant to be used for this project. Interest accrues at 3% per annum. The note is secured by the related property. The agreement calls for 360 monthly installments of $1,433 through May 2029. At June 30, 2020, the principal balance was $136,477, of which $13,582 is current and $122,895 is classified as long-term in the consolidated statement of financial position.

NOTE 5. LONG-TERM NOTES AND INTEREST RECEIVABLE (CONTINUED)

Eagle Rock Residence LP (Penkay)

Beginning in December 2003, Rocky loaned funds to Penkay to finance the acquisition and rehabilitation of Penkay Eagles Manor as provided for under provisions of the Limited Partnership Agreement. Funding for these loans was provided from grants secured by Rocky for the sole purpose of financially supporting the Penkay Eagles Manor project. The final terms of the loans are described in four agreements signed by both parties in February 2006 and one agreement signed by both parties in February 2007. The notes are secured by the related property and payment is contingent on sufficient available cash (as defined in the Eagle Rock Residence Fourth Amended and Restated Agreement of Limited Partnership).

Under the Rocky CDBG Construction Loan Agreement, Rocky loaned $480,000 to Penkay at 1.25% interest compounded annually. The principal and accrued interest on the loan is due in annual installments beginning December 31, 2006. No payments have been received to date. The entire remaining balance of principal and accrued interest is due and payable on February 22, 2041. The principal and accrued interest balance is $565,226 at June 30, 2020.

Under the Rocky HUD Construction Loan Agreement, Rocky loaned $299,896 to Penkay at 4.40% interest compounded annually. The principal and accrued interest on the loan is due in annual installments beginning December 31, 2006. No payments have been received to date. Any remaining balance of principal and accrued interest on October 28, 2041, is subject to renegotiation. The principal and accrued interest balance is $491,193 at June 30, 2020.

Under the Rocky HOME Construction Loan Agreement, Rocky loaned $512,843 to Penkay at 4.61% interest compounded annually. The principal and accrued interest on the loan is due in annual installments beginning December 31, 2006. No payments have been received to date. The entire remaining balance of principal and accrued interest is due and payable on February 16, 2041. The principal and accrued interest balance is $852,609 at June 30, 2020.

Under the Rocky FHLB of Seattle Construction Loan, Rocky loaned $650,000 to Penkay at 0% interest. The loan principal is due in annual installments beginning December 31, 2006. No payments have been received to date. The entire remaining loan balance is due and payable on November 22, 2040. The principal balance of the loan at June 30, 2020 is $650,000.

Under the Rocky HUD II Construction Loan, Rocky loaned $346,500 to Penkay at 4.86% interest compounded annually. The principal and accrued interest on the loan is due in annual installments beginning December 31, 2007. No payments have been received to date. The entire remaining balance of principal and accrued interest is due and payable on February 1, 2042. The principal and accrued interest balance is $572,362 at June 30, 2020.

Current Portion and Other Current Notes Receivable

As disclosed earlier, the current portion of the note receivable from Roadrunner Residence LP is $13,582. Accrued interest in the amount of $291 is also receivable on this note.

NOTE 5. LONG-TERM NOTES AND INTEREST RECEIVABLE (CONTINUED)

Consolidation Adjustments
Rocky has advanced funds to entities that are eliminated in consolidation. Rocky has advanced operating funds to ERI to support the entity's service to Helena area housing facilities. Rocky has also loaned grant funds (HOME, CDBG or HUD grants) or deferred developer fees obtained through Rocky's housing program to EM II, EM III, Big Boulder, River Rock, Ptarmigan, Pheasant Glen, and RA4. Terms of the loans vary, but repayment of loan principal and accrued interest are generally dependent upon available cash as defined by the partnership agreement governing each respective facility.

NOTE 6. FIXED ASSETS

Depreciation expense for property and equipment totaled $954,260 and amortization expense is $15,202 which are included in depreciation and amortization expense in the accompanying consolidated statement of functional expenses for the fiscal year ended June 30, 2020.

The building consolidation adjustment of $3,087,398 reflects fees paid by EM II, EM III, Big Boulder and River Rock to Rocky and ERI for services provided in support of the building projects that were capitalized by these individual entities.

In November 2006, the City of Helena donated land with a value of $43,625 to Rocky to be used as the site of the Jan Shaw Youth Home. The title to the property will revert to the City of Helena if the property ceases to be used as a youth home.

Land	$	3,832,868
Land improvements	$	492,064
Less: Accumulated depreciation		(305,308)
Land improvements, net	$	186,756
Leasehold improvements	$	264,881
Less: Accumulated depreciation		(178,146)
Leasehold improvements, net	$	86,735
Buildings	$	30,452,614
Less: Consolidation adjustment		(3,087,398)
Less: Accumulated depreciation		(9,335,148)
Buildings, net	$	18,030,068
Equipment	$	1,869,796
Less: Accumulated depreciation		(1,534,022)
Equipment, net	$	335,774
Total Fixed Assets	$	22,472,201

NOTE 7. DEFERRED COSTS

Amortization expense for deferred financing costs and fees paid by the housing entities has been included in depreciation and amortization expense in the accompanying consolidated statement of functional expenses and totaled $15,202 for the fiscal year ended June 30, 2020. The components of deferred costs at June 30, 2020, were as follows:

	Gross Costs June 30, 2020	Accumulated Amortization June 30, 2020	Net June 30, 2020
EMII	$ 49,384	$ 49,384	$ -
EMIII	22,838	22,838	-
Big Boulder	7,460	6,087	1,373
River Rock	27,731	13,865	13,866
RA4	11,427	-	11,427
RA9	88,901	-	88,901
			$ 115,567

Expected amortization expense for each of the next five fiscal years and thereafter subsequent to June 30, 2020, is as follows:

2021	$ 12,628
2022	12,509
2023	11,882
2024	11,882
2025	11,882
Thereafter	54,785
	$ 115,567

NOTE 8. LINE OF CREDIT

RMDC		
4.25% Line of Credit at Valley Bank, matures March 3, 2021.	$ -	Interest is paid monthly. Principal is payable upon maturity.
RA4		
4.59% Line of Credit at Valley Bank, due October 22, 2021. $2,581,887 of $6,000,000 available; secured by property.	3,418,113	Interest is paid monthly. Principal is payable upon maturity.
RA9		
5.52% Line of Credit at Valley Bank, due October 22, 2021. $1,522,367 of $6,000,000 available; secured by property.	4,477,633	Interest is paid monthly. Principal is payable upon maturity.
	$ 7,895,746	

Rocky
Rocky has a $300,000 unsecured revolving line of credit at Valley Bank of Helena (Valley Bank) available through March 3, 2021. The line of credit is designated to fund Rocky's cash needs due to timing differences between program expenditures and their reimbursements. Amounts borrowed under the line of credit bear interest at a fixed 4.25% rate. There is no outstanding balance at June 30, 2020.

RA4
On October 22, 2019, RA4 secured a $6,000,000 line of credit at Valley Bank to finance the construction of the RA4 affordable housing project. Construction is expected to be substantially complete in January 2021. Both Rocky and GL Development, LLC are guarantors on this loan. The line of credit will be paid off in full with a combination of permanent financing and limited partner contributions anticipated in accordance with the terms of the partnership agreement. The line of credit is secured by the related property.

RA9
On October 22, 2019, RA9 secured a $6,000,000 line of credit at Valley Bank to finance the construction of the RA9 affordable housing project. Construction is expected to be substantially complete in October 2020. Both Rocky and GL Development, LLC are guarantors on this loan. The line of credit will be paid off in full with a combination of permanent financing and limited partner contributions anticipated in accordance with the terms of the partnership agreement. The line of credit is secured by the related property.

NOTE 9. LONG-TERM DEBT OBLIGATIONS

The following summarizes long-term debt and other obligations of the consolidated entity, including specific terms and purposes of each obligation:

Notes and Interest Payable		
Rocky		
4.25% (variable interest rate - see description below) Note Payable to First Interstate Bank (Jackson Street Building), due July 28, 2035.	$ 409,722	Payable in monthly installments of $3,073, including interest.
4.89% Note Payable to Valley Bank of Helena (Head Start Helena Valley Center), due October 11, 2037.	164,843	Payable in monthly installments of $1,438, including interest.
4.25% Note Payable to USDA (Townsend Homestead Manor), due October 1, 2040.	237,000	Payable in monthly installments of $1,024, including interest, of which $485 is subsidized by USDA.
1.00% Paycheck Protection Program Note Payable to First Interstate Bank, due May 5, 2022.	107,800	Application for forgiveness will be submitted within 10 months of the completion date of the loan's covered period (August 13, 2020).
	919,365	
RMFP		
6.0% Note Payable to USDA (Elk Creek Lodge), due November 1, 2034.	43,240	Payable in monthly installments of $374, including interest, of which $173 is subsidized by USDA.
6.0% Note Payable to USDA (Elk Creek Lodge), due November 1, 2034.	118,031	Payable in monthly installments (calculated based on a 50 year amortization schedule) of $676, including interest, of which $401 is subsidized by USDA. Final installment is due 30 years from the date of the note.
5.375% Note Payable to USDA (Elk Creek Lodge), due December 1, 2035.	28,229	Payable in monthly installments of $224, including interest, of which $95 is subsidized by USDA.
	189,500	
ERI		
1.00% Paycheck Protection Program Note Payable to First Interstate Bank, due April 22, 2022.	44,550	Application for forgiveness will be submitted within 10 months of the completion of the loan's covered period (August 14, 2020).
EM II		
6.0% Note Payable to First Interstate Bank (EM II Facility), due March 10, 2040.	95,901	Payable in monthly installments of $694, including interest.
EM III		
6.0% Note Payable to First Interstate Bank (EM III Facility), due June 10, 2039.	366,632	Payable in monthly installments of $2,699, including interest.

