

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.



**ROCKY MOUNTAIN DEVELOPMENT
COUNCIL, INC.**

FINANCIAL REPORT

June 30, 2015

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT 1 and 2

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position 3 and 4

Consolidated Statement of Activities..... 5 and 6

Consolidated Statement of Functional Expenses 7

Consolidated Statement of Cash Flows 8

Notes to Consolidated Financial Statements..... 9 through 36

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards..... 37 and 38

Notes to the Schedule of Expenditures of Federal Awards 39 and 40

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* 41 and 42

Independent Auditor’s Report on Compliance with Requirements that Could Have a
Direct and Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133 43 and 44

Schedule of Findings and Questioned Costs..... 45

Summary Schedule of Prior Audit Findings..... 46

CONTENTS (CONTINUED)

| | <u>PAGE</u> |
|---|---------------|
| SUPPLEMENTARY INFORMATION | |
| Summary Programs by Grantor Agencies | 47 through 49 |
| Schedule of Indirect Cost Reconciliation | 50 |
| Schedule of Transfers | 51 |
| Consolidating Schedule of Financial Position..... | 52 and 53 |
| Consolidating Schedule of Activities | 54 and 55 |
| Schedule of Consolidating Eliminations | 56 and 57 |

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated statements of Rocky Mountain Development Council, Inc. (RMDC) (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2015, 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 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 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 consolidated financial position of RMDC as of June 30, 2015, 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

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Supplementary Information

The accompanying supplementary schedules on pages 47 to 57, which are the responsibility of management, are also presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, 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 January 30, 2016, on our consideration of RMDC'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* and should be considered in assessing the results of our audit.



Helena, Montana
January 30, 2016

CONSOLIDATED FINANCIAL STATEMENTS

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS

CURRENT ASSETS

| | |
|--|------------------|
| Cash and cash equivalents, operations | \$ 956,014 |
| Cash and cash equivalents, custodial | 124,416 |
| Accounts receivable | 129,780 |
| Related party receivable | 27,225 |
| Grants receivable | 316,068 |
| Current portion of notes and interest receivable | 11,857 |
| Prepaid deposits and expenses | 60,649 |
| Inventory | 45,921 |
| High School House Project | <u>41,392</u> |
| Total current assets | <u>1,713,322</u> |

FIXED ASSETS

| | |
|-----------------------------|-------------------|
| Land | 1,725,465 |
| Land improvements, net | 179,212 |
| Leasehold improvements, net | 58,082 |
| Buildings, net | 19,261,183 |
| Equipment, net | <u>395,093</u> |
| Total fixed assets | <u>21,619,035</u> |

OTHER ASSETS

| | |
|--|----------------------|
| Investments | 1,000 |
| Cash restricted for security deposits and reserves | 771,680 |
| Construction in progress | 36,598 |
| Long-term related party receivable | 11,727 |
| Long-term notes and interest receivable | 5,101,933 |
| Long-term accounts receivable | 6,260 |
| Deferred costs, net | <u>50,175</u> |
| Total other assets | <u>5,979,373</u> |
| Total assets | <u>\$ 29,311,730</u> |

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, 2015

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---|------------------|
| Accounts payable | \$ 595,529 |
| Cash and cash equivalents held for others | 124,416 |
| Compensated absences | 275,332 |
| Refundable advances/Deferred Revenue | 110,693 |
| Current portion of long-term debt | <u>71,619</u> |
| Total current liabilities | <u>1,177,589</u> |

LONG-TERM DEBT

| | |
|-----------------------------|------------------|
| Notes and interest payable | 1,745,498 |
| Other liabilities | <u>223,123</u> |
| Total long term liabilities | <u>1,968,621</u> |

| | |
|-------------------|------------------|
| Total liabilities | <u>3,146,210</u> |
|-------------------|------------------|

NET ASSETS

Unrestricted net assets:

| | |
|--|-------------------|
| Unrestricted net assets and controlling interests in partnerships | 13,599,075 |
| Noncontrolling interests in partnerships | <u>12,330,965</u> |
| Total unrestricted net assets | 25,930,040 |

| | |
|-----------------------------------|----------------|
| Temporarily restricted net assets | <u>235,480</u> |
|-----------------------------------|----------------|

| | |
|------------------|-------------------|
| Total net assets | <u>26,165,520</u> |
|------------------|-------------------|

| | |
|----------------------------------|----------------------|
| Total liabilities and net assets | <u>\$ 29,311,730</u> |
|----------------------------------|----------------------|

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, 2015

CHANGE IN UNRESTRICTED NET ASSETS

REVENUES AND GAINS

| | |
|---------------------------------------|------------------|
| Grants - federal | \$ 5,374,884 |
| Grants - other | 903,823 |
| County tax | 335,916 |
| Local support | 41,937 |
| Fundraising & donations | 99,222 |
| Program service | 1,962,341 |
| Other | 154,902 |
| In-kind | <u>743,784</u> |
| Total unrestricted revenues and gains | <u>9,616,809</u> |

NET ASSETS RELEASED FROM RESTRICTIONS

| | |
|--|------------------|
| Satisfaction of restrictions | <u>3,729</u> |
| Total unrestricted revenues, gains and other support | <u>9,620,538</u> |

EXPENSES AND LOSSES

| | |
|---|-------------------|
| Aging & Nutrition | 2,035,395 |
| Corporation for National Service | 1,084,603 |
| Housing - General | 2,517,305 |
| Other Programs | 181,342 |
| Preschool/Childcare | 3,418,849 |
| Senior Activities | 110,939 |
| Transportation | 42,901 |
| Weatherization | <u>686,299</u> |
| Total program expenses and losses | <u>10,077,633</u> |
| General and administrative | 1,747,370 |
| Recovery of indirect costs from programs | (793,277) |
| Recovery of other allocated costs from programs | <u>(846,353)</u> |
| | 107,740 |
| Fundraising | <u>6,241</u> |
| Total unrestricted expenses and losses | <u>10,191,614</u> |

CHANGE IN UNRESTRICTED NET ASSETS (571,076)

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
For the Year Ended June 30, 2015

| | |
|--|----------------------|
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | |
| Contributions | 91,661 |
| Net assets released through satisfaction of donor restrictions | <u>(3,729)</u> |
| Changes in temporarily restricted net assets | <u>87,932</u> |
| Change in net assets | (483,144) |
| Partnership contributions/(distributions) | 1,028,917 |
| Consolidated net assets, beginning of year | <u>25,619,747</u> |
| Consolidated net assets, end of year | <u>\$ 26,165,520</u> |

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, 2015

| | General and Administrative | | | Program Expenses | | | | Program Expenses | | | | | Fundraising | Total |
|--------------------------------------|----------------------------|---------------------------|----------------------------------|---------------------|---------------------------|---------------------|-------------------|---------------------|-------------------|------------------|----------------------------|----------------------|-----------------|----------------------|
| | Indirect Costs | Other Supporting Services | Total General and Administrative | Aging and Nutrition | Senior Volunteer Services | Housing | Other | Preschool Childcare | Senior Activities | Transportation | Energy Assistance Programs | Total Program | | |
| Advertising/recruitment | \$ 392 | \$ - | \$ 392 | \$ 116 | \$ 5,082 | \$ 3,368 | \$ 525 | \$ 4,896 | \$ - | \$ - | \$ 724 | \$ 14,711 | \$ - | \$ 15,103 |
| Assistance payments | - | - | - | - | - | - | 605 | - | - | - | 98,903 | 99,508 | - | 99,508 |
| Communications | 28,381 | 39,906 | 68,287 | 21,403 | 16,932 | 37,822 | 3,211 | 42,762 | 3,883 | 297 | 14,468 | 140,778 | 885 | 209,950 |
| Consultant/contract | 1,936 | 24,865 | 26,801 | 13,180 | 6,256 | 132,184 | 3,841 | 137,131 | 252 | 201 | 271,153 | 564,198 | 724 | 591,723 |
| Equipment rent/maintenance | 9,696 | 31,853 | 41,549 | 309 | 700 | - | - | 654 | 25 | - | 55 | 1,743 | - | 43,292 |
| In-kind | - | - | - | - | 33,535 | - | 2,073 | 704,407 | - | - | - | 740,015 | - | 740,015 |
| Insurance | 16,437 | 9,637 | 26,074 | 8,014 | - | 80,262 | 711 | 22,798 | 1,943 | 4,574 | 7,708 | 126,010 | - | 152,084 |
| Legal fees | - | - | - | 4,630 | - | - | - | - | - | - | - | 4,630 | - | 4,630 |
| Materials and supplies | 5,117 | 40,051 | 45,168 | 31,116 | 1,891 | 55,306 | 3,800 | 115,163 | 741 | 324 | 6,273 | 214,614 | 2,630 | 262,412 |
| Meal costs | - | 152,151 | 152,151 | 375,248 | - | 186,877 | 467 | 177,962 | 3,000 | - | - | 743,554 | - | 895,705 |
| Occupancy | 32,908 | 150,079 | 182,987 | 44,886 | 16,655 | 322,767 | 26,319 | 179,571 | 54,245 | - | 21,474 | 665,917 | - | 848,904 |
| Office supplies | 6,460 | 2,405 | 8,865 | 3,165 | 4,887 | 9,600 | 225 | 6,688 | 176 | - | 3,369 | 28,110 | - | 36,975 |
| Other | 4,693 | 317 | 5,010 | 15,448 | 3,304 | 50,324 | 8,162 | 7,567 | 19 | 150 | 662 | 85,636 | 312 | 90,958 |
| Pass-through grants | - | - | - | 608,515 | - | - | 43,739 | - | - | - | - | 652,254 | - | 652,254 |
| Photocopies/printing | 4,806 | 141 | 4,947 | 2,271 | 7,521 | 727 | 182 | 2,601 | 4,869 | 60 | 580 | 18,811 | 150 | 23,908 |
| Salaries and related expenses | 691,438 | 319,216 | 1,010,654 | 743,570 | 251,829 | 691,523 | 53,394 | 1,651,079 | 21,117 | 32,496 | 180,233 | 3,625,241 | 815 | 4,636,710 |
| Stipends | - | - | - | - | 410,171 | - | - | - | - | - | - | 410,171 | - | 410,171 |
| Travel/training | 14,820 | 1,831 | 16,651 | 47,165 | 15,877 | 9,520 | 12,206 | 36,279 | 15,273 | 249 | 7,579 | 144,148 | - | 160,799 |
| Vehicle maintenance/repair | - | 1,508 | 1,508 | 11,985 | - | - | - | 1,303 | - | 8,663 | 3,363 | 25,314 | - | 26,822 |
| Volunteer participant expense | - | - | - | 60 | 189,828 | - | - | - | - | - | - | 189,888 | - | 189,888 |
| Interest expense | 134 | 23,704 | 23,838 | - | - | 80,948 | 4 | 755 | - | - | - | 81,707 | - | 105,545 |
| Depreciation and amortization | 4,243 | 27,099 | 31,342 | - | - | 787,928 | 10,413 | 42,709 | 628 | 31,014 | 4,244 | 876,936 | - | 908,278 |
| Indirect costs allocated to programs | - | 101,146 | 101,146 | 130,515 | 120,135 | 68,149 | 11,465 | 284,524 | 4,768 | 6,339 | 65,511 | 691,406 | 725 | 793,277 |
| Recovery of indirect costs | (793,277) | - | (793,277) | - | - | - | - | - | - | - | - | - | - | (793,277) |
| Recovery of other allocated costs | - | (846,353) | (846,353) | (26,201) | - | - | - | - | - | (41,466) | - | (67,667) | - | (914,020) |
| | <u>\$ 28,184</u> | <u>\$ 79,556</u> | <u>\$ 107,740</u> | <u>\$ 2,035,395</u> | <u>\$ 1,084,603</u> | <u>\$ 2,517,305</u> | <u>\$ 181,342</u> | <u>\$ 3,418,849</u> | <u>\$ 110,939</u> | <u>\$ 42,901</u> | <u>\$ 686,299</u> | <u>\$ 10,077,633</u> | <u>\$ 6,241</u> | <u>\$ 10,191,614</u> |

