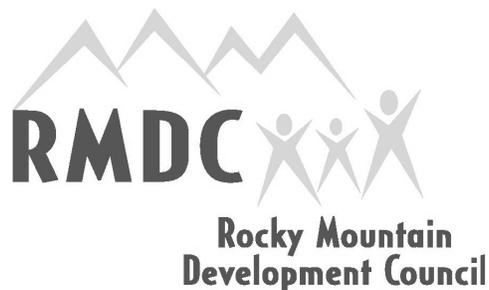


# **Rocky Mountain Development Council, Inc.**

## **Financial Report**

**June 30, 2011**



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**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
ORGANIZATION  
DECEMBER 2011**

Board of Directors

Jon Chacopulos  
Andrea Edgar  
Helen Fandrich  
Elaine Graveley  
Rachel Haberman  
Debbie Havens  
Derek Brown  
Dave Kirsch  
Matt Kuntz  
Jerome Loendorf  
Keith Meyer  
Becky Romero  
Daniel Pocha  
Bill Roberts  
Lee Shoup  
Brian Garrity  
Joan Anderson

Officers and Administrators

Debbie Havens, President  
Helen Fandrich, Vice President  
Daniel Pocha, Secretary/Treasurer  
Gene Leuwer, Executive Director  
Jan Kalgaard, CPA, Director of Finance

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of Rocky Mountain Development Council, Inc. (RMDC) as of June 30, 2011, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of RMDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the affiliated entities were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain Development Council, Inc. as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2012, on our consideration of RMDC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of RMDC taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. The consolidating schedule of activities, consolidating schedule of financial position, and schedules of indirect cost reconciliation, transfers and summary of programs by grantor agencies are also presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

A handwritten signature in cursive script that reads "Anderson Zurmuehlen & Co., P.C.".

Helena, Montana  
February 1, 2012

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 673,140
Accounts receivable	400,133
Related party receivable	24,700
Grants receivable	534,551
Current portion of notes and interest receivable	20,541
Prepaid deposits and expenses	69,375
Inventory	39,740
Asset held for sale	2,800
Total current assets	1,764,980

**FIXED ASSETS**

Land	1,208,634
Land improvements - net	97,660
Leasehold improvements - net	90,920
Buildings - net	15,774,160
Equipment - net	528,617
Total fixed assets	17,699,991

**OTHER ASSETS**

Investment in housing project	1,330
Construction in progress	139,811
Long-term notes and interest receivable	5,007,373
Preacquisition costs	32,575
Deferred costs - net	45,771
Total other assets	5,226,859

**Total Assets** \$ 24,691,830

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 1,286,659
Compensated absences	462,506
Refundable advances	177,671
Current portion of long-term debt	31,441
Line of credit advances	300,000
Total current liabilities	2,258,276

**LONG TERM DEBT**

Notes and interest payable	1,646,162
----------------------------	-----------

**NET ASSETS**

Unrestricted net assets:	
Controlling interests	11,339,798
Noncontrolling interest in partnership equity	9,424,592
Total unrestricted net assets	20,764,390
Temporarily restricted net assets	23,001
Total net assets	20,787,392
<b>Total Liabilities and Net Assets</b>	<b>\$ 24,691,830</b>

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**CHANGES IN UNRESRICTED NET ASSETS**

**Revenues and Gains**

Grants - federal	\$ 7,710,059
Grants - other	4,555,448
County tax	507,824
Local support	85,162
Fundraising & donations	286,442
Program service	2,412,089
Other	167,061
Inkind	784,226
Total Unrestricted Revenues and Gains	<u>16,508,311</u>

**Net Assets Released from Temporary Restrictions**

Satisfaction of Restrictions	
Total Net Assets Released from Restrictions	18,138
Total Unrestricted Revenues, Gains and Other Support	<u>16,526,449</u>

**Expenses and Losses**

Aging & Nutrition	1,954,970
Corporation for National Service	1,090,443
Emergency & Youth Shelter	737,313
Housing - General	2,598,823
Other	948,520
Preschool/Childcare	2,983,917
Senior Activities	116,720
Transportation	19,703
Weatherization	1,710,183
Total Program Expenses and Losses	<u>12,160,592</u>
General and Administrative	1,121,967
Fund Raising	24,212
Total Unrestricted Expenses and Losses	<u>13,306,772</u>