NOTE 9. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Notes and Interest Payable (Continued)

Big Boulder		
5.95% (variable interest rate - see description below) Note Payable to Valley Bank (Fund Reserves and Current Operations), due October 10, 2042.	222,724	Payable in monthly installments of $1,505, including interest.
Ptarmigan		
4.12% Note Payable to Valley Bank, due December 1, 2031.	111,836	Payable in monthly installments of $1,019, including interest.
Pheasant Glen		
5.65% Note Payable to Valley Bank, due January 4, 2044.	479,030	Payable in monthly installments of $3,387, including interest.
RA9		
1.00% Note Payable to Snowy Mountain Development Corporation, due December 31, 2036	271,436	Payable in annual installments of $11,000, including interest.
	2,700,974	
Other Long-Term Debt:		
RMDC		
Non-Interest-Bearing Health Insurance debt to L&C County, due Fiscal Year 2024.	101,846	Payable in annual installments of approximately $30,000.
	101,846	
Total notes and interest payable	2,802,820	
Current maturities	(263,582)	
Total notes, and interest payable, and other liabilities, net	$ 2,539,238	

Future maturities of long-term debt and related long-term interest accrued for each of the next five fiscal years and thereafter subsequent to June 30, 2020, are as follows:

	Principal
2021	$ 263,582
2022	113,908
2023	117,904
2024	103,839
2025	96,597
Thereafter	2,106,990
	$ 2,802,820

Rocky

In 1998, Rocky signed an agreement with the Federal Home Loan Bank (FHLB) whereby the FHLB agreed to provide a $55,000 subsidy to the Roadrunner low-income housing project. The agreement stipulated any repayments of principal and payments of interest received by Rocky must be paid forthwith to the FHLB. On April 1, 1999, Rocky loaned these funds to the Roadrunner Residence Limited Partnership, thereby also creating a debt from Rocky to the FHLB.

NOTE 9. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Notes and Interest Payable (Continued)

Rocky (Continued)
The agreement was unsecured. In September 2017, Rocky received confirmation that the Rocky debt to FHLB for principal and accrued interest was forgiven. The debt was written off and there is no balance due at June 30, 2020. See Note 5 for disclosure on the February 2020 forgiveness of the note receivable from Roadrunner.

On July 28, 2010, Rocky signed a $550,000 note payable to First Interstate Bank to finance the purchase of a building located at 631 N Last Chance Gulch in Helena (Jackson Street Building). The building was purchased to house Rocky programs. A portion of the building is leased to Lewis and Clark County for use by Our Place Drop In Center. The note bears interest at a rate based on the Wall Street Journal prime rate plus 1%. The current rate is set at 4.25% and is adjustable every five years. The note is secured by the related property.

On October 11, 2017, Rocky signed a $219,920 note payable to Valley Bank of Helena to finance the purchase of a building located at 1275 Fern Road in Helena (Head Start Helena Valley Center). The building was purchased for use by the Head Start program for classroom space. The note is unsecured and bears an interest rate of 4.89% for the first 10 years of a 20-year term. After the first 10 years, the interest rate will adjust to the FHLB 10-Year Variable Interest Rate Index plus a margin of 2.25% with an interest rate floor of 4.89% and a ceiling of 7.89%. Because monthly mortgage payments are made with federal Head Start grant funds, a Notice of Federal Interest was filed in Lewis & Clark County on December 11, 2017. An additional principal payment of $36,359 was made during the year ended June 30, 2020.

On October 1, 2010, Rocky acquired Townsend Homestead Manor, a 10 unit, low-income facility in Townsend, Montana. Rocky assumed the prior owner’s debt with the U.S. Department of Agriculture (USDA) of $254,581. The note is secured by the related property.

On June 28, 2019, Rocky and GL Development, LLC, as co-developers on the Red Alder Project, signed a $600,000 NeighborWorks Montana note payable. The funds served as a bridge loan to cover project costs incurred for RA4 and RA9 until the partnership closing. This loan bore 6% interest and the outstanding principal and all accrued interest was due and payable the earlier of the construction loan closing or December 31, 2020. The note was unsecured, however Rocky was the guarantor for 35% of the loan obligation ($210,000) and GL Development, LLC was the guarantor for 65% of the loan obligation ($390,000). At June 30, 2019, the combined Rocky and GL Development, LLC balance owed on this note payable was $494,839. Rocky’s disclosed liability was 35% of the $494,839 principal amount owed, which was $173,194. The balance owed at June 30, 2019, as well as the remaining loan proceeds drawn subsequent to this date, including accrued interest of $39,897, were paid in full on November 22, 2019.

NOTE 9. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Notes and Interest Payable (Continued)

Rocky (Continued)
On April 27, 2020, Rocky signed a $107,800 note payable to First Interstate Bank for a Paycheck Protection Program (PPP) loan. Funding for these loans is provided by the Small Business Administration through the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the COVID-19 pandemic. Rocky received the loan proceeds on May 5, 2020, and funds were fully spent as of August 13, 2020. The original note calls for 1.00% interest and a loan maturity date of two years from the disbursement date. Rocky intends to apply for loan forgiveness within 10 months of the completetion date of the loan's covered period and anticipates full forgiveness.

RMFP
On November 1, 2004, RMFP acquired the Elk Creek Lodge facilities in Augusta, Montana. This is an 8-unit complex designated for the low-income elderly population. RMFP assumed the prior owner's debt with USDA of $62,385. The note is secured by the related property.

On November 1, 2004, RMFP entered into an agreement with USDA to borrow up to $125,000 to fund the rehabilitation of the Elk Creek Lodge facility. The principal and accrued interest on borrowed monies were deferred until the project was completed. The principal balance, including accrued interest, was $128,070 at the completion of the project on November 1, 2005. The note is secured by the related property.

On December 1, 2005, RMFP signed a $40,000 note payable to USDA to fund the completion of the rehabilitation of the Elk Creek Lodge in Augusta. The note is secured by the related property.

ERI
On April 14, 2020, ERI signed a $44,550 note payable to First Interstate Bank for a Paycheck Protection Program (PPP) loan. Funding for these loans is provided by the Small Business Administration through the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the COVID-19 pandemic. ERI received the loan proceeds on April 22, 2020, and funds were fully spent as of August 14, 2020. The original note calls for 1.00% interest and a loan maturity date of two years from the disbursement date. ERI intends to apply for loan forgiveness within 10 months of the completetion date of the loan's covered period and anticipates full forgiveness.

EM II
On March 10, 2010, EM II signed an $115,682 note payable to First Interstate Bank to finance the rehabilitation of Eagles Manor II in Helena. The note is secured by the related property.

EM III
On June 10, 2009, EM III signed a $450,000 note payable to First Interstate Bank to complete the financing of the cost of constructing the Eagle Manor III facility in Helena. The note is secured by the related property.

NOTE 9. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Notes and Interest Payable (Continued)

Big Boulder
On October 10, 2012, Big Boulder signed a $252,257 note payable to Valley Bank to fund reserves and current operations. The note bears interest at a rate based on the Federal Home Loan Bank of Seattle's Intermediate/Long-Term 10 Year Fixed rate plus an additional 3.0 percentage points with a rate floor of 5.95% and a rate ceiling of 8.95%, adjustable every 10 years. The note is secured by the related property.

Ptarmigan
On December 1, 2016, Ptarmigan signed a $136,634 note payable to Valley Bank to refinance the previous 15 year US Bank note for constructing Ptarmigan Residences. The note bears interest at 4.12% for a period of 15 years. The note is secured by the related property.

Pheasant Glen
On January 4, 2019, Pheasant Glen refinanced its U.S. Bank mortgage balloon payment of $294,016 by signing a 25-year note payable to Valley Bank. The $491,988 note is secured by the related property and bears an interest rate of 5.65% for the first 10 years of a 25-year term. Every 10 years, the interest rate will adjust to the Wall Street Journal Prime Rate plus 2.5%, with an interest rate floor of 5.65% and a ceiling of 6.90%.

RA9
On August 29, 2019, RA9 signed a note payable for up to $300,000 to Snowy Mountain Development Corporation. The note provided Brownfields Cleanup Revolving Loan funds to assist with environmental cleanup at the RA9 and RA4 building site. The balance of the note is $271,436 and bears interest at 1.00%. The note calls for 17 annual payments of $11,000, including accrued interest. The loan matures at December 31, 2036, and any remaining unpaid principal and interest is due in a single balloon payment on this date.

Other Long-Term Debt Obligations

Rocky
During the fiscal year 2012, Rocky entered into an agreement with Lewis and Clark County regarding unpaid insurance premiums of $459,532. Rocky plans to pay off the remainder of the balance of $101,846 in annual installments of approximately $30,000 over a 4-year period.

As described in Note 5, Rocky has advanced grant funds, developer fees earned on housing projects and additional operational support to ERI, EM II, EM III, River Rock, Big Boulder, Ptarmigan, Pheasant Glen and RA4 to support low-income housing development. Payment of these loans and accrued interest is generally subject to available cash as defined in the various partnership agreements. These balances have been eliminated in consolidation.

NOTE 10. LEASES

Operating Leases

Rocky has entered into a number of facility lease agreements. These leases provide space for Head Start classrooms, senior centers, Rocky administrative offices, and other programs. Rocky has also entered into two copier machine leases. These leases do not have elements of ownership and are therefore considered operating leases. Rental expense under these operating leases has been included in occupancy expense in the consolidated statement of functional expenses and totaled $79,850 for the fiscal year ended June 30, 2020.