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, 2015

| | |
|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Change in net assets | \$ (483,144) |
| Adjustments to reconcile the change in net assets to net cash provided by operating activities: | |
| Depreciation | 901,300 |
| Amortization expense | 6,978 |
| Gain on disposal of assets | (3,872) |
| Change in assets and liabilities: | |
| Decrease in current receivables | 18,942 |
| Increase in grant receivables | (63,075) |
| Increase in prepaid expenses | (5,911) |
| Increase in inventory | (6,582) |
| Decrease in High School House project | 46,624 |
| Increase in long-term interest receivable | (79,419) |
| Increase in accounts payable & accrued expenses | 34,551 |
| Decrease in compensated absences | (33,868) |
| Decrease in refundable advances | (51,964) |
| Increase in deferred interest payable | 550 |
| Decrease in other liabilities | <u>(31,212)</u> |
| Net cash from operating activities | <u>249,898</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchase of property and equipment | (80,511) |
| Payments for construction in progress | (36,598) |
| Proceeds from insurance claim on damaged property | 32,498 |
| Increase in long-term related party receivables | (1,361) |
| Decrease in long-term notes receivable | 892 |
| Principal payments received on long-term notes receivable | 71,423 |
| Paid-in capital received on partnership investments | <u>1,028,917</u> |
| Net cash from investing activities | <u>1,015,260</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Payments on line of credit and short-term notes | (537,767) |
| Principal payments on long-term debt | <u>(504,501)</u> |
| Net cash from financing activities | <u>(1,042,268)</u> |
| Net change in cash and cash equivalents | 222,890 |
| Cash and cash equivalents, beginning of year | <u>1,629,220</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,852,110</u> |
| SUPPLEMENTAL INFORMATION: | |
| Interest Paid | <u>\$ 97,757</u> |
| CASH AND CASH EQUIVALENTS PER THE STATEMENT OF FINANCIAL POSITION: | |
| Cash and cash equivalents, operations | \$ 956,014 |
| Cash and cash equivalents, custodial | 124,416 |
| Cash restricted for security deposits and reserves | <u>771,680</u> |
| Total cash and cash equivalents, end of year | <u>\$ 1,852,110</u> |

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

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

Reporting Entity

Rocky Mountain Development Council, Inc. (RMDC) 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. RMDC 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. RMDC is directed by a 15 member Board of Directors. Daily management is provided through an Executive Director who is hired by and responsible to the Board.

RMDC provides centralized administration and support for approximately 21 community service programs funded by various federal, state and local government agencies. The programs of RMDC 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. The minimum number of programs is maintained consistent with legal and managerial requirements.

RMDC 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, these financial statements include the consolidated activity of RMDC, Rocky Mountain Front Properties, Inc. (RMFP), RMDC Eagle Rock, Inc. (ERI), Eagle Manor II Residences, L.P. (EM II), Eagle Manor III Residences, L.P. (EM III), Penkay Eagles Manor, Inc., Eagles Manor Project No. 2, Inc., Big Boulder Residences L.P. (Big Boulder), and River Rock Residences, L.P. (River Rock). 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 RMDC, created in June 2004 by RMDC to own and operate an eight-unit affordable family housing complex located in Augusta, Montana. RMDC 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. The original facility (Penkay Eagles Manor) is comprised of 66 units and is owned and operated by Eagle Rock Residences Partnership (a related party as more fully described below). RMDC supported the renovation of this facility with funds obtained through its housing program. RMDC also redeveloped a portion of the pre-existing facility into 44 units located on the Eagles campus, now owned and operated by EMII.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

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

EM II was organized in December 2006 by RMDC 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 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 RMDC 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 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 taken over in June 2006 by RMDC to develop and operate affordable housing. The organization serves as the general partner for EM III and the sole member of RMDC Eagles Manor II, LLC, which is the general partner for EM II. RMDC holds the majority of Board of Directors positions.

Big Boulder

Big Boulder was organized in April 2009 by RMDC 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 RMDC is the limited partner.

River Rock

River Rock was organized in December 2010 by RMDC 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.

Eagle Manor Project No. 2, Inc. was formed in December 1975 to develop and operate affordable housing. RMDC 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.

Eagle Rock, Inc.

RMDC Eagle Rock, Inc. was organized in November 2003 by RMDC as a 501(c)(3) supporting organization and as such provides supportive services to the residents of Eagle Rock Residences (Penkay), EM II, EM III, Big Boulder, River Rock, Ptarmigan Residences, LP (Ptarmigan), and Pheasant Glen Limited Partnership (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. RMDC holds the majority of the Board of Directors positions and has provided financial support to RMDC Eagle Rock, Inc.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

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

Other Related Party Entities

RMDC 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 RMDC's consolidated financial statements. RMDC 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 Limited Partnership. Eagle Rock Residences Limited Partnership owns and operates Penkay Eagles Manor in Helena, Montana.

Basis of Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents consists of both operations and custodial accounts. RMDC maintains pooled petty cash and deposit accounts that are used by all programs during the normal course of operations. RMDC is also the custodian of cash for several groups/councils. See Note 2 for disclosure of RMDC's custodial cash accounts. For purposes of the 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.

RMDC 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. RMDC's main operating account has unlimited coverage through a repurchase agreement, under which all deposits are fully collateralized. At June 30, 2015, the uninsured cash balance was \$8,241.

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 RMDC 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.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

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

Related Party Receivable

Related party receivable represents amounts due from organizations affiliated with RMDC.

Grants Receivable

Grants receivable consist of amounts due from federal, state, and local government agencies for goods or services provided by RMDC 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.

Current Portion of Notes and Interest Receivable

RMDC 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 4. The amount reported as current portion of notes and interest receivable represents the estimated loan principal and interest payments that RMDC will receive within one year of June 30, 2015.

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 (first-in, first-out) or market, and consists of administrative, food, weatherization, education, and kitchen supplies.

High School House Project

High School House Project is valued at the lower of cost or market, and consists of land for the 2016 house.

Fixed Assets

RMDC 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 an estimated useful life of five to 40 years.

Cash Restricted for Security Deposits and Reserves

RMDC'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 statement of cash flows, restricted reserve accounts are included in cash equivalents.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

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

Construction In Progress

Construction in progress represents costs incurred for improvement projects for RMDC's Head Start program.

Deferred Costs

Deferred costs include financing charges and fees paid by EM II, EM III, Big Boulder and River Rock. They are reported net of accumulated amortization in the accompanying consolidated statement of financial position. Deferred costs related to financing activities are amortized on a straight-line basis over the term of the loan and period benefited.

Compensated Absences

RMDC and ERI permit nonunion employees to accumulate earned, unused annual and sick leave benefits. RMDC 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. RMDC 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.

In-Kind Contributions

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

Indirect Costs and Other Supporting Services

Indirect costs that benefit all RMDC programs are allocated to each program using an approved indirect cost rate. The provisional approved rate for RMDC is 13.5% for fiscal year 2015.

Indirect Costs and Other Supporting Services (Continued)

RMDC maintains separate internal service funds, including kitchen, buildings, copier and network, for activities that benefit associated 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.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

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

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (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 RMDC's guaranty agreements and responsibilities as the organization responsible for managing a number of low-income housing properties in RMDC's service area. The above noted obligations and commitments are more fully described in Note 13. Management has calculated its estimated liability as required by U.S. GAAP and has determined it to be immaterial at June 30, 2015.

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.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires or is met through expenditure or lapse of time, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions restricted for the purchase of depreciable assets are released from restriction when the asset is acquired. Permanently restricted contributions are held for the specified purpose in perpetuity. No permanently restricted net assets existed at June 30, 2015.

Contributions are classified as unrestricted support if the donor restrictions are satisfied in the same year the contributions are received.

Net Assets and Noncontrolling Interest in Partnership Equity

The interest in partnership equity held by the limited partners of EMII, EMIII and River Rock, including capital contributions required by the respective partnership agreements, is presented as noncontrolling interest, a component of consolidated unrestricted net assets.

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 unrestricted net assets as this entity is directly controlled by RMDC.

Recruitment, Advertising and Promotional Costs

Recruitment, advertising and promotional costs are expensed as incurred. For the year ended June 30, 2015 recruitment, advertising and promotional costs totaled \$15,103.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

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

Tax Status

RMDC 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 RMDC Eagle Rock, Inc., Penkay Eagles Manor, Inc., and Eagle Manor Project No. 2, Inc. With few exceptions, federal information returns for fiscal years prior to 2012 and state returns prior to 2010 are no longer subject to review by taxing authorities.

Rocky Mountain Front Properties, Inc. is subject to federal and state income tax as a C-Corporation. EM II, EM III, Big Boulder and River Rock are each organized as limited partnerships, with tax years ending each December 31. Tax years prior to 2012 and 2010 are no longer subject to review by federal and state taxing authorities for these entities, respectively.

Fair Value Measurements

U.S. GAAP provides a framework for measuring fair value. U.S. 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.

Subsequent Events

Management has evaluated subsequent events through January 30, 2016, the date which the financial statements were available for issue. There were no events subsequent to this date that require disclosure in the financial statements.

NOTE 2. CUSTODIAN OF CASH

RMDC is the custodian of cash for several groups/councils. Activities of the groups are related to programs that RMDC administers. RMDC does not control the activities or funds but receives and disburses funds on their behalf. The amounts represent deposit accounts held by RMDC as well as a corresponding current liability. Amounts held on behalf of these groups at June 30, 2015, are as follows:

| | |
|---------------------------------|-------------------|
| Head Start Parent Fund | \$ 22,118 |
| Head Start Pennies for Progress | 37,748 |
| Friends of Headstart | 58,273 |
| Senior Bingo Fund | 1,197 |
| Employee Social Fund | 1,110 |
| Helena Senior Advisory Council | <u>3,970</u> |
| | <u>\$ 124,416</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 3. RELATED PARTIES

Related Party Receivables

Related party receivables represent balances due from entities affiliated with RMDC, other than notes receivable as disclosed in Note 4. These arise from expenses paid on behalf of the entities by RMDC, as well as amounts due to RMDC 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.