**CHANGES IN UNRESTRICTED NET ASSETS** 3,219,677

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Contributions	10,399
Net assets released from restrictions	(18,138)

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS** (7,739)

**TOTAL CHANGE IN NET ASSETS** 3,211,938

**PAID-IN CAPITAL** (1,558)

**CONSOLIDATED NET ASSETS, BEGINNING OF YEAR** 17,577,012

**CONSOLIDATED NET ASSETS, END OF YEAR** \$ 20,787,391

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

	PROGRAM EXPENSES					
	GENERAL & ADMINISTRATIVE	AGING & NUTRITION	CORP FOR NATL SERVICE	EMERGENCY & RUNAWAY	HOUSING	OTHER
Advertising	\$ 2,728	\$ 705	\$ 3,720	\$ 862	\$ 5,442	\$ 1,393
Assistance Payments	-	-	-	-	-	186,907
Communications	14,308	15,427	9,412	10,998	31,862	9,113
Consultant/Contract	20,757	36,515	1,110	6,441	221,510	11,196
Equipment Rent/Maintenance	14,580	3,306	1,558	750	1,698	1,403
Inkind	-	-	76,397	-	164	500
Insurance	11,032	6,511	44	6,597	59,297	45
Legal Fees	576	-	-	-	7,725	-
Materials & Supplies	14,232	35,323	2,129	4,449	55,911	5,828
Meal Costs	334	182,173	-	18,492	228,490	7,160
Occupancy	28,369	46,708	5,965	23,349	241,458	50,110
Office Supplies	19,577	7,094	4,331	3,061	10,886	1,352
Other	4,550	18,491	2,455	9,810	20,388	12,678
Pass Through Grants	-	636,770	-	24,840	-	73,200
Photocopies/Printing	4,372	3,839	-	271	4,223	3,773
Salaries and Related Expenses	970,632	937,571	286,219	599,599	983,389	477,242
Stipends	-	-	488,463	-	-	400
Travel/Training	15,508	51,160	23,481	3,306	33,835	13,444
Vehicle Maintenance/Repair	79	12,545	6,988	8,135	35	122
Volunteer Participant Expense	1	-	178,135	-	1,600	873
Interest Expense	-	6,672	-	-	64,283	19,139
Depreciation	332	10,143	34	16,353	570,642	72,638
<b>Total Functional Expenses</b>	<b>\$ 1,121,967</b>	<b>\$ 2,010,954</b>	<b>\$ 1,090,443</b>	<b>\$ 737,313</b>	<b>\$ 2,542,839</b>	<b>\$ 948,520</b>

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

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

PROGRAM EXPENSES							
PRESCHOOL CHILDCARE	SENIOR ACTIVITIES	TRANSPORTATION	WEATHERIZATION	TOTAL PROGRAM	FUNDRAISING	TOTAL	
\$ 2,806	\$ 388	\$ -	\$ 2,659	\$ 17,975	\$ 1,846	\$ 22,550	
-	-	-	143,865	330,773	-	330,773	
14,965	3,105	-	12,150	107,032	997	122,337	
93,733	5,948	17	286,256	662,726	9,900	693,384	
11,209	2,735	8	2,973	25,640	-	40,220	
674,063	-	-	-	751,124	-	751,124	
17,534	1,671	-	13,940	105,639	-	116,671	
-	-	-	-	7,725	-	8,301	
61,363	1,902	-	264,896	431,801	5,322	451,355	
101,576	-	-	-	537,892	-	538,226	
166,185	51,008	-	48,097	632,881	-	661,250	
3,933	322	8	10,717	41,705	136	61,418	
5,805	1,641	-	14,054	85,323	996	90,869	
-	-	-	-	734,810	-	734,810	
1,357	7,351	-	1,747	22,561	828	27,760	
1,764,434	33,339	-	815,801	5,897,595	3,561	6,871,789	
-	-	-	-	488,863	-	488,863	
35,939	313	-	18,838	180,316	474	196,297	
820	6,363	-	29,806	64,814	-	64,894	
3	1	-	-	180,613	153	180,766	
2,550	-	-	7,569	100,213	-	100,213	
25,643	633	19,670	36,814	752,570	-	752,902	
<u>\$ 2,983,917</u>	<u>\$ 116,720</u>	<u>\$ 19,703</u>	<u>\$ 1,710,183</u>	<u>\$ 12,160,591</u>	<u>\$ 24,212</u>	<u>\$ 13,306,771</u>	