Some of the operating leases are noncancelable with various expiration dates through 2022. Rocky has the right to terminate these lease agreements due to the lack of funding or in response to a default by the lessor. Future minimum rental payments for leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

2021	$ 25,012
2022	3,072
	$ 28,084

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the expiration of time, as follows:

Purpose restrictions accomplished:	
Senior services	$ 9,682
Spirit of Service program	-
Other	-
	$ 9,682

At June 30, 2020, net assets with donor restrictions were available for the following programs:

Purpose restrictions:	
Senior services	$ 298,039
Spirit of Service program	9,987
Other	13,182
	$ 321,208

NOTE 12. NONCONTROLLING INTERESTS IN PARTNERSHIP EQUITY

As described in Note 1, the interests in partnership equity held by the limited partners of EMII, EMIII, River Rock, RA4, and RA9 is presented as a noncontrolling interest which is a component of consolidated net assets without donor restriction:

	Controlling	Noncontrolling	Total
EMII	$ (207)	$ 3,007,470	$ 3,007,263
EMIII	(96)	2,808,416	2,808,320
Big Boulder	5,312,842	-	5,312,842
River Rock	(2,958)	3,794,348	3,791,390
Ptarmigan	(120,814)	(111)	(120,925)
Pheasant Glen	124,007	37	124,044
RA4	10	695,574	695,584
RA9	10	1,555,811	1,555,821
	$ 5,312,794	$ 11,861,545	$ 17,174,339

The noncontrolling interest in EM II, EM III, River Rock, RA4, and RA9 is 99.99%, and profits and losses are allocated accordingly. The limited partner in Big Boulder also holds a 99.99% share of total partners' capital, but is controlled by Rocky, thus is included in the balance reported for controlling interests. Rocky is the 99.99% limited partner of Ptarmigan and this is reflected in controlling interest. Rocky is the 99.99% limited partner of Pheasant Glen and this is reflected in controlling interest. Though the noncontrolling interest in each entity is significant, the structure, role and responsibility of the general partner is such that these entities have been consolidated into the financial statements of Rocky.

NOTE 13. NON-MONETARY TRANSACTIONS

In-Kind Contributions

In-kind contributions in the accompanying consolidated financial statements represent the fair value (as determined by Rocky) of donated goods and services as defined by GAAP. The corresponding revenue or expenses are also reported.

In-kind contributions consist of the following:

Contracted services	$ 806,859
Supplies and training materials	26,679
Space	62,694
Meals	4,835
Volunteer recognition	1,721
Physical examinations	8,299
Advertising/Recruitment	13,560
Board expenses	573
Total in-kind contributions	$ 925,219

NOTE 13. NON-MONETARY TRANSACTIONS (CONTINUED)

In-Kind Contributions (Continued)
All in-kind contributions were expensed in accordance with GAAP for the fiscal year ended June 30, 2020.

In-kind contributions were received for the following programs:

Head Start	$ 889,646
Senior Volunteer Programs	28,421
Spirit of Service	-
Area IV Agency on Aging	627
Congregate Meals	376
Fundraising	5,682
Affordable Housing	468
Total in-kind contributions	$ 925,219

In addition to the contributions reported in the tables above, the Head Start program received services valued at $29,883 that did not meet the guidelines for revenue recognition under GAAP. The value of these services is therefore not reported in the accompanying consolidated financial statements. However, the regulations for this program allows the value of these services to be reported as matching funds for grant purposes.

NOTE 14. EMPLOYEE BENEFITS

Retirement Benefits
Rocky and ERI have a defined contribution profit sharing retirement plan based on a fiscal year managed by a third party administrator. ERI employees were added to the plan effective July 1, 2017. An employee must be at least 21 years of age and complete 12 months of service to be eligible to participate in the plan. Head Start employees subject to a collective bargaining agreement participate in the Rocky plan as specified by the agreement.

The employer’s contribution to the plan is discretionary. The contribution rate is approved by the Board. The effective contribution rate on employees' compensation is calculated based on the actual amount contributed to the plan by Rocky and ERI and total eligible employee compensation for the fiscal year. Total Rocky and ERI contributions to the plan during fiscal year 2020 were allocated to the individual participants' accounts based on their eligible compensation during fiscal year 2020 multiplied by the effective contribution rate. The preliminary contribution rate on employees' compensation for fiscal year 2020 was set at 3.0%. The effective contribution rate on eligible employees’ compensation for the fiscal year ended June 30, 2020 is 3.2%. Retirement plan expense is $103,176 for fiscal year 2020. The preliminary approved contribution rate for fiscal year 2021 remains at 3.0%.

NOTE 14. EMPLOYEE BENEFITS (CONTINUED)

Retirement Benefits (Continued)

The retirement plan also includes a 401(k) option. To participate in salary deferrals, employees must meet age eligibility standards as described above. The deferred contributions are not available to participants until they terminate, retire, upon death, or for an eligible emergency. Participants who reach normal retirement age are eligible for in-service distributions. All assets and income of the plan are held in a custodial account for the exclusive benefit of the plan's participants and beneficiaries.

Cafeteria Plan

Rocky and ERI have a cafeteria plan in which employees may elect to participate. Participating employees elect to have monies withheld pre-tax from their paychecks and contributed to the plan for use in paying healthcare, daycare, and insurance premium expenses, in accordance with federal regulations. Rocky and ERI have a claims-based funding plan in which employees' flexible spending contributions are held in a designated Rocky bank account. This account is reduced each time a claim is paid. This account maintains a $5,000 minimum balance to cover any deficits the plan may incur. Rocky and ERI use forfeitures to offset expenses related to the administration of the plan.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Rocky has loaned HOME grant funds to other organizations to support the development of low-income housing. Repayment received by Rocky on these loans represents CHDO proceeds. These CHDO proceeds must be used for HOME eligible activities that support housing for low-income persons. Rocky held $60,513 of CHDO proceeds as of June 30, 2020.

Housing Commitments

Rocky has developed several housing projects, and entities to operate the facilities, utilizing federal grants and tax credits that subject the entities and Rocky to ongoing obligations regarding compliance with funding source regulations. These are described below for each individual project. Management has evaluated these commitments and concluded no events have occurred that would require Rocky or the entities to record a liability or that would otherwise materially affect the accompanying consolidated financial statements.

Roadrunner Low-Income Housing Project

On December 1, 1998, Rocky executed a guaranty agreement for the Roadrunner Low-Income Housing Project, guaranteeing due payment, performance and fulfillment of all liabilities, obligations and undertakings of the Helena Housing Development Corporation, the general partner of the partnership, under the Partnership Agreement, Operating Deficit Guaranty Agreement, Construction Completion Guaranty Agreement, Repurchase Guaranty Agreement, and Asset Management Agreement. The significant obligations under the preceding agreements are summarized as follows:

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Roadrunner Low-Income Housing Project (Continued)
The general partner is obligated to repurchase the interest of the limited partners for a purchase price equal to the sum of the total capital contributions made by the limited partners, plus $60,149, which represents costs incurred by the limited partners, if;

- the funding on the mortgage loan has been terminated or foreclosure proceedings have been undertaken by the lender; or,
- at any time the general partner is personally liable under, or with respect to, the mortgage loan or any other loan secured by partnership assets; or,
- any representation or warranty made by the general partner in the partnership agreement proves to be false in any material respect; or,
- the apartment complex fails to obtain and retain an allocation of low-income housing credits or fails to meet the requirements for a qualified low-income housing project.

The termination of the partnership is expected to occur at the end of 2020, although the fifteen-year tax credit period ended in 2015. The partnership agreement calls for termination of the partnership at December 31, 2050, if an earlier consensual termination has not occurred.

Ptarmigan
On November 20, 2000, Rocky executed a guaranty agreement for Ptarmigan. The agreement provides that Rocky unconditionally guarantees due payment, performance, and fulfillment of all liabilities, obligations and undertakings of Ptarmigan's general partner, RMDC Ptarmigan, Inc., arising under the Amended and Restated Partnership Agreement. The guaranty also applied to Ptarmigan's investor limited partner. December 31, 2015, marked the end of Ptarmigan's fifteen-year tax compliance period. On March 31, 2016, the investor limited partner assigned its 99.99% limited partner interest to Rocky.

At June 30, 2020, Rocky is the 99.99% limited partner and RMDC Ptarmigan, Inc. is the .01% general partner. Although Rocky is still obligated under the guaranty agreement, the general partner continues to be responsible for administrative and financial matters related to the partnership. Effective May 30, 2019, Ptarmigan converted to a Limited Liability Limited Partnership.

Pheasant Glen
On December 1, 2002, Rocky executed a guaranty agreement for Pheasant Glen. The agreement provides that Rocky unconditionally guarantees due payment, performance, and fulfillment of all liabilities, obligations and undertakings of Pheasant Glen's general partner, RMDC Ptarmigan, Inc., arising under the Amended and Restated Partnership Agreement, Operating Deficit Guaranty Agreement, Construction Completion Guaranty Agreement, Repurchase Guaranty Agreement, and Asset Management Agreement. The guaranty applies to Pheasant Glen, its limited partners and successors.

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Pheasant Glen (Continued)
The partnership agreement calls for continuation of the partnership until July 10, 2052, if an earlier consensual termination has not occurred. Effective December 31, 2018 (the end of Pheasant Glen's 15-year compliance period), the investor limited partner assigned their 99.99% limited partner interest to Rocky for the purchase price of $158,000. Effective October 15, 2019, Pheasant Glen converted to a Limited Liability Limited Partnership.