The following summarizes balances receivable from these external related parties and those which have been eliminated within the consolidated entity:

| | <u>Stand Alone</u> <u>June 30, 2015</u> | <u>Consolidating</u> <u>Eliminations</u> | <u>Consolidated</u> <u>June 30, 2015</u> |
|--------------------------------------|--|---|---|
| Current related party receivables | | | |
| RMDC | | | |
| Eagle Rock Residence LP | \$ 12,173 | \$ - | \$ 12,173 |
| Eagle Manor II Residences LP | 6,622 | (6,622) | - |
| Eagle Manor III Residences LP | 4,330 | (4,330) | - |
| Ptarmigan Residence LP | 3,210 | - | 3,210 |
| Pheasant Glen LP | 4,448 | - | 4,448 |
| Big Boulder Residences LP | 30,776 | (30,776) | - |
| Rocky Mountain Front Properties Inc. | 20,588 | (20,588) | - |
| Townsend Housing Inc. | 1,237 | - | 1,237 |
| River Rock Residences LP | 3,812 | (3,812) | - |
| RMDC Ptarmigan Inc. | <u>300</u> | <u>-</u> | <u>300</u> |
| Total RMDC | 87,496 | (66,128) | 21,368 |
| RMDC EAGLE ROCK INC. | 30,663 | (24,806) | 5,857 |
| BIG BOULDER RESIDENCES LP | <u>368</u> | <u>(368)</u> | <u>-</u> |
| Total | <u>\$ 118,527</u> | <u>\$ (91,302)</u> | <u>\$ 27,225</u> |
| Long-term related party receivables | | | |
| RMDC | | | |
| Eagle Manor Project No. 2 Inc. | \$ 22,437 | \$ (22,437) | \$ - |
| RMDC Ptarmigan Inc. | <u>11,727</u> | <u>-</u> | <u>11,727</u> |
| Total | <u>\$ 34,164</u> | <u>\$ (22,437)</u> | <u>\$ 11,727</u> |

Related Party Transactions

RMDC provides property management and accounting services to external related parties and those within the consolidated entity. RMDC Eagle Rock Inc. provides maintenance services to these entities and food service to the residents of the Eagle Manor Complex.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

NOTE 3. RELATED PARTIES (CONTINUED)

Related Party Transactions (Continued)

The following is a schedule of the revenue these services provided RMDC and RMDC Eagle Rock, Inc., including the amounts eliminated within the consolidated entity:

| | RMDC | Eagle Rock, Inc. | Consolidating Eliminations | Total |
|--------------------------------------|-------------------|---------------------|-------------------------------|-------------------|
| RMDC Ptarmigan Inc. | \$ 675 | \$ - | \$ - | \$ 675 |
| Eagle Rock Residence LP | 132,152 | 38,750 | - | 170,902 |
| Ptarmigan Residence LP | 36,009 | 10,175 | - | 46,184 |
| Pheasant Glen LP | 49,956 | 11,157 | - | 61,113 |
| Townsend Housing Inc. | 14,440 | - | - | 14,440 |
| Rocky Mountain Front Properties Inc. | 21,567 | - | (21,567) | - |
| RMDC Eagle Rock Inc. | 13,032 | - | (13,032) | - |
| Eagle Manor II Residences LP | 73,338 | 35,351 | (108,689) | - |
| Eagle Manor III Residences LP | 45,038 | 18,039 | (63,077) | - |
| Penkay Eagle Manor Inc. | 521 | - | (521) | - |
| Eagle Manor Project No. 2 Inc. | 474 | - | (474) | - |
| Big Boulder Residences LP | 67,727 | 2,016 | (69,743) | - |
| River Rock Residences LP | 42,392 | 9,750 | (52,142) | - |
| | <u>\$ 497,321</u> | <u>\$ 125,238</u> | <u>\$ (329,245)</u> | <u>\$ 293,314</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 4. LONG-TERM NOTES AND INTEREST RECEIVABLE

Long-term notes and interest receivable consist of the following at June 30, 2015:

| | Note Principal <u>June 30, 2015</u> | Note Interest <u>June 30, 2015</u> | Total Stand Alone <u>June 30, 2015</u> | Consolidating Eliminations | Consolidated <u>June 30, 2015</u> |
|---|--|---------------------------------------|--|-------------------------------|--------------------------------------|
| RMDC | | | | | |
| Roadrunner Residence (FHLB) | \$ 55,000 | \$ 8,937 | \$ 63,937 | \$ - | \$ 63,937 |
| Roadrunner Residence (HOME) | 185,643 | - | 185,643 | - | 185,643 |
| Ptarmigan Residence LP (Operating Deficit) | 5,943 | 513 | 6,456 | - | 6,456 |
| Ptarmigan Residence LP (CDBG) | 310,000 | 43,400 | 353,400 | - | 353,400 |
| Ptarmigan Residence LP (HOME) | 364,175 | 31,021 | 395,196 | - | 395,196 |
| Pheasant Glen LP (CDBG) | 506,157 | 137,501 | 643,658 | - | 643,658 |
| Pheasant Glen LP (HOME) | 411,856 | 208,867 | 620,723 | - | 620,723 |
| Eagle Rock Residence LP (CDBG) | 480,000 | 55,216 | 535,216 | - | 535,216 |
| Eagle Rock Residence LP (HUD) | 299,896 | 125,302 | 425,198 | - | 425,198 |
| Eagle Rock Residence LP (HOME) | 512,843 | 221,523 | 734,366 | - | 734,366 |
| Eagle Rock Residence LP (FHLB) | 650,000 | - | 650,000 | - | 650,000 |
| Eagle Rock Residence LP (HUD II) | 346,500 | 141,640 | 488,140 | - | 488,140 |
| RMDC Eagle Rock Inc. (Operating loan) | 212,968 | - | 212,968 | (212,968) | - |
| Eagle Manor II Residences LP (HOME) | 500,000 | - | 500,000 | (500,000) | - |
| Eagle Manor II Residences LP (CDBG) | 366,658 | - | 366,658 | (366,658) | - |
| Eagle Manor III Residences LP (HOME) | 516,461 | 135,004 | 651,465 | (651,465) | - |
| Eagle Manor III Residences LP (HUD) | 196,000 | 56,123 | 252,123 | (252,123) | - |
| Eagle Manor III Residences LP (Developer Fee) | 111,775 | - | 111,775 | (111,775) | - |
| Big Boulder Residences LP (HOME) | 420,999 | 6,271 | 427,270 | (427,270) | - |
| River Rock Residences LP (HOME) | 742,530 | 58,094 | 800,624 | (800,624) | - |
| River Rock Residences LP (CDBG) | 359,433 | 3,889 | 363,322 | (363,322) | - |
| | <u>7,554,837</u> | <u>1,233,301</u> | <u>8,788,138</u> | <u>(3,686,205)</u> | <u>5,101,933</u> |
| EAGLE MANOR PROJECT NO. 2 INC. | <u>373,858</u> | <u>13,090</u> | <u>386,948</u> | <u>(386,948)</u> | <u>-</u> |
| Total | <u>\$ 7,928,695</u> | <u>\$ 1,246,391</u> | <u>\$ 9,175,086</u> | <u>\$ (4,073,153)</u> | <u>\$ 5,101,933</u> |

Roadrunner Residence LP

On April 1, 1999 RMDC executed a promissory note loaning \$55,000 to Roadrunner Residence LP for the purpose of constructing a low-income rental housing project. RMDC received the \$55,000 as a subsidy from Federal Loan Home Bank (FHLB) (through U.S. Bank). Interest accrues at 1% per annum. The principal balance and accrued interest are due April 1, 2019. At June 30, 2015, the principal and accrued interest balance was \$63,937. See Note 7 for disclosure on RMDC's note payable to FHLB related to this note receivable.

On December 1, 1998 RMDC executed an agreement loaning \$340,000 to Roadrunner Residence LP for the purpose of constructing a low-income rental housing project. RMDC 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 called for 360 monthly installments of \$1,433 through May 2029. At June 30, 2015 the principal balance was \$197,062, of which \$11,419 is current and \$185,643 is classified as long-term in the consolidated statement of financial position.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

NOTE 4. LONG-TERM NOTES AND INTEREST RECEIVABLE (CONTINUED)

Ptarmigan Residence LP

On November 20, 2000 RMDC executed a loan agreement with RMDC Ptarmigan, Inc. to fund an Operating Deficit Escrow account in the amount of \$40,000. RMDC Ptarmigan, Inc. was required, as the general partner of Ptarmigan Residence LP, to establish this escrow account for the Ptarmigan low-income housing project. RMDC made the loan from the developer fee it received for the project. The loan bears interest at 6.09% and is payable in full no later than December 31, 2015. Payments are contingent upon sufficient available cash (as defined in the Ptarmigan Residence Partnership Agreement). Ptarmigan Residence LP is not expected to have the available cash for payoff by the original due date. A one-year extension will be granted to the partnership extending the due date to December 31, 2016. To date, payments of \$25,393 have been received. The principal balance and accrued interest at June 30, 2015 was \$6,456.

On June 30, 2001 RMDC executed two amended loan agreements with Ptarmigan Residence LP for permanent financing for construction of the Ptarmigan low-income housing project. The funds loaned by RMDC were provided by two federal grants. Both notes are secured by the related property and payment is contingent upon sufficient available cash (as defined in the Ptarmigan Residence Partnership Agreement).

The first note in the amount of \$310,000 is payable in annual installments of \$8,534, including interest at 1.00% per annum, beginning December 31, 2009 through December 2058. No payments have been received to date. The principal and accrued interest balance at June 30, 2015 was \$353,400. The second note in the amount of \$372,200 is payable in annual installments of \$9,554 including interest at 1.00% beginning December 31, 2002 through December 2051. To date, payments of \$20,406 have been received. The principal balance and accrued interest of the second note was \$395,196 at June 30, 2015.

Pheasant Glen LP

On August 15, 2003 RMDC executed amended loan agreements with Pheasant Glen Limited Partnership for permanent financing for construction of the Pheasant Glen low-income housing project. The loans were funded by two federal grants received by RMDC. The notes are secured by the related property and payment is contingent on sufficient available cash (as defined in the Pheasant Glen Partnership Agreement).

The CDBG note in the amount of \$506,157 is payable in monthly installments of \$800, including interest at 4.27% through September 1, 2019. The principal and accrued interest balance at June 30, 2015 was \$643,658, after total payments received to date of \$119,189. The HOME note in the amount of \$411,856 is payable in monthly installments of \$333, including interest at 4.27% through September 1, 2019. No payments have been received to date. The principal and accrued interest balance at June 30, 2015 was \$620,723.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

NOTE 4. LONG-TERM NOTES AND INTEREST RECEIVABLE (CONTINUED)

Eagle Rock Residence LP (Penkay)

Beginning in December 2003, RMDC 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 RMDC 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 RMDC CDBG Construction Loan Agreement, RMDC 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 was \$535,216 at June 30, 2015.

Under the RMDC HUD Construction Loan Agreement, RMDC 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 was \$425,198 at June 30, 2015.

Under the RMDC HOME Construction Loan Agreement, RMDC 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 was \$734,366 at June 30, 2015.

Under the RMDC FHLB of Seattle Construction Loan, RMDC 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, 2015 was \$650,000.

Under the RMDC HUD II Construction Loan, RMDC 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 was \$488,140 at June 30, 2015.

Current Portion and Other Current Notes Receivable

As disclosed above, the current portion of the note receivable from Roadrunner Residence LP is \$11,419. Accrued interest in the amount of \$438 is also receivable on this note.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2015

NOTE 4. LONG-TERM NOTES AND INTEREST RECEIVABLE (CONTINUED)

Consolidation Adjustments

In addition, RMDC has advanced funds to entities that are eliminated in consolidation. RMDC has advanced operating funds totaling \$212,968 to Eagle Rock, Inc. to support the entity's service to Helena area housing facilities. RMDC has also loaned grant funds (HOME, CDBG or HUD grants) or deferred developer fees obtained through RMDC's housing program to Eagle Manor II Residences LP, Eagle Manor III Residences LP, Big Boulder Residences LP and River Rock Residences LP. 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 5. FIXED ASSETS

Depreciation expense for property and equipment totaled \$901,300 and amortization expense is \$6,978 which are included in depreciation and amortization expense in the accompanying consolidated statement of functional expenses for the fiscal year ended June 30, 2015.