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

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 3,211,938
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Depreciation	748,193
Amortization expense	4,709
Loss on sale of assets	38,324
Donated assets	(33,102)
Change in assets and liabilities:	
Increase in current receivables	(49,488)
Decrease in grant receivables	87,163
Decrease in prepaid expenses	(38,494)
Decrease in inventory	20,629
Increase in long-term interest receivable	(148,886)
Increase accounts payable & accrued expenses	231,561
Increase in compensated absences	41,364
Increase in refundable advances	36,263
Increase in deferred interest payable	37,391
Net cash provided by operating activities	<u>4,187,566</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of land, property and equipment	(5,843,850)
Construction in progress and completed	524,917
Preacquisition costs incurred	(13,823)
Proceeds from the sale of property	421,858
Increase in long-term notes receivable	(2,356)
Principal payments received on long-term notes receivable	24,556
Organizational and financing costs	1,640
Paid-in capital on partnership investments	(1,778)
Net cash used in investing activities	<u>(4,888,836)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net changes in line of credit and short-term notes	(29,027)
Proceeds from long-term debt	804,581
Principal payments on long-term debt	(95,392)
Net cash provided by financing activities	<u>680,163</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(21,106)
Cash, beginning of year	<u>694,249</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 673,140</u>
<b>SUPPLEMENTAL INFORMATION</b>	
Interest Paid	<u>\$ 100,213</u>

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011

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 an eighteen 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 twenty-nine 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.

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., Eagle Manor II Residences LP (EM II), Eagle Manor III Residences LP (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 and disclosed in the schedule at the end of Note 1.

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.

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 low income residents of Eagle Rock Residence Limited Partnership (Penkay), EM II, EM III, Ptarmigan Residence LP (Ptarmigan), and Pheasant Glen Limited Partnership (Pheasant Glen). These services primarily relate to the provision of a congregate meal program for the residents, 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, 2011

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. EM II has operated the facility since the acquisition.

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.

EM III was organized in July 2006 by RMDC 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. Penkay Eagles Manor, Inc. is the general partner and Homestead Equity Fund VI, LP and Homestead SLP, LLC are the limited partners. RMDC is the guarantor for the project.

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.

Big Boulder was organized in April 2009 by RMDC to develop and operate affordable housing. RMDC Big Boulder, LLC is the general partner and RMDC is the limited partner.

River Rock was organized in December 2010 by RMDC to develop and operate affordable housing. RMDC River Rock, LLC is the general partner and RMDC is the limited partner. RMDC is negotiating with Mountain Plains Equity Group to provide a replacement limited partner for RMDC.

***Other Related Party Entities***

RMDC created RMDC Ptarmigan, Inc., a non-profit corporation, to serve as the general partner in 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. RMDC does not possess an ownership interest in RMDC Ptarmigan, Inc. or hold a majority of the Board of Directors positions. As a result, the financial activities of RMDC Ptarmigan, Inc. and its related organizations are not included in the RMDC consolidated financial statements.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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

The schedule at the end of Note 1 describes the related party transactions that occurred during the fiscal year ended June 30, 2011.

***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).

***Cash and Cash Equivalents***

RMDC maintains pooled petty cash and deposit accounts that are used by all programs.

For purposes of the statement of cash flows all checking accounts, savings accounts, and overnight repurchase agreements are considered cash equivalents. Deposits are carried at cost, which approximates market value.

***Accounts Receivable***

Accounts receivable primarily represent amounts due to RMDC and RMDC Eagle Rock, Inc. Amounts owed to RMDC are due to contracts with the State of Montana for providing home weatherization, aging and nutrition programs, and housing development services. Amounts owed to RMDC Eagle Rock, Inc. are from tenants of the Eagle Manor complex who participate in the meals program. 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 no payment terms are agreed upon.

***Related Party Receivable***

Related party receivable represents amounts due from organizations affiliated with RMDC. The current balance consists primarily of a receivable from RMDC Ptarmigan, Inc. for expenses paid on its behalf by RMDC.

***Grants Receivable***

Grants receivable consist primarily 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. 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 low-income and senior citizen housing projects and agreed to defer payments due for services rendered to other organizations. Information concerning these loans is provided in Note 3. The

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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

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, 2011.