Eagle Rock Residence LP (Penkay)
On February 24, 2006, Rocky executed a guaranty agreement for Penkay. The agreement provides that Rocky unconditionally guarantees due payment, performance, and fulfillment of all liabilities, obligations and undertakings of Penkay's general partner, RMDC Penkay LLC, arising under the Amended and Restated Partnership Agreement and the Development Agreement. The guaranty applies to Penkay, its limited partners and successors, including Homestead Equity Fund V, LP and Homestead SLP, LLC.

The partnership agreement contains the following obligations:

The general partner is obligated to repurchase the interest of the limited partners for a purchase price equal to the sum of the total capital contributions made by the limited partners, plus the legal, accounting and internal costs incurred by the limited partner in connection with its investment in the partnership (subject to a $75,000 cap), plus any interest or penalties assessed by the IRS as a result of any recapture of tax credits, plus all transfer taxes or similar assessments incurred by the limited partners in connection with the sale.

In the event a repurchase occurs, the limited partners must transfer their partnership interest to the general partner. As of June 30, 2020, the partnership interest of the limited partner was $(107,228). At June 30, 2020, the book value of the partnership's capital assets totaled approximately $2.72 million.

These assets serve as collateral in the event the limited partners exercise the repurchase option. The limited partners may exercise this option if:

- the partnership's basis in the complex for federal income tax purposes is less than 10% of the partnership's reasonably expected basis as required by IRS code or the tax credit requirements are not otherwise satisfied; or,
- the partnership fails to meet the Minimum Set-Aside Test and the Rent Restriction Test by the close of the first year of the credit period or at any time thereafter.

The guaranty also applies to Penkay's mortgage and replacement reserve requirements. The mortgage balance was $253,320 at June 30, 2020. Beginning January 2007, the general partner, or Rocky as the guarantor, was required to ensure that $250 per unit is contributed annually to the replacement reserve, resulting in an initial contribution of $16,500. This required contribution increases 3% each succeeding year. If the partnership's available cash is not sufficient to fund this contribution, the general partner or the guarantor is required to make an operating deficit loan to cover the deficiency.

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Eagle Rock Residence LP (Penkay) (Continued)
As of June 30, 2020, the Operating Deficit Reserve Account balance was $87,017. The funds in this account can be used with the general and limited partners' approval to cover operating expenses, debt service obligations or other partnership expenses when cash is insufficient.

The partnership agreement calls for continuation of the partnership until November 25, 2053, except that the partnership may be dissolved prior to such date upon a sale or other disposition of the partnership's assets, or a consensual termination. Effective December 31, 2020 (the end of Penkay's 15-year compliance period), Homestead Equity Fund V, LP and Homestead SLP, LLC will assign their 99.99% limited partner interest to Rocky for the estimated purchase price of $1.

EM III
On August 15, 2007, EM III amended its partnership agreement. The amendments redefine the responsibilities of the partnership's general and limited partners. This was in response to the replacement of Rocky as the limited partner by Homestead Equity Fund V, LP, and Homestead SLP, LLC on June 30, 2007.

The amended agreement places the following significant obligations upon Penkay Eagles Manor, Inc., the general partner:

- The partnership agreement calls for continuation of the partnership until July 6, 2011, and thereafter as renewed under Montana law, except that the partnership may be dissolved prior to such date upon a sale or other disposition of the partnership's assets, or a consensual termination. Under certain circumstances, the general partner is obligated to repurchase the interest of the limited partners for a purchase price equal to the sum of the total capital contributions made by the limited partners, plus interest at the rate of 7% per annum from the date of such capital contribution. In the event a repurchase occurs, the limited partners must transfer their partnership interest to the general partner. As of June 30, 2020, the partnership interest of the limited partner was $2,808,416.

  At June 30, 2020, the book value of the partnership's capital assets totaled approximately $4.23 million. These assets serve as collateral in the event the limited partners exercise the repurchase option. The limited partners may exercise this option if the partnership fails to meet the Minimum Set-Aside Test.

If an operating deficit exists, then the general partner must lend funds to the partnership in an amount equal to the deficit. The obligation is limited to the maximum advance amount of $600,000.

EM II
On January 6, 2009, EM II amended its partnership agreement. The amendments redefine the responsibilities of the partnership's general and limited partners. This was in response to the replacement of Rocky as the limited partner by Mountain Plains Equity Group Special Fund II, LP and Mountain Plains Equity Group Acceptance Corporation, SLP. The amended agreement places the following significant obligations upon RMDC Eagles Manor II, LLC, the general partner:

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

EM II (Continued)
The partnership agreement calls for continuation of the partnership until December 31, 2058, except that the partnership may be dissolved prior to such date upon a sale or other disposition of the partnership's assets, or a consensual termination. Under certain circumstances, the general partner and Rocky, as a guarantor, are obligated to repurchase the interest of the limited partners for a purchase price equal to the sum of the total capital contributions made by the limited partners, plus the legal, accounting and internal costs incurred by the limited partners in connection with their investment in the partnership (subject to a $75,000 cap).

In the event a repurchase occurs, the limited partners must transfer their partnership interest to the general partner. As of June 30, 2020, the partnership interest of the limited partner was $3,007,470. As of June 30, 2020, the book value of the partnership's capital assets totaled approximately $4.11 million. These assets serve as collateral in the event the limited partners exercise the repurchase option. The limited partners may exercise this option if the complex is not constructed in accordance with the construction plans or the Fair Housing Act of 1988 as amended.

If at any time after construction is complete an operating deficit exits, the general partner must lend funds to the partnership in an amount equal to the deficit. The loan shall bear interest at a rate of 4% per annum and shall be repayable from cash flow.

River Rock
On October 31, 2012, Rocky executed a guaranty agreement for River Rock. The agreement provides that Rocky unconditionally guarantees punctual performance of all obligations of River Rock's general partner, RMDC River Rock LLC, arising under the First Amended and Restated Agreement of Limited Partnership and the Development Services Agreement. The guarantee applies to River Rock and its limited partner, American Express - Utah Equity Fund. If an operating deficit exists, then the general partner must lend funds to the partnership in an amount equal to the deficit. The obligation is limited to the maximum advance amount of $78,000.

Red Alder Project – RA4 and RA9
On October 22, 2019, RA4 amended its partnership agreement. The amendment redefines the responsibilities of the partnership's general and limited partners. This was in response to the replacement of Rocky as the limited partner by Community Affordable Housing Fund, LLC and MPEG Acceptance Corporation. Red Alder 4% LLC (wholly owned by Penkay Eagles Manor, Inc.) is the General Partner.

On October 22, 2019, RA9 amended its partnership agreement. The amendment redefines the responsibilities of the partnership's general and limited partners. This was in response to the replacement of Rocky as the limited partner by Community Affordable Housing Fund, LLC and MPEG Acceptance Corporation. Red Alder 9% LLC (wholly owned by Penkay Eagles Manor, Inc.) is the General Partner.

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Red Alder Project – RA4 and RA9 (Continued)
On April 30, 2019, Rocky signed a Letter of Intent with Mountain Plains Equity Group for both RA9 and RA4. Rocky is the co-developer for both projects with a 35% interest in the developer fee. GL Development, LLC has 65% of this obligation. The Letter outlines the following obligations which are the same for both RA4 and RA9:

- Development Obligations: Guarantee the delivery of a completed, lien-free project (including all final Certificates of Occupancy), in accordance with plans and specifications based upon the fixed development costs. This guarantee includes without limitation, a guaranty (i) to pay any amounts needed in excess of construction loan and other available proceeds to complete the improvements, (ii) of all amounts necessary to achieve permanent loan closing, and (iii) to pay any operating deficits prior to the conclusion of property construction.
- Operating Obligations: Obligated to advance monies necessary to cover operating deficits, including any and all required reserves, during the 15-year compliance period (as defined by Code Section 42(i)(1)) which will be treated as interest bearing loans to the Partnership and repaid out of distributable cash flow or capital transaction proceeds.
- In addition, obligated to (a) fund an Operating Reserve Cash Account equal to the greater of $125,000 or the amount required by the permanent lender, (b) fund and periodically replenish throughout the duration of the Partnerships, Replacement Reserves equal to the greater of $300/unit/year or the amount required by the permanent lender, and (c) fund a Lease-Up Reserve to cover expenses and marketing during the lease-up period in the amount of $40,000.

In addition, Penkay Eagles Manor, Inc. is the sole member of Red Alder 4% LLC and Red Alder 9% LLC, who both have certain obligations as the General Partner. These obligations are the same for each project:

- Day to day management of the partnership
- Ensure tax credit compliance
- Repurchase of the Investor Limited Partner's interest upon the occurrence of certain major adverse events which are described in the Limited Partnership Agreement
- Guarantee the accuracy of all customary representations and warranties

RA4 has agreed to permanent loan terms from Valley Bank for a maximum amount of $3.9 million for a 16-year term at 5.15% interest. This loan is expected to close on or around June 30, 2021. Rocky and Red Alder 4% LLC will be guarantors on this loan.

RA9 has agreed to permanent loan terms from Valley Bank for a maximum amount of $2.2 million for a 16-year term at 6% interest. This loan is expected to close on or around June 30, 2021. Rocky and Red Alder 9% LLC will be guarantors on this loan.

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Rocky and Affiliates

Rocky and its consolidated related parties are involved in various legal actions and claims in the ordinary course of business. It is the opinion of management (based on legal counsel) that such litigation and claims will be resolved without material effect on Rocky or its consolidated related parties' financial position.