The building consolidation adjustment of \$3,087,398 reflects fees paid by EM II, EM III, Big Boulder and River Rock to RMDC 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 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 | <u>\$ 1,725,465</u> |
| Land improvements | 222,886 |
| Less: Accumulated depreciation | <u>(43,674)</u> |
| Land improvements, net | <u>179,212</u> |
| Leasehold improvements | 205,107 |
| Less: Accumulated depreciation | <u>(147,025)</u> |
| Leasehold improvements, net | <u>58,082</u> |
| Buildings | 25,899,521 |
| Less: Consolidation adjustment | (3,087,398) |
| Less: Accumulated depreciation | <u>(3,550,940)</u> |
| Buildings, net | <u>19,261,183</u> |
| Equipment and vehicles | 1,611,020 |
| Less: Accumulated depreciation | <u>(1,215,927)</u> |
| Equipment, net | <u>395,093</u> |
| Total Fixed Assets | <u>\$ 21,619,035</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

NOTE 6. 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 \$6,978 for the fiscal year ended June 30, 2015. The components of deferred costs at June 30, 2015 were as follows:

| | Gross Costs | Accumulated Amortization | Net |
|-------------|----------------------|-----------------------------|----------------------|
| | <u>June 30, 2014</u> | <u>June 30, 2014</u> | <u>June 30, 2014</u> |
| EMII | 49,384 | 37,272 | 12,112 |
| EMIII | 23,072 | 15,272 | 7,799 |
| Big Boulder | 9,717 | 2,562 | 7,155 |
| River Rock | 27,731 | 4,622 | <u>23,109</u> |
| | | | <u>\$ 50,175</u> |

Expected amortization expense for each of the next five fiscal years and thereafter subsequent to June 30, 2015 is as follows:

| | |
|------------|------------------|
| 2016 | \$ 6,942 |
| 2017 | 6,942 |
| 2018 | 6,942 |
| 2019 | 6,942 |
| 2020 | 5,344 |
| Thereafter | <u>17,063</u> |
| | <u>\$ 50,175</u> |

NOTE 7. LONG-TERM DEBT OBLIGATIONS

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

| | <u>June 30, 2015</u> | |
|---|----------------------|---|
| Notes and Interest Payable: | | |
| RMDC | | |
| 1% Note Payable to FHLB (Roadrunner Project), due April 1, 2019. Balance includes \$8,937 long-term interest. | \$ 63,937 | Principal and interest are payable upon maturity. |
| 6.0% (variable interest rate - see description below) Note Payable to Valley Bank (Townsend House), due January 15, 2020. | 9,870 | Payable in monthly installments of \$515, including interest. |
| 4.25% (variable interest rate - see description below) Note Payable to Mountain West Bank (Jackson Street Building), due July 28, 2035. | 496,803 | Payable in monthly installments of \$3,073, including interest |
| 4.25% Note Payable to USDA (Townsend Homestead Manor), due October 1, 2040. | <u>246,989</u> | Payable in monthly installments of \$1,024, including interest, of which \$485 is subsidized by USDA. |
| | <u>817,599</u> | |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

NOTE 7. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

RMFP

| | | |
|--|---------|--|
| 6.0% Note Payable to USDA (Elk Creek Lodge), due November 1, 2034. | 51,404 | 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. | 122,490 | 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. | 33,351 | Payable in monthly installments of \$224, including interest, of which \$95 is subsidized by USDA. |

EM II

| | | |
|---|---------|---|
| 6.0% Note Payable to Mountain West Bank (EM II Facility), due March 10, 2040. | 106,312 | Payable in monthly installments of \$694, including interest. |
|---|---------|---|

EM III

| | | |
|---|---------|---|
| 6.0% Note Payable to Mountain West Bank (EM III Facility), due June 10, 2039. | 411,302 | Payable in monthly installments of \$2,699, including interest. |
|---|---------|---|

Big Boulder

| | | |
|--|------------------|---|
| 5.95% (variable interest rate - see description below) Note Payable to Valley Bank (Fund Reserves and Current Operations), due October | 243,446 | Payable in monthly installments of \$1,505, including interest. |
| | <u>1,785,904</u> | |

Other Long-Term Debt:

RMDC

| | | |
|--|---------------------|---|
| Non Interest Bearing Health Insurance debt to L&C County, due Fiscal Year 2024. | 251,847 | Payable in annual installments of approximately \$30,000. |
| 5.25% Capital Lease Payable to MailFinance (Mailing Equipment), expires July 2017. | 2,489 | Payable in quarterly installments of \$330, including interest. |
| | <u>254,336</u> | |
| Total notes and interest payable | 2,040,240 | |
| Current maturities | <u>(71,619)</u> | |
| Total notes and interest payable, net | <u>\$ 1,968,621</u> | |

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, 2015 are as follows:

| | <u>Principal (net of capital lease)</u> | <u>Principal Capital Lease</u> | <u>Accrued Interest</u> | <u>Total</u> |
|------------|---|------------------------------------|-----------------------------|--------------------|
| 2016 | \$ 70,407 | \$ 1,212 | \$ - | \$ 71,619 |
| 2017 | 70,578 | 1,277 | - | 71,855 |
| 2018 | 68,326 | - | - | 68,326 |
| 2019 | 125,325 | - | 8,937 | 134,262 |
| 2020 | 72,362 | - | - | 72,362 |
| Thereafter | <u>1,621,816</u> | <u>-</u> | <u>-</u> | <u>1,621,816</u> |
| | <u>\$ 2,028,814</u> | <u>\$ 2,489</u> | <u>\$ 8,937</u> | <u>\$2,040,240</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 7. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Notes and Interest Payable (Continued)

RMDC

In 1998, RMDC 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 stipulates any repayments of principal and payments of interest received by RMDC must be paid forthwith to the FHLB. On April 1, 1999 RMDC loaned these funds to the Roadrunner Residence Limited Partnership, thereby also creating a debt from RMDC to the FHLB. The agreement is unsecured. See Note 4 for disclosure on note receivable from Roadrunner under this agreement.

On January 7, 2000, RMDC signed a \$60,373 note payable to Valley Bank to purchase a house in Townsend to be used by the Head Start program for classroom space. The note bears interest at a rate based on the New York prime rate plus additional 2.25 percentage points with a rate floor of 6.0% and a rate ceiling of 11.0%, adjustable every five years. The note is secured by the related property.

On July 28, 2010, RMDC signed a \$550,000 note payable to Mountain West Bank to finance the purchase of a building located at 631 N Last Chance Gulch in Helena (Jackson Street Building). The building, formerly leased, was purchased for use by the Drop In Center and RMDC's programs. 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 1, 2010, RMDC acquired Townsend Homestead Manor, a 10 unit, low-income facility in Townsend, Montana. RMDC 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.

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.

EM II

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

NOTE 7. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

EM III

On June 10, 2009, EM III signed a \$450,000 note payable to Mountain West 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.

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 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.

Other Long-Term Debt Obligations

RMDC

During the fiscal year 2012 RMDC entered into an agreement with Lewis & Clark County regarding unpaid insurance premiums of \$459,532. RMDC plans to pay off the remainder of the balance of \$251,847 in approximately \$30,000 annual installments over a 9 year period.

In July 2012, RMDC entered into a five year capital lease agreement with MailFinance A Neopost USA Company (MailFinance) to lease a mailing machine with postage meter. At the end of five years RMDC will own the equipment, except the postage meter, per USPS regulations. The capital lease obligation was calculated using the net present value of quarterly payments over the term of the lease, net of maintenance fees and postage meter rent. RMDC used the Federal Reserve prime rate on July 25, 2012 of 3.25% plus additional 2% spread to determine nominal annual interest rate for the net present value calculation.

As described in Note 4, RMDC has advanced grant funds, developer fees earned on housing projects and additional operational support to Eagle Rock Inc., EM II, EM III, River Rock and Big Boulder 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 8. LEASES

Operating Leases

RMDC has entered into a number of facility lease agreements. These leases provide space for Head Start classrooms, senior centers, RMDC administrative offices and other programs. 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 \$62,749 for the fiscal year ended June 30, 2015.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 8. LEASES (CONTINUED)

Some of the operating leases are noncancelable with various expiration dates through 2018. RMDC 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:

| | |
|------|------------------|
| 2016 | \$ 29,220 |
| 2017 | 18,000 |
| 2018 | <u>15,000</u> |
| | <u>\$ 62,220</u> |

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2015, temporarily restricted net assets were available for the follow programs:

| | |
|---------------------------|-------------------|
| Senior services | \$ 215,209 |
| Spirit of Service program | 18,965 |
| Other | <u>1,306</u> |
| | <u>\$ 235,480</u> |

NOTE 10. NONCONTROLLING INTEREST IN PARTNERSHIP EQUITY

As described in Note 1, the interest in partnership equity held by the limited partners of EMII, EMIII and River Rock is presented as a noncontrolling interest which is a component of consolidated unrestricted net assets:

| | <u>Controlling</u> | <u>Noncontrolling</u> | <u>Total</u> |
|-------------|---------------------|-----------------------|---------------------|
| EMII | \$ (97) | \$ 4,142,607 | \$ 4,142,510 |
| EMIII | (15) | 3,632,137 | 3,632,122 |
| Big Boulder | 6,179,974 | - | 6,179,974 |
| River Rock | <u>(2,881)</u> | <u>4,556,221</u> | <u>4,553,340</u> |
| | <u>\$ 6,176,981</u> | <u>\$12,330,965</u> | <u>\$18,507,946</u> |

The noncontrolling interest in EM II, EM III and River Rock 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 RMDC, thus is included in the balance reported for controlling interests. 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 RMDC.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 11. NON-MONETARY TRANSACTIONS

In-Kind Contributions

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

In-kind contributions consist of the following:

| | |
|------------------------------------|-------------------|
| Contracted services | \$ 653,253 |
| Supplies and training materials | 17,329 |
| Space | 35,899 |
| Meals | 25,443 |
| Volunteer recognition | 275 |
| Physical examinations and lab work | <u>7,817</u> |
| Total in-kind contributions | <u>\$ 740,015</u> |

Contracted services include \$3,769 of legal fees donated for the High School House project. These services were capitalized in accordance with U.S. GAAP. They are included in assets held for sale in the accompanying consolidated statement of financial position.

All in-kind contributions were expensed in accordance with U.S. GAAP for the fiscal year ended June 30, 2015.

In-kind contributions were received for the following programs:

| | |
|-----------------------------|-------------------|
| Head Start | \$ 704,407 |
| Senior Companion Program | 7,723 |
| Foster Grandparent Program | 25,812 |
| Spirit of Service | <u>2,073</u> |
| Total in-kind contributions | <u>\$ 740,015</u> |

In addition to the contributions reported in the tables above, the Head Start program received services valued at \$32,079 that did not meet the guidelines of U.S. GAAP. The value of these services is therefore not reported in the accompanying financial statements. However, the regulations for this program allows the value of these services to be reported as matching funds for grant purposes.

NOTE 12. EMPLOYEE BENEFITS

Retirement Benefits

RMDC has a defined contribution profit sharing retirement plan based on a fiscal year managed by a third party administrator. 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 RMDC plan as specified by the agreement.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 12. EMPLOYEE BENEFITS (CONTINUED)

Retirement Benefits (Continued)

The employer's contribution to the plan is discretionary. Preliminary and effective contribution rates are approved by the Board of Directors. The effective contribution rates on employees' compensation were calculated for the fiscal year 2015 based on the actual amount contributed to the plan by RMDC and total eligible employees compensation for the applicable fiscal year. Total RMDC contributions to the plan during the fiscal year 2015 were allocated to the individual participants' accounts based on their eligible compensation during the applicable fiscal year 2015 multiplied by the effective contribution rate. The preliminary contribution rate on employees' compensation for fiscal year 2015 was set at 3.0% and the effective contribution rate on eligible employees' compensation for the fiscal year ended June 30, 2015 was 3.06%. The preliminary approved contribution rate for fiscal year 2016 remains at 3.0%. Retirement plan expense was \$76,087 for fiscal year 2015.

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

RMDC has 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 health care, day care and insurance premium expenses, in accordance with federal regulations. If the final plan balance has a deficit, RMDC must make an additional contribution to the plan to cover the deficit. If the final plan balance is a surplus, RMDC receives a cash distribution from the plan. The expense or revenue is recorded in the following fiscal year of the plan to reflect the difference between employee's contributions to the plan and eligible claims paid by the plan. RMDC recorded revenue in the amount of \$2,182 in fiscal year 2015 for the plan ended June 30, 2014.