NOTE 16. CONDITIONAL PROMISES TO GIVE

Conditional promises to give arise from grant/contract activities that are underway at fiscal year-end, but which are not complete. The following schedule reflects the value of conditional promises to give received by Rocky that are outstanding at June 30, 2020:

Program/Contract	Grant/Contract Period Ends	Amount
Community Services Block Grant (CSBG) - COVID	September 30, 2022	$ 94,597
Community Services Block Grant (CSBG)	August 31, 2020	38,704
Commodities Supplemental Food Program	September 30, 2020	7,263
Housing Trust Fund Program (HTF)	March 31, 2021	900,121
Home Investment Partnership Program (HOME)	March 31, 2021	356,612
Head Start	April 30, 2021	2,435,136
Head Start - COVID	April 30, 2021	188,944
Montana Senior Medicare Patrol	May 31, 2021	10,000
Emergency Solutions Grant (ESG) - COVID	March 31, 2021	133,457
DOE WX	June 30, 2021	232,188
Northwestern Energy Weatherization	December 2, 2020	189,790
Northwestern Energy Enabling	June 30, 2022	50,489
LIEAP WX	August 31, 2021	182,675
LIEAP Administration	September 30, 2021	58,620
LIEAP Outreach	September 30, 2021	3,717
LIEAP Client Ed	September 30, 2021	36,013
LIEAP CARES - COVID	September 30, 2021	40,517
Total conditional promises to give		$ 4,958,843

NOTE 17. RECOVERY OF GENERAL AND ADMINISTRATIVE EXPENSES

As described in Note 1, Rocky recovers shared general and administrative expenses through an approved indirect cost rate and various allocation plans. Following is a summary of the general and administrative costs recovered from programs during fiscal year ended June 30, 2020:

General and administrative expenses	
Indirect cost pool	$ 891,125
Supporting services	997,813
Total general and administrative expenses	1,888,938
Less:	
Indirect costs recovered at 13% (below approved provisional rate)	(874,868)
Supporting services expenses recovered from programs	(950,647)
Net unrecovered general and administrative expenses	$ 63,423

NOTE 18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2020, the date which the consolidated financial statements were available for issue.

On October 19, 2020, RA9 received certificates of occupancy and started leasing 37 units.

Rocky expects to receive or has received the following COVID-19 related federal grants in fiscal year 2021:

Rocky was awarded a $42,000 Montana Social Service Nonprofit Grant on October 26, 2020. The grant covers weatherization program expenditures from July 1, 2020 through December 30, 2020. This Department of Health and Human Services CARES Act funding is passed through the State Department of Public Health and Human Services.

The Area IV Agency on Aging program received CARES Act funding in the amount of $491,239. This Department of Health and Human Services funding is passed through the State Department of Public Health and Human Services.

The Head Start and Rocky Mountain Preschool Center received CARES Act Child Care and Development Block Grant funding in the amount of $179,500. This Department of Health and Human Services funding is passed through the State Department of Public Health and Human Services.

Rocky has received notification of CARES Act Emergency Solutions Grant funding in the amount of $475,903. The contract has not been received or executed as of the date of these financial statements. This Department of Housing and Urban Development funding is passed through the State Department of Public Health and Human Services.

S I N G L E A U D I T S E C T I O N

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Passed Through to Subrecipients	Expenditures
AMERICORPS SENIORS				
Direct Programs				
Foster Grandparent/Senior Companion Cluster:				
Foster Grandparents	94.011	18SFPMT001	$ -	$ 330,335
Senior Companion	94.016	18SCPMT003	-	303,130
Total FosterGrandparent/Senior Companion Cluster			-	633,465
Retired Senior Volunteer	94.002	18SRPMT005	-	48,913
Total AmeriCorps Seniors			-	682,378
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs				
Head Start Cluster:				
Head Start	93.600	08CH103506	-	2,514,619
		08CH103507	-	284,029
Total Head Start Cluster, Health and Human Services			-	2,798,648
Passed through State Department of Public Health and Human Services				
Community Services Block Grant Cluster:				
Community Services Block Grant	93.569	18-028-10006-0	-	29,769
		19-028-10006-0	-	197,011
		20-028-10006-0	-	6,162
		Special Project	-	3,000
COVID - 19 Community Services Block Grant		20-028-19046-0	-	10,343
Total Community Services Block Grant Cluster			-	246,285
Low-Income Home Energy	93.568	18-028-13006-0	-	408
		18-028-16006-0	-	61,055
		19-028-13006-0	-	106,469
		19-028-16006-0	-	140,446
		20-028-13006-0	-	377,387
COVID - 19 Low-Income Home Energy		20-028-19066-0	-	228
Subtotal Low-Income Home Energy			-	685,993
COVID - 19 Child Care and Development Block Grant	93.575	Agreement	-	8,000
Special Programs for the Aging				
Aging Cluster:				
Title III - Supportive Services and Senior Centers	93.044	19221101000004	87,456	234,401
Title III - Nutrition Services	93.045	19221101000004	189,722	426,668
COVID - 19 Title III - Nutrition Services	93.045	19221101000004	80,679	162,783
Nutrition Services Incentive Program	93.053	19221101000004	46,844	131,473
Nutrition Services Incentive Program Noncash Commodities	93.053	19221101000004	-	35,665
Total Aging Cluster			404,701	990,990
Title VII - Long Term Care Ombudsman Services for Older Individuals	93.042	19221101000004	-	19,722
Title III - Disease Prevention and Health Promotion Services	93.043	19221101000004	-	15,458
National Family Caregiver Support	93.052	19221101000004	63,038	124,961
Title IV and Title II Discretionary Projects - FFP	93.048	19221101000004	-	230
Montana Senior Medicare Patrol (SMP) Project	93.048	Agreement	-	11,000
Medicare Enrollment Assistance Program	93.071	19221101000004	-	15,629
State Health Insurance Assistance Program	93.324	19221101000004	10,000	60,470
Total Aging Programs			477,739	1,238,460
Total Passed through State Department of Public Health and Human Services			477,739	2,178,738
Total U.S. Department of Health and Human Services			477,739	4,977,386

See Notes to the Schedule of Expenditures of Federal Awards.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed through State Department of Public Health and Human Services				
Child and Adult Care Food Program	10.558	12-02-CACFP-150	-	151,485
Child and Adult Care Food Program		12-02-CACFP-151	-	9,333
			-	160,818
Commodity Supplemental Food Program	10.565	19-027-21007-0	-	6,635
		20-027-21007-0	-	19,475
			-	26,110
Rural Rental Housing Loans	10.415	Agreement	-	32,961
Total U.S Department of Agriculture			-	219,889
U.S. DEPARTMENT OF ENERGY				
Passed through State Department of Public Health and Human Services				
Weatherization Assistance for Low-Income Persons	81.042	19-028-30026-0	-	76,673
Total U.S. Department of Energy			-	76,673
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through State Department of Commerce				
First Time Home Buyers	14.169	Agreement	-	51,403
COVID - 19 First Time Home Buyers	14.169	Agreement	-	600
Home Investment Partnerships Program (HOME)	14.239	MT-HOME-18RD-S(	-	393,388
Housing Trust Fund Program (HTF)	14.275	MT-HTF-CG-18-02	-	1,344,879
Subtotal DOC Pass Through			-	1,790,270
Passed through State Department of Public Health and Human Services				
Emergency Shelter Grant Program	14.231	19-028-51006-0	44,104	44,104
COVID - 19 Emergency Shelter Grant Program		20-028-19006-0	19,152	35,582
Total Emergency Shelter Grant Program			63,256	79,686
Total U.S. Department of Housing and Urban Development			63,256	1,869,956
U.S. DEPARTMENT OF EDUCATION				
Passed through State Office of Public Instruction				
Montana Preschool Development Grant	84.419	025-6579-1620	-	55,400
Total U.S. Department of Education			-	55,400
Total expenditures of federal awards			$ 540,995	$ 7,881,682

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Rocky as described in Note 1 of the accompanying Notes to Consolidated Financial Statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rocky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Rocky.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note 1 of the accompanying Notes to Consolidated Financial Statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

All federal awards received by Rocky are considered conditional grants and therefore revenue is recognized when qualifying expenses have been incurred.

NOTE 3. RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

Following is a reconciliation of the total expenditures on the Schedule to federal grant revenue shown on the Consolidated Statement of Activities:

Total expenditures of federal awards	$ 7,881,682
Plus:	
Rent subsidy received by RMFP from Rural Development	38,374
Interest subsidy received by RMFP from Rural Development	8,034
Rent subsidy received by EMII from HUD	138,201
Rent subsidy received by EMIII from HUD	50,021
Rent subsidy received by Big Boulder from HUD	127,167
Rent subsidy received by River Rock from HUD	46,147
Rent subsidy received by Ptarmigan from HUD	37,934
Rent subsidy received by Pheasant Glen from HUD	54,441
Total federal grant revenue	$ 8,382,001

NOTE 4. HOME CHDO PROCEEDS

Rocky has loaned HOME grant funds to other organizations to support the development of low-income housing. Repayment received by Rocky on these loans represent CHDO proceeds. These CHDO proceeds must be used for HOME eligible activities that support housing for low-income persons. Rocky had available CHDO proceeds of $189,491 of which $128,978 was disbursed for HOME eligible activities leaving $60,513 available at June 30, 2020.

NOTE 5. INDIRECT COST RATE

Rocky has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. Rocky received an approved provisional rate of 13.3% from its federal cognizant agency, the Department of Health and Human Services. The effective rate applied during fiscal year 2020 is 13.0%.