NOTE 13. COMMITMENTS AND CONTINGENCIES

RMDC is a certified Community Housing Development Organization (CHDO). As a CHDO, RMDC has loaned HOME grant funds to other organizations to support the development of low-income housing. Repayment received by RMDC on these loans represents CHDO Proceeds. These CHDO proceeds must be used for HOME eligible activities that support housing for low-income persons. RMDC held \$26,715 CHDO proceeds as of June 30, 2015.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Housing Commitments

RMDC has developed several housing projects, and entities to operate the facilities, utilizing federal grants and tax credits that subject the entities and RMDC 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 RMDC or the entities to record a liability or that would otherwise materially affect the accompanying financial statements.

Roadrunner Low-Income Housing Project

On December 1, 1998, RMDC 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:

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 2015, the fifteen-year tax credit period, by mutual consent of the general and limited partners. 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, RMDC executed a guaranty agreement for Ptarmigan. The agreement provides that RMDC 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, Operating Deficit Guaranty Agreement, Construction Completion Guaranty Agreement, Repurchase Guaranty Agreement, Asset Management Agreement, and Administrative Services Agreement. The guaranty applies to Ptarmigan, its limited partners and successors, including Countryside Corporate Tax Credits VIII, LP.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Ptarmigan (Continued)

The significant obligations under the preceding agreements are summarized as follows:

The general partner is obligated to repurchase the interest of the limited partner for a purchase price equal to the sum of the total capital contributions made by the limited partners, plus \$125,449, which represents an allocation of the limited partner's organizational and offering expenses and fees, less the aggregate amount of cash distributions paid to the limited partner, 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 housing complex fails to retain an allocation of low-income housing credits or fails to meet the requirements for a qualified low-income housing project.

The partnership agreement calls for continuation of the partnership until December 31, 2055 if an earlier consensual termination has not occurred. Effective December 31, 2015 (the end of Ptarmigan's 15-year compliance period), Countryside Corporate Tax Credits VIII, LP will assign their 99.99% limited partner interest to RMDC.

Pheasant Glen

On December 1, 2002, RMDC executed a guaranty agreement for Pheasant Glen. The agreement provides that RMDC 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, including MMA Financial Institution Tax Credits XXIV and Michael Properties SLP.

The significant obligations under these agreements are summarized as follows:

The general partner is obligated to repurchase the interest of the limited partner for a purchase price equal to the sum of the total capital contributions made by the limited partners, plus any interest or penalties assessed by the IRS as a result of any recapture of tax credits, less cash distributions paid to the limited partners and an amount equal to 78.0095% of the amount of any tax credits previously allocated to the limited partner which are not subject to recapture, 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,

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Pheasant Glen (Continued)

- any representation or warranty made by the general partner in the partnership agreement proves to be false in any material respect; or,
- the housing complex fails to retain an allocation of low-income housing credits or fails to meet the requirements for a qualified low-income housing project; or,
- at any time construction or operation of the complex is enjoined by a final order of a court having jurisdiction and such injunction continues for a period of thirty days; or,
- a casualty occurs resulting in substantial destruction of more than 50% of the complex, or there is substantial destruction of less than 50% of the complex and the insurance proceeds are insufficient to restore the complex or the complex is not restored within 24 months following such casualty.

The partnership agreement calls for continuation of the partnership until July 10, 2052 if an earlier consensual termination has not occurred.

Penkay

On February 24, 2006, RMDC executed a guaranty agreement for Penkay. The agreement provides that RMDC 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 VI, 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, 2015 the partnership interest of the limited partner was \$1,121,989. At June 30, 2015 the book value of the partnership's capital assets totaled approximately \$3.7 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,

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Penkay (Continued)

- 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 \$294,130 at June 30, 2015. Beginning January 2007, the general partner, or RMDC 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 are required to make an operating deficit loan to cover the deficiency.

The general partner, or RMDC as guarantor, is responsible for compensating the limited partner an amount equal to .901 times the amount the allowed tax credits fall short of \$391,264. This requirement applies each year during the tax credit period, which runs from 2006 through 2015.

Under this provision, the maximum annual liability of the general partner or RMDC is \$352,529, plus any related interest or penalties imposed by the IRS. The general partner's and RMDC's aggregate liability is limited to \$650,000.

As of June 30, 2015, the Operating Deficit Reserve Account balance was \$110,121. 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.

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 RMDC as the limited partner by Homestead Equity Fund VI, LP and Homestead SLP, LLC on June 30, 2007.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

EM III (Continued)

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, 2015 the partnership interest of the limited partner was \$3,632,137. At June 30, 2015, the book value of the partnership's capital assets totaled approximately \$4.9 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 RMDC 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:

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 RMDC, 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).

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

EM II (Continued)

- In the event a repurchase occurs, the limited partners must transfer their partnership interest to the general partner. As of June 30, 2015, the partnership interest of the limited partner was \$4,142,607. As of June 30, 2015, the book value of the partnership's capital assets totaled approximately \$5.2 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 exists, 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, RMDC executed a guaranty agreement for River Rock. The agreement Provides that RMDC 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.

RMDC and Affiliates

RMDC 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 RMDC or its consolidated related parties' financial position.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 14. 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 RMDC that are outstanding at June 30, 2015:

| <u>Program/Contract</u> | <u>Grant/Contract Period Ends</u> | <u>Amount</u> |
|---|---------------------------------------|---------------------|
| Head Start | April 30, 2016 | \$ 1,779,170 |
| Striving Readers (OPI) | September 30, 2015 | 11,516 |
| Montana Preschool Development Grant (OPI) | June 30, 2016 | 585,176 |
| Community Services Block Grant | September 30, 2015 | 34,022 |
| Community Services Block Grant | August 31, 2016 | 217,598 |
| Commodities Supplemental Food | September 30, 2015 | 9,504 |
| MIPPA (Part of Area IV on Aging) | September 29, 2015 | 2,239 |
| Missoula Aging Services (SMP) | May 31, 2016 | 11,460 |
| Northwestern Energy Weatherization | December 4, 2015 | 167,221 |
| LIEAP WX | September 30, 2015 | 58,291 |
| LIEAP Administration | August 31, 2016 | 21,090 |
| LIEAP Outreach | August 31, 2016 | 10,366 |
| LIEAP Client Ed | August 31, 2016 | <u>9,328</u> |
| Total conditional promises to give | | <u>\$ 2,916,981</u> |

NOTE 15. RECOVERY OF GENERAL AND ADMINISTRATIVE COSTS

As described in Note 1, RMDC 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 in fiscal year ended June 30, 2015:

| | |
|---|-------------------|
| General and administrative expenses | |
| Indirect cost pool | \$ 821,461 |
| Supporting services | <u>925,909</u> |
| Total general and administrative | 1,747,370 |
| Less: | |
| Indirect costs recovered at approved provisional rate (13.1%) | (793,277) |
| Supporting services expenses recovered from programs | <u>(846,353)</u> |
| | <u>\$ 107,740</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 16. LINE OF CREDIT

RMDC has a \$300,000 unsecured revolving line of credit at Valley Bank of Helena (Valley Bank) available through February 3, 2017. The line of credit is designated to fund RMDC's cash needs due to timing differences between program expenditures and their reimbursements. Amounts borrowed under the line of credit bear interest at a rate based on the Wall Street Journal prime rate plus an additional 0.50 percentage points with a rate floor of 5.5% and a rate ceiling of 9.0%, adjustable quarterly.

NOTE 17. SUBSEQUENT EVENTS

On October 23, 2015, RMDC opened a \$150,000 construction line of credit at 4.5% at First Interstate Bank. The purpose of the line of credit is to finance construction of RMDC's 2016 High School House, located at 1821 Butte Avenue in Helena, Montana. Construction on the project began in September 2015 and is expected to be complete by June 2016. The loan matures on October 23, 2016. RMDC anticipates that the construction line of credit will be paid in full when the house is sold.

SINGLE AUDIT SECTION

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant Number | Expenditures |
|---|---------------------------|----------------|------------------|
| <u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u> | | | |
| Direct Programs | | | |
| Foster Grandparent/Senior Companion Cluster: | | | |
| Foster Grandparents | 94.011 | 12SFPMT003 | \$ 346,463 |
| Senior Companion | 94.016 | 12SCPMT003 | 435,119 |
| Total FosterGrandparent/Senior Companion Cluster | | | <u>781,582</u> |
| Retired Senior Volunteer | 94.002 | 12SRPMT008 | 92,913 |
| Total Corporation for National and Community Service | | | <u>874,495</u> |
| <u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | |
| Direct Programs | | | |
| Head Start Cluster: | | | |
| Head Start | 93.600 | 08CH003548 | 1,798,564 |
| | | 08CH103501 | 234,223 |
| Total Head Start Cluster, Health and Human Services | | | <u>2,032,787</u> |
| Passed through State Department of Public Health and Human Services | | | |
| Community Services Block Grant Cluster: | | | |
| Community Services Block Grant | 93.569 | 14-028-10006-0 | 180,002 |
| Total Community Services Block Grant Cluster | | | <u>180,002</u> |
| Low-Income Home Energy | | | |
| | 93.568 | 14-028-11006-0 | 10,308 |
| | | 15-028-11006-0 | 167,865 |
| | | 14-028-16006-0 | 162,552 |
| | | 14-028-15056-0 | 6,731 |
| | | 15-028-15056-0 | 18,324 |
| | | 14-028-14020-0 | 6,995 |
| | | 15-028-14020-0 | 30,389 |
| Subtotal Low-Income Home Energy | | | <u>403,164</u> |
| Montana Arthritis Program | 93.945 | Agreement | <u>500</u> |
| Special Programs for the Aging | | | |
| Aging Cluster: | | | |
| Title III - Supportive Services and Senior Centers | 93.044 | | 232,067 |
| Title III - Nutrition Services | 93.045 | | 366,597 |
| Nutrition Services Incentive Program | 93.053 | | 180,014 |
| Total Aging Cluster | | | <u>778,678</u> |
| Health Care Financing Research, Demonstrations and Evaluations | 93.779 | | 18,960 |
| Title VII - Long Term Care Ombudsman Services for Older Individuals | 93.042 | | 12,189 |
| Title III - Disease Prevention and Health Promotion Services | 93.043 | | 14,462 |
| National Family Caregiver Support | 93.052 | | 89,710 |
| Centers for Medicare and Medicaid Services Research, Demonstrations and Eval. | 93.779 | | 56,683 |
| Total Aging Programs | | | <u>970,682</u> |
| Total Passed through State Department of Public Health and Human Services | | | <u>1,554,348</u> |
| Total U.S. Department of Health and Human Services | | | <u>3,587,135</u> |

See Notes to the Schedule of Expenditures of Federal Awards.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
June 30, 2015