DISCOVERY BLOCK • 828 GREAT NORTHERN BOULEVARD • P.O. BOX 1040 • HELENA, MONTANA 59624-1040
TEL: 406.442.1040 • FAX: 406.442.1100 • WEB: www.azworld.com

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

To the Board of Directors
Rocky Mountain Development Council, Inc.
Helena, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rocky Mountain Development Council, Inc. (Rocky), which comprise the consolidated statement of financial position as of June 30, 2020, and the consolidated related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 17, 2020.

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

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

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

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

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

Anderson ZurMuehlen & Co., P.C.

Helena, Montana
December 17, 2020

anderson ZURMUEHLEN

ANDERSON ZURMUEHLEN & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS
MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

DISCOVERY BLOCK • 828 GREAT NORTHERN BOULEVARD • P.O. BOX 1040 • HELENA, MONTANA 59624-1040
TEL: 406.442.1040 • FAX: 406.442.1100 • WEB: www.azworld.com

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

To the Board of Directors
Rocky Mountain Development Council, Inc.
Helena, Montana

Report on Compliance for the Major Federal Program
We have audited Rocky Mountain Development Council, Inc.'s (Rocky) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Rocky's major federal programs for the year ended June 30, 2020. Rocky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Major Federal Program
In our opinion, Rocky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Anderson ZurMuehlen & Co., P.C.

Helena, Montana
December 17, 2020

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies not considered material weaknesses identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal Control over major programs:	
Material weaknesses identified?	No
Significant deficiencies not considered material weaknesses identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No

Identification of major programs:

Name of Federal Programs or Cluster	CFDA Number
Housing Trust Funds	14.275
Home Investment Partnership Program	14.239

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

FINDINGS AND SIGNIFICANT DEFICIENCIES OR MATERIAL WEAKNESSES - FINANCIAL STATEMENT AUDIT

None reported.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No prior year findings reported.

SUPPLEMENTARY INFORMATION

Rocky has many programs funded by federal, state and local sources. Below is a summary, by grantor agency, of the more significant programs administered by Rocky.

AMERICORPS SENIORS (FORMERLY CORPORATION FOR NATIONAL AND COMMUNITY SERVICE):

AmeriCorps Seniors is the federal umbrella agency for volunteer programs including the Foster Grandparent Program, Retired Senior Volunteer Program and Senior Companion Program. These programs are designed to provide meaningful part-time volunteer opportunities for senior citizens.

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES – Head Start:

The Head Start Program serves more than 200 low-income children and their families in Lewis & Clark, Broadwater, and Jefferson Counties. The comprehensive program provides support for children and their families in the areas of health, nutrition, disabilities, and mental health. The goal is to help children succeed in education by supporting growth and developmental needs while engaging the families in the process.

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES – Other:

Community Services Block Grant funds are used to assist low-income individuals and to also provide for community collaboration on issues related to poverty.

Emergency Solutions Grant Program funds provide rapid-rehousing and homeless prevention services for eligible individuals.

Child and Adult Care Food Program provides subsidies to help cover the costs of providing breakfast, lunch, and snacks to the Head Start Program and Rocky Mountain Preschool.

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES – Weatherization & Low - Income Energy Assistance:

Weatherization programs are designed to help conserve energy and reduce the impact of rising energy costs for low-income individuals through the installation of energy conserving measures in their homes. The program also helps clients with the cost of their fuel bill and helps cover the utility deposit costs to the local energy provider. The programs are funded by the U. S. Department of Energy, Northwestern Energy, Energy Share of Montana, and Low Income Energy Assistance through the Department of Public Health and Human Services.

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES – Aging and Nutrition:

Agency IV Agency on Aging (Area IV) advocates for senior citizens and develops and coordinates programs for senior citizens in a six-county area.

The funds received by Area IV are distributed to various agencies in a six-county area, including Rocky. The types of services provided are: outreach services, legal services, congregate and home delivered meals, in-home services to senior citizens and their families (especially those affected by dementia disorders), development of health promotion activities for senior citizens, long-term care ombudsman services, assistance with elder abuse prevention, and insurance counseling and assistance.

Rocky receives other funding from the Department of Public Health and Human Services from Medicaid for the home delivered meals program in the tri-county area.

The Commodities Program provides food to eligible senior citizens in Lewis & Clark, Broadwater, Jefferson, and Meagher Counties.

DEPARTMENT OF COMMERCE - Montana Board of Housing:

The Montana Board of Housing (MBOH) administers a variety of programs supported by federal funding that are intended to promote the development of affordable housing for low-income or disabled individuals. The Housing Program has received loans, grants and other funding through the MBOH, either directly or indirectly, for its housing projects. Major sources of funding include the Community Development Block Grant (CDBG), Home Investment Partnerships Program (HOME), and Housing Trust Fund Program (HTF).

OFFICE OF PUBLIC INSTRUCTION:

The Montana Preschool Development grant is designed to create a federal-state partnership that ensures universal access to voluntary, high-quality preschool for all 4-year-olds from low- and moderate-income families, with incentives for states to provide high-quality preschool for these children.

COUNTY FUNDING – Other Programs:

Rocky receives funding from Lewis & Clark, Broadwater, and Jefferson Counties to deliver the following program services: Senior Nutrition, Senior Services and Transportation, Senior Volunteer Programs, and Area IV.

LOCAL FUNDING – Other Programs:

Rocky receives funding from the United Way of Lewis & Clark County for the following programs: Head Start, Home Delivered Meals, and the Retired Senior Volunteer Program.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF INDIRECT COST RECONCILIATION
June 30, 2020

Total expenditures for operations:	
Program services	$ 12,075,227
General and administrative	1,888,938
Recovery of indirect costs - general and administrative	(874,868)
Recovery of other allocated costs - general and administrative	(950,647)
Fundraising	38,278
Total expenditures for operations	12,176,928
Less:	
Indirect costs, net of exclusions	(823,851)
Exclusions:	
Commodities	(35,665)
Depreciation	(118,247)
In-kind	(925,219)
Pass-through	(897,401)
Consolidated properties' expenses, net of eliminations	(2,232,982)
Assistance payments	(412,116)
Bad debt	(1,696)
Indirect cost base expenditures	6,729,751
Indirect cost rate	13.00%
Total indirect cost charges	$ 874,868
Allocated indirect costs by program:	
Aging and Nutrition	$ 140,603
Senior Volunteer	83,780
Housing	77,734
Other	20,407
Child and Family	347,345
Senior Activities	3,535
Transportation	5,477
Weatherization	87,759
General and administrative	104,579
Fundraising	3,649
Total indirect cost charges to programs	$ 874,868

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF TRANSFERS
June 30, 2020

County Mill Fund Transfers

Sources:	
Carried Forward from Fiscal Year 2019	$ 192,499
Lewis and Clark County	327,445
Jefferson County	58,486
Broadwater County	29,881
Total County Mill Funds Received	$ 608,311
Program Recipients:	
Congregate Meals	$ 1,473
Home Delivered Meals	127,514
Area IV on Aging	10,236
Senior Companion Program	9,669
Foster Grandparent Program	16,883
Retired Senior Volunteer Program	20,940
Senior Services & Transportation	125,377
Total County Mill Funds Transferred	312,093
Carry Forward to Fiscal Year 2021	296,218
Total County Mill Funds	$ 608,311

Community Service Block Grant Transfers

Program Recipients:	
Commodities	$ 9,457
Home Delivered Meals	21,955
Head Start	2,565
IDC	15,500
Total Community Service Block Grant Transfers	$ 49,477

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2020

ASSETS	Rocky	RMFP	ERI	EMII	EMIII	Penkay Eagles Manor, Inc.	Eagle Manor Project No. 2, Inc.	Big Boulder
CURRENT ASSETS								
Cash and cash equivalents, operations	$ 929,533	$ 2,153	$ 75,720	$ 27,676	$ 8,032	$ 117,280		$ 23,091
Cash and cash equivalents, custodial	110,934	-	-	-		-	-	-
Accounts receivable	13,735	5,029	563	377	1,804	-	-	7,535
Related party receivables	84,061	-	16,877	-	-	-	-	-
Grants receivable	634,469	-	-	-	-	-	-	-
Current portion of notes and interest receivable	13,873	-	-	-	-	-	-	-
Prepaid deposits and expenses	56,062	3,026	576	2,746	2,436	929	952	5,262
Inventory	44,263	-	8,274	-	-	-	-	-
Total current assets	1,886,930	10,208	102,010	30,799	12,272	118,209	952	35,888
FIXED ASSETS								
Land	322,068	22,495	-	147,742	198,317	-	-	503,336
Land improvements, net	23,940	-	-	29,284	12,189	-	-	67,964
Leasehold improvements, net	86,735	-	-	-	-	-	-	-
Buildings, net	1,751,501	88,390	-	3,931,128	4,014,270	-	-	5,237,068
Equipment, net	315,718	-	827	-	3,940	-	-	15,289
Total fixed assets	2,499,962	110,885	827	4,108,154	4,228,716	-	-	5,823,657
OTHER ASSETS								
Investments in partnerships	6,010	-	-	-	-	(286)	(2,317)	-
Cash restricted for security deposits and reserves	49,170	26,982	-	267,359	183,665	-	-	163,405
Cash restricted for housing projects	361,255		-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-	-
Long-term related party receivable	46,104	-	-	-	-	-	-	-
Long-term notes and interest receivable	11,201,691	-	-	-	-	4,878	396,047	-
Long-term accounts receivable	-	-	3,457	-	-	-	-	7,760
Deferred costs, net	-	-	-	-	-	-	-	1,373
Total other assets	11,664,230	26,982	3,457	267,359	183,665	4,592	393,730	172,538
Total assets	$ 16,051,122	$ 148,075	$ 106,294	$ 4,406,312	$ 4,424,653	$ 122,801	$ 394,682	$ 6,032,083
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable and accrued expenses	$ 396,388	$ 22,719	$ 35,198	$ 24,767	$ 66,556	$ 7,116	$ 28,996	$ 16,997
Cash and cash equivalents held for others	110,934	-	-	-	-	-	-	-
Compensated absences	285,704	-	21,243	-	-	-	-	-
Refundable advances and deferred revenue	303,092	1,938	3,047	15,676	11,298	-	-	10,685
Current portion of long-term debt	169,936	4,210	44,550	2,696	10,704	-	-	4,960
Line of credit advances	-	-	-	-	-	-	-	-
Total current liabilities	1,266,054	28,867	104,038	43,139	88,558	7,116	28,996	32,642
LONG TERM DEBT								
Notes and interest payable	779,428	185,289	165,922	1,355,910	1,527,775	-	-	686,599
Other liabilities	71,846	-	-	-	-	-	-	-
Total long term liabilities	851,274	185,289	165,922	1,355,910	1,527,775	-	-	686,599
Total liabilities	2,117,328	214,156	269,960	1,399,049	1,616,333	7,116	28,996	719,241
NET ASSETS								
Net assets without donor restrictions and controlling interests in partnerships	13,612,586	(71,081)	(163,666)	(207)	(96)	115,685	365,686	5,312,842
Noncontrolling interests in partnerships	-	-	-	3,007,470	2,808,416	-	-	-
Common Stock	-	5,000	-	-	-	-	-	-
Net assets with donor restrictions	321,208	-	-	-	-	-	-	-
Total net assets	13,933,794	(66,081)	(163,666)	3,007,263	2,808,320	115,685	365,686	5,312,842
Total liabilities and net assets	$ 16,051,122	$ 148,075	$ 106,294	$ 4,406,312	$ 4,424,653	$ 122,801	$ 394,682	$ 6,032,083

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
As of June 30, 2020

ASSETS	River Rock	Ptarmigan	Pheasant Glen	RA4	RA9	Eliminations	Consolidated
CURRENT ASSETS							
Cash and cash equivalents, operations	$ 30,046	$ 3,651	$ 13,798	$ 125,750	$ 128,444	$ -	$ 1,485,174
Cash and cash equivalents, custodial	-	-	-	-	-	-	110,934
Accounts receivable	7,491	16,610	25,100	2,727	14,418	-	95,389
Related party receivables	-	-	-	-	-	(77,358)	23,580
Grants receivable	-	-	-	-	-	-	634,469
Current portion of notes and interest receivable	-	-	-	-	-	-	13,873
Prepaid deposits and expenses	1,244	824	1,243	740,235	-	(625,338)	190,197
Inventory	-	-	-	-	-	-	52,537
Total current assets	38,781	21,085	40,141	868,712	142,862	(702,696)	2,606,153
FIXED ASSETS							
Land	575,332	196,702	333,630	-	1,533,246	-	3,832,868
Land improvements, net	53,379	-	-	-	-	-	186,756
Leasehold improvements, net	-	-	-	-	-	-	86,735
Buildings, net	4,135,122	473,474	1,486,513	-	-	(3,087,398)	18,030,068
Equipment, net	-	-	-	-	-	-	335,774
Total fixed assets	4,763,833	670,176	1,820,143	-	1,533,246	(3,087,398)	22,472,201
OTHER ASSETS							
Investments in partnerships	-	-	-	-	-	(2,407)	1,000
Cash restricted for security deposits and reserves	196,190	109,632	183,303	-	-	-	1,179,706
Cash restricted for housing projects	-	-	-	-	-	-	361,255
Construction in progress	-	-	-	6,127,107	5,644,556	(243,623)	11,528,040
Long-term related party receivable	-	-	-	-	-	(36,112)	9,992
Long-term notes and interest receivable	-	-	-	-	-	(8,348,331)	3,254,285
Long-term accounts receivable	-	-	16,007	-	-	-	27,224
Deferred costs, net	13,866	-	-	11,427	88,901	-	115,567
Total other assets	210,056	109,632	199,310	6,138,534	5,733,457	(8,630,473)	16,477,069
Total assets	$ 5,012,670	$ 800,893	$ 2,059,594	$ 7,007,246	$ 7,409,565	$ (12,420,567)	$ 41,555,423
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable and accrued expenses	$ 21,166	$ 18,156	$ 19,055	$ 1,015,957	$ 479,337	$ (113,470)	$ 2,038,938
Cash and cash equivalents held for others	-	-	-	-	-	-	110,934
Compensated absences	-	-	-	-	-	-	306,947
Refundable advances and deferred revenue	13,224	4,865	9,884	-	625,338	(625,338)	373,709
Current portion of long-term debt	-	7,766	10,032	-	8,728	-	263,582
Line of credit advances	-	-	-	3,418,113	4,477,633	-	7,895,746
Total current liabilities	34,390	30,787	38,971	4,434,070	5,591,036	(738,808)	10,989,856
LONG TERM DEBT							
Notes and interest payable	1,186,890	891,031	1,896,579	1,877,592	262,708	(8,348,331)	2,467,392
Other liabilities	-	-	-	-	-	-	71,846
Total long term liabilities	1,186,890	891,031	1,896,579	1,877,592	262,708	(8,348,331)	2,539,238
Total liabilities	1,221,280	921,818	1,935,550	6,311,662	5,853,744	(9,087,139)	13,529,094
NET ASSETS							
Net assets without donor restrictions and controlling interests in partnerships	(2,958)	(120,814)	124,007	10	10	(3,328,428)	15,843,576
Noncontrolling interests in partnerships	3,794,348	(111)	37	695,574	1,555,811	-	11,861,545
Common Stock	-	-	-	-	-	(5,000)	-
Net assets with donor restrictions	-	-	-	-	-	-	321,208
Total net assets	3,791,390	(120,925)	124,044	695,584	1,555,821	(3,333,428)	28,026,329
Total liabilities and net assets	$ 5,012,670	$ 800,893	$ 2,059,594	$ 7,007,246	$ 7,409,565	$ (12,420,567)	$ 41,555,423

See Independent Auditor's Report.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2020

	Rocky	RMFP	ERI	EMII	EMIII	Penkay Eagles Manor, Inc.	Eagle Manor Project No. 2, Inc.	Big Boulder
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS								
Revenues, Gains, and Other Support								
Grants - federal	$ 7,881,682	$ 46,408	$ 45,114	$ 138,201	$ 50,021	$ -	$ -	$ 127,167
Grants - other	1,225,956	-	-	-	-	-	-	-
County tax	343,600	-	-	-	-	-	-	-
Local support	34,847	-	-	-	-	-	-	-
Fundraising and donations	290,777	-	-	-	-	-	-	-
Program service	1,166,121	22,337	495,034	186,582	175,751	-	-	144,874
Other	188,092	65	5,799	754	1,166	2,624	9,715	111
In-kind	925,219	-	-	-	-	-	-	-
Net assets released from restrictions	9,682	-	-	-	-	-	-	-
Total revenues, gains, and other support without donor restrictions	12,065,976	68,810	545,947	325,537	226,938	2,624	9,715	272,152
Expenses								
Program								
Aging and Nutrition	2,439,592	-	-	-	-	-	-	-
Senior Volunteer	784,665	-	-	-	-	-	-	-
Housing	857,131	76,308	607,237	538,004	403,016	11,448	8,732	444,882
Other	213,128	-	-	-	-	-	-	-
Child and Family	4,312,882	-	-	-	-	-	-	-
Senior Activities	106,513	-	-	-	-	-	-	-
Transportation	31,861	-	-	-	-	-	-	-
Weatherization	1,141,587	-	-	-	-	-	-	-
Total program expenses	9,887,359	76,308	607,237	538,004	403,016	11,448	8,732	444,882
General and Administrative	1,888,938	-	-	-	-	-	-	-
Recovery of indirect costs from programs	(874,868)	-	-	-	-	-	-	-
Recovery of other allocated costs from programs	(950,647)	-	-	-	-	-	-	-
	63,423	-	-	-	-	-	-	-
Fundraising	38,278	-	-	-	-	-	-	-
Total expenses	9,989,060	76,308	607,237	538,004	403,016	11,448	8,732	444,882
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,076,916	(7,498)	(61,290)	(212,467)	(176,078)	(8,824)	983	(172,730)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS								
Contributions	118,298	-	-		-	-	-	-
Net assets released from restrictions	(9,682)	-	-	-	-	-	-	-
Change in net assets with donor restrictions	108,616	-	-	-	-	-	-	-
Change in net assets	2,185,532	(7,498)	(61,290)	(212,467)	(176,078)	(8,824)	983	(172,730)
Partnership contributions/(distributions)	-	-	-	(278)	-	-	-	-
Consolidated net assets, beginning of year	11,748,262	(58,583)	(102,376)	3,220,008	2,984,398	124,509	364,703	5,485,572
Consolidated net assets, end of year	$ 13,933,794	$ (66,081)	$ (163,666)	$ 3,007,263	$ 2,808,320	$ 115,685	$ 365,686	$ 5,312,842

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES (CONTINUED)
For the Year Ended June 30, 2020