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant Number | Expenditures |
|---|---------------------------|------------------|---------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| Passed through State Department of Public Health and Human Services | | | |
| Child and Adult Care Food Program | 10.558 | 12-02-CACFP-150 | \$ 121,080 |
| Child and Adult Care Food Program | 10.558 | 12-02-CACFP-151 | <u>6,407</u> |
| | | | <u>127,487</u> |
| Commodity Supplemental Food Program | 10.565 | 14-027-21007-0 | 10,030 |
| | 10.565 | 15-027-21007-0 | <u>23,904</u> |
| | | | 33,934 |
| Rural Rental Housing Loans | 10.415 | Agreement | <u>29,531</u> |
| Subtotal DPHHS Pass Through | | | <u>190,952</u> |
| Total U.S. Department of Agriculture | | | <u>190,952</u> |
| <u>U.S. DEPARTMENT OF ENERGY</u> | | | |
| Passed through State Department of Public Health and Human Services | | | |
| Weatherization Assistance for Low-Income Persons | 81.042 | 14-028-30026-0 | <u>65,562</u> |
| Total U.S. Department of Energy | | | <u>65,562</u> |
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | |
| Passed through State Department of Commerce | | | |
| CDBG Serendipity Project | 14.228 | MT-CDBG-12-PL-08 | <u>28,500</u> |
| | | | 28,500 |
| First Time Home Buyers & Dollars & Sense | 14.169 | Agreement | <u>28,609</u> |
| Subtotal DOC Pass Through | | | 57,109 |
| Passed through State Department of Public Health and Human Services | | | |
| Emergency Shelter Grant Program | 14.231 | 14-028-51006-0 | 38,412 |
| | | 13-028-51006-0 | <u>5,328</u> |
| Subtotal | | | <u>43,740</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>100,849</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| Passed through State Office of Public Instruction | | | |
| Striving Readers | 84.371 | Agreement | 162,808 |
| Montana Preschool Development Grant | 84.419 | Agreement | <u>3,364</u> |
| Total U.S. Department of Education | | | <u>166,172</u> |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| Passed through State Department of Transportation | | | |
| New Freedom Program | 20.521 | Contract 106475 | <u>18,341</u> |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | |
| Direct Programs | | | |
| Emergency Food and Shelter Program Cluster: | | | |
| Emergency Food and Shelter National Board Program | 97.024 | 557800-014 | <u>873</u> |
| Total Emergency Food and Shelter Program Cluster | | | <u>873</u> |
| Total expenditures of federal awards | | | <u>\$ 5,004,379</u> |

See Notes to the Schedule of Expenditures of Federal Awards.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 NOTES TO THE SCHEDULE OF EXPENDITURES
 OF FEDERAL AWARDS
 June 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the activity of Rocky Mountain Development Council, Inc. (RMDC) as described in Note 1 of the accompanying Notes to Consolidated Financial Statements. The information in this schedule is presented on the accrual basis of accounting as described in Note 1 of the accompanying Notes to Consolidated Financial Statements.

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

NOTE 2. SUBRECIPIENTS

Of the federal expenses included in the accompanying Schedule of Expenditures of Federal Awards, RMDC provided federal awards to subrecipients for the following programs:

| Program Title | <u>Federal CFDA Number</u> | <u>Amount Provided to Subrecipients</u> |
|--|------------------------------------|---|
| Special Programs for the Aging: | | |
| Supportive Services & Senior Centers | 93.044 | \$ 232,067 |
| Nutrition Services | 93.045 | 366,597 |
| National Family Caregiver Support | 93.052 | 89,710 |
| Nutrition Services Incentive Program | 93.053 | 180,014 |
| Disease Prevention & Health Promotion Services | 93.043 | 14,462 |
| Long-Term Care Ombudsman Services for Older Individuals | 93.042 | 12,189 |
| Healthcare Financing, Research, Demonstrations, & Evaluations | 93.779 | 75,642 |
| | | <u>\$ 970,682</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 NOTES TO THE SCHEDULE OF EXPENDITURES
 OF FEDERAL AWARDS (CONTINUED)
 June 30, 2015

NOTE 3. RECONCILIATION TO FINANCIAL STATEMENTS

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

| | |
|--|---------------------|
| Total expenditures of federal awards | \$ 5,004,379 |
| Plus: | |
| Rent subsidy received by RMFP from Rural Development | 37,473 |
| Interest subsidy received by RMFP from Rural Development | 8,034 |
| Rent subsidy received by EMII from HUD | 118,415 |
| Rent subsidy received by EMIII from HUD | 81,054 |
| Rent subsidy received by Big Boulder from HUD | 96,737 |
| Rent subsidy received by River Rock from HUD | <u>28,792</u> |
| Total federal grant revenue | <u>\$ 5,374,884</u> |

NOTE 4. HOME CHDO PROCEEDS

RMDC is a certified Community Housing Development Organization (CHDO). As a CHDO, RMDC has loaned HOME grant funds to other organizations to support the development of low-income housing. Repayment received by RMDC on these loans represent CHDO proceeds. These CHDO proceeds must be used for HOME eligible activities that support housing for low-income persons. RMDC had available CHDO proceeds of \$32,508 of which \$5,793 was disbursed for HOME eligible activities leaving \$26,715 available at June 30, 2015.

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. (RMDC), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RMDC'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of RMDC's internal control. Accordingly, we do not express an opinion on the effectiveness of RMDC'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 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 RMDC's 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 the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Helena, Montana
January 30, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Rocky Mountain Development Council's (RMDC)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of RMDC's major federal programs for the year ended June 30, 2015. RMDC'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of RMDC'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RMDC'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 each major federal program. However, our audit does not provide a legal determination of RMDC's compliance.

Opinion on Each Major Federal Program

In our opinion, RMDC 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, 2015.

Report on Internal Control over Compliance

Management of RMDC 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 RMDC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RMDC'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Helena, Montana
January 30, 2016

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

SUMMARY OF AUDIT RESULTS

Financial Statements:

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

Federal Awards:

| | |
|---|---------------|
| Internal Control over major programs: | |
| Material weakness identified? | No |
| Significant deficiency not considered material weakness 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 Circular A-133, Section 510(a)? | No |
|--|----|

Identification of major programs:

| Name of Federal Program or Cluster | CFDA Number |
|--|-------------|
| Head Start | 93.600 |
| Foster Grandparents/Senior Companions Cluster: | |
| Foster Grandparents | 94.011 |
| Senior Companions | 94.016 |

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

| | |
|--|-----|
| 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.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

#2014-1 Foster Grandparents, CFDA No. 94.011 and Senior Companion, CFDA No. 94.016;
Head Start Cluster, CFDA No. 93.600
Compliance Requirement: Reporting

Last year we noted that federal reports were not reviewed before they were submitted to the grantor agencies. No exceptions were observed in 2015.

#2014-2 Senior Companion, CFDA No. 94.016 and Foster Grandparents, CFDA No. 94.011
Compliance Requirement: Eligibility

Last year we noted instances of noncompliance with certain aspects of the eligibility standard regarding the National Service Criminal History Check and self-certification requirement. This was resolved in 2015.

SUPPLEMENTARY INFORMATION

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY OF PROGRAMS BY GRANTOR AGENCIES
Year Ended June 30, 2015

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

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:

The Corporation 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 parents in the areas of health, nutrition, disabilities, mental health, and transportation. The goal is to help children succeed in education by supporting growth and developmental needs while engaging the parents 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 Shelter Grant Program funds provide rapid-rehousing and homeless prevention services for eligible individuals.

Child and Adult Care Food Program provides subsidy 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.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY OF PROGRAMS BY GRANTOR AGENCIES (CONTINUED)
Year Ended June 30, 2015

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 RMDC. The types of services provided are: in-home care, transportation, outreach services, and legal services; congregate and home delivered meals; in-home services to senior citizens and their families, especially victims of dementia disorders; development of health promotion activities and assistance for senior citizens; long-term care ombudsman services, assistance with elder abuse prevention; and insurance counseling and assistance.

RMDC receives other funding from the Department of Public Health and Human Services from Medicaid for the home delivered meals program and Area IV case management program to provide services to residents in several Montana counties.

The Commodities Program provides education information and 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 and the HOME Investments Partnerships Programs.

OFFICE OF PUBLIC INSTRUCTION:

The Montana Striving Readers program is designed to improve the school readiness and success of disadvantaged youth by advancing their literacy skills through a comprehensive approach to literacy development (based on Montana's Literacy Plan) with an emphasis on data-based decision making and effective use of technology.

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.

DEPARTMENT OF TRANSPORTATION:

New Freedoms Program funding is received through the Montana Department of Transportation and the City of Helena to provide disabled individuals with transportation services.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY OF PROGRAMS BY GRANTOR AGENCIES (CONTINUED)
Year Ended June 30, 2015

COUNTY FUNDING – Other Programs:

RMDC receives funding from Lewis & Clark, Broadwater and Jefferson Counties to deliver the following program services: Senior Nutrition, Senior Center operations, Senior Transportation, Corporation for National and Community Service Programs (Senior Volunteer Services), Area IV Agency on Aging, and Mental Health Service Coordination.

LOCAL FUNDING – Other Programs:

RMDC 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.

RMDC receives funding from the United Way of Beaverhead County for the Senior Companion Program.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF INDIRECT COST RECONCILIATION
June 30, 2015

| | |
|---|-------------------|
| Total expenditures from continuing operations: | |
| Program services | \$ 10,077,633 |
| General and administrative | 1,747,370 |
| Recovery of indirect costs from continuing operations - general and administrative | (793,277) |
| Recovery of other allocated costs from continuing operations - general and administrative | (846,353) |
| Fundraising | 6,241 |
| Total expenditures from continuing operations | <u>10,191,614</u> |
| Less: | |
| Indirect costs | (757,770) |
| Exclusions: | |
| Commodities | (18,145) |
| Depreciation | (140,219) |
| In-kind | (740,015) |
| Pass-through | (652,254) |
| Consolidated properties' expenses, net of eliminations | (1,872,346) |
| Assistance payments | (129,518) |
| Bad debt | (5,221) |
| Indirect cost base expenditures | <u>5,876,126</u> |
| Indirect cost rate | 13.50% |
| Total indirect cost charges | <u>\$ 793,277</u> |
| Allocated indirect costs by program: | |
| Aging & Nutrition | \$ 130,515 |
| Senior Volunteer Services | 120,135 |
| Housing | 68,149 |
| Other | 11,465 |
| Preschool/Childcare | 284,524 |
| Senior Activities | 4,768 |
| Transportation | 6,339 |
| Weatherization | 65,511 |
| General and administrative | 101,146 |
| Fundraising | 725 |
| Total indirect cost charges to programs | <u>\$ 793,277</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 SCHEDULE OF TRANSFERS
 June 30, 2015

County Mill Fund Transfers

Sources:

| | |
|---|---------------------------------|
| Carried Forward from Fiscal Year 2014 | \$ 134,092 |
| Lewis and Clark County | 304,584 |
| Jefferson County | 53,040 |
| Broadwater County | <u>32,240</u> |
| Total County Mill Funds Received | <u><u>\$ 523,956</u></u> |

Program Recipients:

| | |
|-------------------------------------|---------------------------------|
| Congregate Meals | \$ 52,672 |
| Home Delivered Meals | 73,287 |
| Area IV on Aging | 16,526 |
| Senior Companion Program | 35,249 |
| Foster Grandparent Program | 8,705 |
| Retired Senior Volunteer Program | 16,057 |
| Augusta Senior Center | 11,983 |
| Senior Services & Transportation | 53,833 |
| Senior Space | 44,697 |
| Emergency Shelter & Runaway Youth | - |
| Commodities | - |
| Total County Mill Funds Transferred | <u>313,009</u> |
| Carry Forward to Fiscal Year 2016 | <u>210,946</u> |
| Total County Mill Funds | <u><u>\$ 523,956</u></u> |