	River Rock	Ptarmigan	Pheasant Glen	RA4	RA9	Eliminations	Consolidated
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS							
Revenues, Gains, and Other Support							
Grants - federal	$ 46,147	$ 37,934	$ 54,441	$ -	$ -	$ (45,114)	$ 8,382,001
Grants - other	-	-	-	-	-	-	1,225,956
County tax	-	-	-	-	-	-	343,600
Local support	-	-	-	-	-	-	34,847
Fundraising and donations	-	-	-	-	30,000	-	320,777
Program service	137,765	83,865	143,895	-	3,163	(744,037)	1,815,350
Other	515	96	179	-	-	(134,042)	75,074
In-kind	-	-	-	-	-	-	925,219
Net assets released from restrictions	-	-	-	-	-	-	9,682
Total revenues, gains, and other support without donor restrictions	184,427	121,895	198,515	-	33,163	(923,193)	13,132,506
Expenses							
Program							
Aging and Nutrition	-	-	-	-	-	(45,114)	2,394,478
Senior Volunteer	-	-	-	-	-	-	784,665
Housing	312,557	169,770	290,527	3,163	1,863	(634,525)	3,090,113
Other	-	-	-	-	-	-	213,128
Child and Family	-	-	-	-	-	-	4,312,882
Senior Activities	-	-	-	-	-	-	106,513
Transportation	-	-	-	-	-	-	31,861
Weatherization	-	-	-	-	-	-	1,141,587
Total program expenses	312,557	169,770	290,527	3,163	1,863	(679,639)	12,075,227
General and Administrative	-	-	-	-	-	-	1,888,938
Recovery of indirect costs from programs	-	-	-	-	-	-	(874,868)
Recovery of other allocated costs from programs	-	-	-	-	-	-	(950,647)
	-	-	-	-	-	-	63,423
Fundraising	-	-	-	-	-	-	38,278
Total expenses	312,557	169,770	290,527	3,163	1,863	(679,639)	12,176,928
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(128,130)	(47,875)	(92,012)	(3,163)	31,300	(243,554)	955,578
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS							
Contributions	-	-	-	-	-	-	118,298
Net assets released from restrictions	-	-	-	-	-	-	(9,682)
Change in net assets with donor restrictions	-	-	-	-	-	-	108,616
Change in net assets	(128,130)	(47,875)	(92,012)	(3,163)	31,300	(243,554)	1,064,194
Partnership contributions/(distributions)	-	-	-	698,637	1,524,411	180	2,222,950
Consolidated net assets, beginning of year	3,919,520	(73,050)	216,056	110	110	(3,090,054)	24,739,185
Consolidated net assets, end of year	$ 3,791,390	$ (120,925)	$ 124,044	$ 695,584	$ 1,555,821	$ (3,333,428)	$ 28,026,329

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF CONSOLIDATING ELIMINATIONS
June 30, 2020

	Rocky	RMFP	ERI	EM II	EM III	Penkay Eagles Manor, Inc.	Eagle Manor Project No. 2, Inc.	Big Boulder
ASSETS								
Related party receivables	$ 100,155	$ -	$ 13,315	$ -	$ -	$ -	$ -	$ -
Prepaid deposits and expenses	-	-	-	-	-	-	-	-
Buildings	-	-	-	656,109	727,539	-	-	912,340
Investment in housing	5,010	-	-	-	-	(286)	(2,317)	-
Construction in progress	-	-	-	-	-	-	-	-
Long-term notes and interest receivable	7,947,406	-	-	-	-	4,878	396,047	-
Total Assets	$ 8,052,571	$ -	$ 13,315	$ 656,109	$ 727,539	$ 4,592	$ 393,730	$ 912,340
LIABILITIES								
Accounts payable to Rocky	$ -	$ 19,944	$ -	$ 7,413	$ 14,429	$ 7,116	$ 28,996	$ 8,115
Accounts payable to RMDC Eagle Rock	2,973	740	-	1,476	235	-	-	420
Accounts payable to Ptarmigan	-	-	-	-	-	-	-	-
Refundable advances and deferred revenue	-	-	-	-	-	-	-	-
Notes and interest payable to Rocky	-	-	165,922	866,658	1,171,847	-	-	468,834
Notes and interest payable to Penkay Eagles Man	-	-	-	-	-	-	-	-
Notes and interest payable to EM Project No. 2	-	-	-	396,047	-	-	-	-
Total Liabilities	$ 2,973	$ 20,684	$ 165,922	$ 1,271,594	$ 1,186,511	$ 7,116	$ 28,996	$ 477,369
NET ASSETS								
Unrestricted net assets	$ -	$ -	$ -	$ 656,109	$ 727,539	$ -	$ -	$ 912,340
Paid-in capital	-	-	-	-	-	(306)	(2,317)	10
Common Stock	-	5,000	-	-	-	-	-	-
Total Liabilities and Net Assets	$ 2,973	$ 25,684	$ 165,922	$ 1,927,703	$ 1,914,050	$ 6,810	$ 26,679	$ 1,389,719
REVENUE								
Rocky service fees	$ 411,005	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Eagle Rock service fees	-	-	98,179	-	-	-	-	-
Partnership fees	-	-	-	-	-	2,504	5,971	-
Commodities from RMDC	-	-	45,114	-	-	-	-	-
Ground lease payment from RA4 to RA9	-	-	-	-	-	-	-	-
Interest on note due from EM II	-	-	-	-	-	-	3,744	-
Interest on note due from RA4	-	-	-	-	-	28	-	-
Interest on notes due from related organizations	121,795	-	-	-	-	-	-	-
Total Revenue	$ 764,490	$ -	$ 143,293	$ -	$ -	$ 2,532	$ 9,715	$ -
EXPENSES								
Expenses from Rocky service fees	$ -	$ 20,567	$ 13,777	$ 94,412	$ 55,157	$ 826	$ 494	$ 90,711
Expenses from Eagle Rock service fees	(2)	-	-	32,860	14,164	-	-	358
Partnership fees	-	-	-	2,504	-	39	30	-
Commodities from Rocky to ERI	45,114	-	-	-	-	-	-	-
Ground lease payment from RA4 to RA9	-	-	-	-	-	-	-	-
Interest on note due to EM Proj No. 2	-	-	-	3,744	-	-	-	-
Interest on notes due to Rocky	-	-	-	-	31,331	-	-	4,482
Total Expenses	45,112	20,567	13,777	133,520	100,652	865	524	95,551
Change in Net Assets Due to Eliminations	$ 719,378	$ (20,567)	$ 129,516	$ (133,520)	$ (100,652)	$ 1,667	$ 9,191	$ (95,551)

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF CONSOLIDATING ELIMINATIONS (CONTINUED)
June 30, 2020

	River Rock	Ptarmigan	Pheasant Glen	RA4	RA9	Total
ASSETS						
Related party receivables	$ -	$ -	$ -	$ -	$ -	$ 113,470
Prepaid deposits and expenses	-	-	-	625,338	-	625,338
Buildings	791,410	-	-	-	-	3,087,398
Investment in housing	-	-	-	-	-	2,407
Construction in progress	-	-	-	114,910	128,713	243,623
Long-term notes and interest receivable	-	-	-	-	-	8,348,331
Total Assets	$ 791,410	$ -	$ -	$ 740,248	$ 128,713	$ 12,420,567
LIABILITIES						
Accounts payable to Rocky	$ 4,595	$ 5,218	$ 4,329	$ -	$ -	$ 100,155
Accounts payable to RMDC Eagle Rock	2,162	3,050	2,259	-	-	13,315
Accounts payable to Ptarmigan	-	-	-	-	-	-
Refundable advances and deferred revenue	-	-	-	-	625,338	625,338
Notes and interest payable to Rocky	1,186,889	786,960	1,427,581	1,872,715	-	7,947,406
Notes and interest payable to Penkay Eagles Man	-	-	-	4,878	-	4,878
Notes and interest payable to EM Project No. 2	-	-	-	-	-	396,047
Total Liabilities	$ 1,193,646	$ 795,228	$ 1,434,169	$ 1,877,593	$ 625,338	$ 9,087,139
NET ASSETS						
Unrestricted net assets	$ 791,410	$ -	$ -	$ 114,910	$ 128,713	$ 3,331,021
Paid-in capital	-	-	-	10	10	(2,593)
Common Stock	-	-	-	-	-	5,000
Total Liabilities and Net Assets	$ 1,985,056	$ 795,228	$ 1,434,169	$ 1,992,513	$ 754,061	$ 12,420,567
REVENUE						
Rocky service fees	$ -	$ -	$ -	$ -	$ -	$ 411,005
Eagle Rock service fees	-	-	-	-	-	98,179
Partnership fees	-	-	-	-	-	8,475
Commodities from RMDC	-	-	-	-	-	45,114
Ground lease payment from RA4 to RA9	-	-	-	-	3,163	3,163
Interest on note due from EM II	-	-	-	-	-	3,744
Interest on note due from RA4	-	-	-	-	-	28
Interest on notes due from related organizations	-	-	-	-	-	121,795
Total Revenue	$ -	$ -	$ -	$ -	$ 3,163	$ 923,193
EXPENSES						
Expenses from Rocky service fees	$ 49,413	$ 35,809	$ 49,839	$ -	$ -	$ 411,005
Expenses from Eagle Rock service fees	18,017	16,273	16,509	-	-	98,179
Partnership fees	5,971	-	-	-	-	8,544
Commodities from Rocky to ERI	-	-	-	-	-	45,114
Ground lease payment from RA4 to RA9	-	-	-	3,163	-	3,163
Interest on note due to EM Proj No. 2	-	-	-	-	-	3,744
Interest on notes due to Rocky	27,841	6,983	39,253	-	-	109,890
Total Expenses	101,242	59,065	105,601	3,163	-	679,639
Change in Net Assets Due to Eliminations	$ (101,242)	$ (59,065)	$ (105,601)	$ (3,163)	$ 3,163	$ 243,554