Community Service Block Grant Transfers

Program Recipients:

| | |
|--|--------------------------------|
| Commodities | \$ 164 |
| Home Delivered Meals | 4,757 |
| Head Start | 1,526 |
| IDC | 43,433 |
| Foster Grandparents | 20,955 |
| Senior Companion Program | <u>21,484</u> |
| Total Community Service Block Grant Transfers | <u><u>\$ 92,320</u></u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2015

| ASSETS | RMDC | RMFP | ERI | EMII | EMIII | Penkay Eagles Manor, Inc. |
|--|----------------------|-------------------|-------------------|---------------------|---------------------|------------------------------|
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents, operations | \$ 759,733 | \$ 1,949 | \$ 68,676 | \$ 29,873 | \$ 13,201 | \$ 18,543 |
| Cash and cash equivalents, custodial | 124,416 | - | - | - | - | - |
| Accounts receivable | 96,118 | 5,035 | 3,953 | 958 | 267 | - |
| Related party receivable | 87,496 | - | 30,663 | - | - | - |
| Grants receivable | 316,068 | - | - | - | - | - |
| Current portion of notes and interest receivable | 11,857 | - | - | - | - | - |
| Prepaid deposits and expenses | 40,713 | 3,904 | 1,193 | 3,580 | 4,469 | 929 |
| Inventory | 43,056 | - | 2,865 | - | - | - |
| High School House Project | 41,392 | - | - | - | - | - |
| Total current assets | <u>1,520,849</u> | <u>10,888</u> | <u>107,350</u> | <u>34,411</u> | <u>17,937</u> | <u>19,472</u> |
| FIXED ASSETS | | | | | | |
| Land | 278,244 | 22,495 | - | 147,742 | 198,317 | - |
| Land improvements, net | 19,935 | - | - | 14,495 | 5,843 | - |
| Leasehold improvements, net | 58,082 | - | - | - | - | - |
| Buildings, net | 1,614,747 | 125,064 | - | 5,101,373 | 4,708,681 | - |
| Equipment, net | 144,621 | - | 16,851 | - | 245 | - |
| Total fixed assets | <u>2,115,629</u> | <u>147,559</u> | <u>16,851</u> | <u>5,263,610</u> | <u>4,913,086</u> | <u>-</u> |
| OTHER ASSETS | | | | | | |
| Investments | 6,010 | - | - | - | - | (112) |
| Cash restricted for security deposits and reserves | 53,790 | 19,506 | - | 228,568 | 155,197 | - |
| Construction in progress | 36,598 | - | - | - | - | - |
| Long-term related party receivable | 34,164 | - | - | - | - | - |
| Long-term notes and interest receivable | 8,788,138 | - | - | - | - | - |
| Long-term accounts receivable | - | - | 6,260 | - | - | - |
| Deferred costs, net | - | - | - | 12,112 | 7,799 | - |
| Total other assets | <u>8,918,700</u> | <u>19,506</u> | <u>6,260</u> | <u>240,680</u> | <u>162,996</u> | <u>(112)</u> |
| Total assets | <u>\$ 12,555,178</u> | <u>\$ 177,953</u> | <u>\$ 130,461</u> | <u>\$ 5,538,701</u> | <u>\$ 5,094,019</u> | <u>\$ 19,360</u> |
| LIABILITIES AND NET ASSETS | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable | \$ 486,412 | \$ 21,907 | \$ 39,196 | \$ 21,385 | \$ 24,086 | \$ - |
| Cash and cash equivalents held for others | 124,416 | - | - | - | - | - |
| Compensated absences | 258,972 | - | 16,360 | - | - | - |
| Refundable advances/Deferred Revenue | 56,702 | 1,395 | 1,026 | 14,886 | 11,146 | - |
| Current portion of long-term debt | 54,886 | 3,150 | - | 1,999 | 7,935 | - |
| Total current liabilities | <u>981,388</u> | <u>26,452</u> | <u>56,582</u> | <u>38,270</u> | <u>43,167</u> | <u>-</u> |
| LONG TERM DEBT | | | | | | |
| Notes and interest payable | 793,924 | 204,095 | 212,968 | 1,357,921 | 1,418,730 | - |
| Other liabilities | 223,123 | - | - | - | - | - |
| Total long term liabilities | <u>1,017,047</u> | <u>204,095</u> | <u>212,968</u> | <u>1,357,921</u> | <u>1,418,730</u> | <u>-</u> |
| Total liabilities | <u>1,998,435</u> | <u>230,547</u> | <u>269,550</u> | <u>1,396,191</u> | <u>1,461,897</u> | <u>-</u> |
| NET ASSETS | | | | | | |
| Unrestricted net assets and controlling interests in partnerships | 10,321,263 | (57,594) | (139,089) | (97) | (15) | 19,360 |
| Noncontrolling interests in partnerships | - | - | - | 4,142,607 | 3,632,137 | - |
| Common Stock | - | 5,000 | - | - | - | - |
| Temporarily restricted net assets | 235,480 | - | - | - | - | - |
| Total net assets | <u>10,556,743</u> | <u>(52,594)</u> | <u>(139,089)</u> | <u>4,142,510</u> | <u>3,632,122</u> | <u>19,360</u> |
| Total liabilities and net assets | <u>\$ 12,555,178</u> | <u>\$ 177,953</u> | <u>\$ 130,461</u> | <u>\$ 5,538,701</u> | <u>\$ 5,094,019</u> | <u>\$ 19,360</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)

June 30, 2015

| ASSETS | Eagle Manor | | | | Consolidated |
|---|---------------------|---------------------|---------------------|-----------------------|----------------------|
| | Project No. 2, Inc. | Big Boulder | River Rock | Eliminations | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents, operations | \$ - | \$ 4,541 | \$ 59,498 | \$ - | \$ 956,014 |
| Cash and cash equivalents, custodial | - | - | - | - | 124,416 |
| Accounts receivable | - | 13,543 | 9,906 | - | 129,780 |
| Related party receivable | - | 368 | - | (91,302) | 27,225 |
| Grants receivable | - | - | - | - | 316,068 |
| Current portion of notes and interest receivable | - | - | - | - | 11,857 |
| Prepaid deposits and expenses | 939 | 3,884 | 1,038 | - | 60,649 |
| Inventory | - | - | - | - | 45,921 |
| High School House Project | - | - | - | - | 41,392 |
| Total current assets | <u>939</u> | <u>22,336</u> | <u>70,442</u> | <u>(91,302)</u> | <u>1,713,322</u> |
| FIXED ASSETS | | | | | |
| Land | - | 503,335 | 575,332 | - | 1,725,465 |
| Land improvements, net | - | 53,174 | 85,765 | - | 179,212 |
| Leasehold improvements, net | - | - | - | - | 58,082 |
| Buildings, net | - | 6,090,888 | 4,707,828 | (3,087,398) | 19,261,183 |
| Equipment, net | - | 97,607 | 135,769 | - | 395,093 |
| Total fixed assets | <u>-</u> | <u>6,745,004</u> | <u>5,504,694</u> | <u>(3,087,398)</u> | <u>21,619,035</u> |
| OTHER ASSETS | | | | | |
| Investments | (2,152) | - | - | (2,746) | 1,000 |
| Cash restricted for security deposits and reserves | - | 135,901 | 178,718 | - | 771,680 |
| Construction in progress | - | - | - | - | 36,598 |
| Long-term related party receivable | - | - | - | (22,437) | 11,727 |
| Long-term notes and interest receivable | 386,948 | - | - | (4,073,153) | 5,101,933 |
| Long-term accounts receivable | - | - | - | - | 6,260 |
| Deferred costs, net | - | 7,155 | 23,109 | - | 50,175 |
| Total other assets | <u>384,796</u> | <u>143,056</u> | <u>201,827</u> | <u>(4,098,336)</u> | <u>5,979,373</u> |
| Total assets | <u>\$ 385,735</u> | <u>\$ 6,910,396</u> | <u>\$ 5,776,963</u> | <u>\$ (7,277,036)</u> | <u>\$ 29,311,730</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | \$ 22,437 | \$ 48,150 | \$ 45,695 | \$ (113,739) | \$ 595,529 |
| Cash and cash equivalents held for others | - | - | - | - | 124,416 |
| Compensated absences | - | - | - | - | 275,332 |
| Refundable advances/Deferred Revenue | - | 11,556 | 13,982 | - | 110,693 |
| Current portion of long-term debt | - | 3,649 | - | - | 71,619 |
| Total current liabilities | <u>22,437</u> | <u>63,355</u> | <u>59,677</u> | <u>(113,739)</u> | <u>1,177,589</u> |
| LONG TERM DEBT | | | | | |
| Notes and interest payable | - | 667,067 | 1,163,946 | (4,073,153) | 1,745,498 |
| Other liabilities | - | - | - | - | 223,123 |
| Total long term liabilities | <u>-</u> | <u>667,067</u> | <u>1,163,946</u> | <u>(4,073,153)</u> | <u>1,968,621</u> |
| Total liabilities | <u>22,437</u> | <u>730,422</u> | <u>1,223,623</u> | <u>(4,186,892)</u> | <u>3,146,210</u> |
| NET ASSETS | | | | | |
| Unrestricted net assets and controlling interests in partnerships | 363,298 | 6,179,974 | (2,881) | (3,085,144) | 13,599,075 |
| Noncontrolling interests in partnerships | - | - | 4,556,221 | - | 12,330,965 |
| Common Stock | - | - | - | (5,000) | - |
| Temporarily restricted net assets | - | - | - | - | 235,480 |
| Total net assets | <u>363,298</u> | <u>6,179,974</u> | <u>4,553,340</u> | <u>(3,090,144)</u> | <u>26,165,520</u> |
| Total liabilities and net assets | <u>\$ 385,735</u> | <u>\$ 6,910,396</u> | <u>\$ 5,776,963</u> | <u>\$ (7,277,036)</u> | <u>\$ 29,311,730</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
June 30, 2015

| | <u>RMDC</u> | <u>RMFP</u> | <u>RMDC Eagle Rock Inc.</u> | <u>EMII</u> | <u>EMIII</u> | <u>Penkay Eagles Manor, Inc.</u> |
|--|----------------------|--------------------|---------------------------------|---------------------|---------------------|--------------------------------------|
| CHANGE IN UNRESTRICTED NET ASSETS | | | | | | |
| Revenues and Gains | | | | | | |
| Grants - federal | \$ 5,004,379 | \$ 45,507 | \$ 60,604 | \$ 118,415 | \$ 81,054 | \$ - |
| Grants - other | 903,823 | - | - | - | - | - |
| County tax | 335,916 | - | - | - | - | - |
| Local support | 41,937 | - | - | - | - | - |
| Fundraising & donations | 99,186 | - | 36 | - | - | - |
| Program service | 1,197,743 | 18,407 | 499,325 | 182,568 | 129,850 | - |
| Other | 202,243 | 43 | 9,184 | 363 | 226 | 38,713 |
| In-kind | 743,784 | - | - | - | - | - |
| Total unrestricted revenues and gains | <u>8,529,011</u> | <u>63,957</u> | <u>569,149</u> | <u>301,346</u> | <u>211,130</u> | <u>38,713</u> |
| Net Assets Released from Restrictions | | | | | | |
| Satisfaction of restrictions | 3,611 | - | 118 | - | - | - |
| Total unrestricted revenues, gains and other support | <u>8,532,622</u> | <u>63,957</u> | <u>569,267</u> | <u>301,346</u> | <u>211,130</u> | <u>38,713</u> |
| Expenses and Losses | | | | | | |
| Aging & Nutrition | 2,095,999 | - | - | - | - | - |
| Corporation for National Service | 1,084,603 | - | - | - | - | - |
| Housing - General | 644,959 | 67,833 | 571,618 | 533,760 | 371,558 | 8,175 |
| Other Programs | 181,342 | - | - | - | - | - |
| Preschool/Childcare | 3,418,849 | - | - | - | - | - |
| Senior Activities | 110,939 | - | - | - | - | - |
| Transportation | 42,901 | - | - | - | - | - |
| Weatherization | 686,299 | - | - | - | - | - |
| Total program expenses and losses | <u>8,265,891</u> | <u>67,833</u> | <u>571,618</u> | <u>533,760</u> | <u>371,558</u> | <u>8,175</u> |
| General and Administrative | 1,747,370 | - | - | - | - | - |
| Recovery of indirect costs from programs | (793,277) | - | - | - | - | - |
| Recovery of other allocated costs from programs | (846,353) | - | - | - | - | - |
| | 107,740 | - | - | - | - | - |
| Fundraising | 6,241 | - | - | - | - | - |
| Total unrestricted expenses and losses | <u>8,379,872</u> | <u>67,833</u> | <u>571,618</u> | <u>533,760</u> | <u>371,558</u> | <u>8,175</u> |
| CHANGE IN UNRESTRICTED NET ASSETS | <u>152,750</u> | <u>(3,876)</u> | <u>(2,351)</u> | <u>(232,414)</u> | <u>(160,428)</u> | <u>30,538</u> |
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS | | | | | | |
| Contributions | 91,661 | - | - | - | - | - |
| Net assets released - satisfaction of donor restrictions | (3,611) | - | (118) | - | - | - |
| Changes in temporarily restricted net assets | <u>88,050</u> | <u>-</u> | <u>(118)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net assets | 240,800 | (3,876) | (2,469) | (232,414) | (160,428) | 30,538 |
| Partnership contributions/(distributions) | - | - | - | (3,606) | - | - |
| Common stock | - | - | - | - | - | - |
| Consolidated net assets, beginning of year | <u>10,315,943</u> | <u>(48,718)</u> | <u>(136,620)</u> | <u>4,378,530</u> | <u>3,792,550</u> | <u>(11,178)</u> |
| Consolidated net assets, end of year | <u>\$ 10,556,743</u> | <u>\$ (52,594)</u> | <u>\$ (139,089)</u> | <u>\$ 4,142,510</u> | <u>\$ 3,632,122</u> | <u>\$ 19,360</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES (CONTINUED)

June 30, 2015

| | Eagle Manor Project No. 2. | Big Boulder | River Rock | Eliminations | Consolidated |
|--|-------------------------------|---------------------|---------------------|-----------------------|----------------------|
| CHANGE IN UNRESTRICTED NET ASSETS | | | | | |
| Revenues and Gains | | | | | |
| Grants - federal | \$ - | \$ 96,737 | \$ 28,792 | \$ (60,604) | \$ 5,374,884 |
| Grants - other | - | - | - | - | 903,823 |
| County tax | - | - | - | - | 335,916 |
| Local support | - | - | - | - | 41,937 |
| Fundraising & donations | - | - | - | - | 99,222 |
| Program service | - | 113,004 | 150,689 | (329,245) | 1,962,341 |
| Other | 10,971 | 230 | 4,094 | (111,165) | 154,902 |
| In-kind | - | - | - | - | 743,784 |
| Total unrestricted revenues and gains | <u>10,971</u> | <u>209,971</u> | <u>183,575</u> | <u>(501,014)</u> | <u>9,616,809</u> |
| Net Assets Released from Restrictions | | | | | |
| Satisfaction of restrictions | - | - | - | - | 3,729 |
| Total unrestricted revenues, gains and other support | <u>10,971</u> | <u>209,971</u> | <u>183,575</u> | <u>(501,014)</u> | <u>9,620,538</u> |
| Expenses and Losses | | | | | |
| Aging & Nutrition | - | - | - | (60,604) | 2,035,395 |
| Corporation for National Service | - | - | - | - | 1,084,603 |
| Housing - General | 9,200 | 420,505 | 330,196 | (440,499) | 2,517,305 |
| Other Programs | - | - | - | - | 181,342 |
| Preschool/Childcare | - | - | - | - | 3,418,849 |
| Senior Activities | - | - | - | - | 110,939 |
| Transportation | - | - | - | - | 42,901 |
| Weatherization | - | - | - | - | 686,299 |
| Total program expenses and losses | 9,200 | 420,505 | 330,196 | (501,103) | 10,077,633 |
| General and Administrative | - | - | - | - | 1,747,370 |
| Recovery of indirect costs from programs | - | - | - | - | (793,277) |
| Recovery of other allocated costs from programs | - | - | - | - | (846,353) |
| | - | - | - | - | 107,740 |
| Fundraising | - | - | - | - | 6,241 |
| Total unrestricted expenses and losses | <u>9,200</u> | <u>420,505</u> | <u>330,196</u> | <u>(501,103)</u> | <u>10,191,614</u> |
| CHANGE IN UNRESTRICTED NET ASSETS | <u>1,771</u> | <u>(210,534)</u> | <u>(146,621)</u> | <u>89</u> | <u>(571,076)</u> |
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS | | | | | |
| Contributions | - | - | - | - | 91,661 |
| Net assets released - satisfaction of donor restrictions | - | - | - | - | (3,729) |
| Changes in temporarily restricted net assets | - | - | - | - | 87,932 |
| Change in net assets | 1,771 | (210,534) | (146,621) | 89 | (483,144) |
| Partnership contributions/(distributions) | - | - | 1,032,523 | - | 1,028,917 |
| Common stock | - | - | - | - | - |
| Consolidated net assets, beginning of year | <u>361,527</u> | <u>6,390,508</u> | <u>3,667,438</u> | <u>(3,090,233)</u> | <u>25,619,747</u> |
| Consolidated net assets, end of year | <u>\$ 363,298</u> | <u>\$ 6,179,974</u> | <u>\$ 4,553,340</u> | <u>\$ (3,090,144)</u> | <u>\$ 26,165,520</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF CONSOLIDATING ELIMINATIONS
June 30, 2015

| | <u>RMDC</u> | <u>RMFP</u> | <u>ERI</u> | <u>EM II</u> | <u>EM III</u> | Penkay Eagles |
|--|---------------------|--------------------|-------------------|---------------------|---------------------|------------------|
| ASSETS | | | | | | |
| Related party receivables | \$ 88,565 | \$ - | \$ 24,806 | \$ - | \$ - | \$ - |
| Buildings | - | - | - | 656,109 | 727,539 | - |
| Investment in housing | 5,010 | - | - | - | - | (112) |
| Long-term notes and interest receivable | <u>3,686,205</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 3,779,780</u> | <u>\$ -</u> | <u>\$ 24,806</u> | <u>\$ 656,109</u> | <u>\$ 727,539</u> | <u>\$ (112)</u> |
| LIABILITIES | | | | | | |
| Accounts payable to RMDC | \$ - | \$ 20,588 | \$ - | \$ 6,622 | \$ 4,330 | \$ - |
| Accounts payable to RMDC Eagle Rock | 17,584 | - | - | 3,847 | 1,882 | - |
| Accounts payable to Big Boulder | - | - | 368 | - | - | - |
| Notes and interest payable to RMDC | - | - | 212,968 | 866,658 | 1,015,363 | - |
| Notes and interest payable to EM Project No. 2 | - | - | - | <u>386,948</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>\$ 17,584</u> | <u>\$ 20,588</u> | <u>\$ 213,336</u> | <u>\$ 1,264,075</u> | <u>\$ 1,021,575</u> | <u>\$ -</u> |
| NET ASSETS | | | | | | |
| Unrestricted net assets | \$ - | \$ - | \$ - | \$ 656,109 | \$ 727,539 | \$ - |
| Paid-in capital | - | - | - | - | - | (73) |
| Common Stock | - | <u>5,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities and Net Assets | <u>\$ 17,584</u> | <u>\$ 25,588</u> | <u>\$ 213,336</u> | <u>\$ 1,920,184</u> | <u>\$ 1,749,114</u> | <u>\$ (73)</u> |
| REVENUE | | | | | | |
| RMDC service fees | \$ 264,089 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Eagle Rock service fees | - | - | 65,156 | - | - | - |
| Partnership fees | - | - | - | - | - | 36,330 |
| Commodities from RMDC | - | - | 60,604 | - | - | - |
| Interest on note due from EM II | - | - | - | - | - | - |
| Interest on notes due from related organizations | <u>65,869</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenue | <u>\$ 329,958</u> | <u>\$ -</u> | <u>\$ 125,760</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 36,330</u> |
| EXPENSES | | | | | | |
| Expenses from RMDC service fees | \$ - | \$ 21,567 | \$ 13,032 | \$ 73,338 | \$ 45,038 | \$ 521 |
| Expenses from Eagle Rock service fees | - | - | - | 35,351 | 18,039 | - |
| Partnership fees | - | - | - | 32,458 | 3,872 | 39 |
| Commodities from RMDC to Eagle Rock | 60,604 | - | - | - | - | - |
| Interest on note due to EM Proj No. 2 | - | - | - | 3,739 | - | - |
| Interest on notes due to RMDC | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,288</u> | <u>-</u> |
| Total Expenses | <u>60,604</u> | <u>21,567</u> | <u>13,032</u> | <u>144,886</u> | <u>98,237</u> | <u>560</u> |
| Change in Net Assets Due to Eliminations | <u>\$ 269,354</u> | <u>\$ (21,567)</u> | <u>\$ 112,728</u> | <u>\$ (144,886)</u> | <u>\$ (98,237)</u> | <u>\$ 35,770</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF CONSOLIDATING ELIMINATIONS (CONTINUED)
June 30, 2015

| | Eagle Manor | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Project No. 2, Inc. | Big Boulder | River Rock | Total |
| ASSETS | | | | |
| Related party receivables | \$ - | \$ 368 | \$ - | \$ 113,739 |
| Buildings | - | 912,340 | 791,410 | 3,087,398 |
| Investment in housing | (2,152) | - | - | 2,746 |
| Long-term notes and interest receivable | 386,948 | - | - | 4,073,153 |
| Total Assets | <u>\$ 384,796</u> | <u>\$ 912,708</u> | <u>\$ 791,410</u> | <u>\$ 7,277,036</u> |
| LIABILITIES | | | | |
| Accounts payable to RMDC | \$ 22,437 | \$ 30,776 | \$ 3,812 | \$ 88,565 |
| Accounts payable to RMDC Eagle Rock | - | - | 1,493 | 24,806 |
| Accounts payable to Big Boulder | - | - | - | 368 |
| Notes and interest payable to RMDC | - | 427,270 | 1,163,946 | 3,686,205 |
| Notes and interest payable to EM Project No. 2 | - | - | - | 386,948 |
| Total Liabilities | <u>\$ 22,437</u> | <u>\$ 458,046</u> | <u>\$ 1,169,251</u> | <u>\$ 4,186,892</u> |
| NET ASSETS | | | | |
| Unrestricted net assets | \$ - | \$ 912,340 | \$ 791,410 | \$ 3,087,398 |
| Paid-in capital | (2,102) | 10 | - | (2,165) |
| Common Stock | - | - | - | 5,000 |
| Total Liabilities and Net Assets | <u>\$ 20,335</u> | <u>\$ 1,370,396</u> | <u>\$ 1,960,661</u> | <u>\$ 7,277,125</u> |
| REVENUE | | | | |
| RMDC service fees | \$ - | \$ - | \$ - | \$ 264,089 |
| Eagle Rock service fees | - | - | - | 65,156 |
| Partnership fees | 5,227 | - | - | 41,557 |
| Commodities from RMDC | - | - | - | 60,604 |
| Interest on note due from EM II | 3,739 | - | - | 3,739 |
| Interest on notes due from related organizations | - | - | - | 65,869 |
| Total Revenue | <u>\$ 8,966</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 501,014</u> |
| EXPENSES | | | | |
| Expenses from RMDC service fees | \$ 474 | \$ 67,727 | \$ 42,392 | \$ 264,089 |
| Expenses from Eagle Rock service fees | - | 2,016 | 9,750 | 65,156 |
| Partnership fees | 50 | - | 5,227 | 41,646 |
| Commodities from RMDC to Eagle Rock | - | - | - | 60,604 |
| Interest on note due to EM Proj No. 2 | - | - | - | 3,739 |
| Interest on notes due to RMDC | - | 4,186 | 30,395 | 65,869 |
| Total Expenses | <u>524</u> | <u>73,929</u> | <u>87,764</u> | <u>501,103</u> |
| Change in Net Assets Due to Eliminations | <u>\$ 8,442</u> | <u>\$ (73,929)</u> | <u>\$ (87,764)</u> | <u>\$ (89)</u> |



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