***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.

***Asset Held for Sale***

Long-lived assets that are to be sold within one year are classified as an asset held for sale. Assets held for sale are reported at the lower of cost or the fair value less selling costs.

***Fixed Assets***

RMDC capitalizes property and equipment with an original cost greater than \$5,000. The capitalization cost threshold for affiliated organizations varies from \$1,000 to \$2,500. 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 5 to 31.5 years.

***Construction in Progress***

Construction in progress represents the costs incurred on the Big Boulder rehabilitation project, and Townsend Homestead Manor project as of June 30, 2011. Eliminated from this amount on the Consolidated Statement of Financial Position is \$300,000, which represents the developer fees paid by Big Boulder to RMDC.

The Big Boulder project completed its primary phase in April 2011 and expects to complete the final phase by December 2011. The estimated cost at completion is \$7.7 million.

***Preacquisition Costs***

Preacquisition costs represent the costs RMDC has incurred on the River Rock and High School House projects in advance of acquiring these properties. As of June 30, 2011, RMDC has incurred costs of \$15,923 and \$2,100 for the River Rock and High School House projects,

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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

respectively. At June 30, 2011 it was considered probable that these acquisitions would occur in the future. If the acquisitions do not occur, the preacquisition costs will be expensed.

***Deferred Costs***

Deferred costs include financing charges and fees paid by EM II, EM III and the Big Boulder project (net of amortization) totaled \$23,081, \$15,063, and \$7,627, respectively. The deferred costs related to financing activities are amortized on a straight line basis over the term of the loan and period benefited. At June 30, 2011 accumulated amortized fees for EM II, EM III and the Big Boulder project are \$26,303, \$8,009 and \$2,833, respectively.

***Compensated Absences***

RMDC and RMDC Eagle Rock, Inc. permit employees to accumulate earned but unused annual and sick leave benefits. Non-union employees earn annual leave at the rate of 15 days per year for the first five years of employment. An additional three days per year are earned for each additional five years of employment. There are no requirements that annual leave be taken. Supervisors shall work with their employees to maintain their accrued annual leave balance below 30 days. At termination, employees are paid for any accumulated annual leave.

Employees earn sick leave at the rate of 12 days per year. There is no limit on the accumulation of sick leave. At termination, employees are paid 25% of their accumulated leave.

RMDC union employees earn personal leave on the basis of .02 hours for each scheduled hour at the beginning of the school year. At termination, employees are not paid for any accumulated personal leave. If an employee terminates and has used more personal leave than they were eligible for, the ineligible amount will be deducted from their final paycheck. If the final paycheck does not cover the amount, the employee will be billed for the shortfall. September 1 through August 31 will be the eligible period of utilization for personal leave. It is understood that "days" means the actual number of hours an employee is scheduled to work. Up to three (3) personal days can be used at the end of the school year as paid days. An employee may only carry over from one year into the next, no more than two (2) days of accrued personal leave.

The reported compensated absence liability reflects the amount due employees for their annual leave balance and 25% of their sick leave balance at June 30, 2011, applying current pay rates and applicable benefits. The compensated absence expense is associated with the program(s) that pay the employees' salaries.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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

***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***

Indirect costs that benefit all RMDC programs are allocated to each program using an approved indirect cost rate. The approved rate for RMDC is provisional at 11.7% beginning July 1, 2010. This rate will be reviewed by RMDC's federal cognizant agency during FY 2012.

***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 10. Management has calculated its estimated liability as required by U.S. GAAP and has determined it to be immaterial at June 30, 2011.

***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 are classified as refundable advances until expended for the purposes of the grant.

***Net Assets and Noncontrolling Interest in Partnership Equity***

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, 2011.

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

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

The Big Boulder and River Rock partnership agreements also require monetary contributions required from the general and limited partners. The contributions received by each organization

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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

from their respective partners are reported as part of consolidated unrestricted net assets as these entities are directly controlled by RMDC.

***Advertising and Promotional Costs***

Advertising and promotional costs are expensed as incurred. For the year ended June 30, 2011 advertising and promotion costs total approximately \$22,550.

***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., Eagles Manor Project No. 2, Inc. With few exceptions, information returns for tax years prior to 2008 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 2008 remain subject to review by state and local taxing authorities for these entities.

***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 February 1, 2012, the date which the financial statements were available for issue. Note 12 describes events requiring disclosure.

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
SCHEDULE OF RELATED PARTY CONSOLIDATION ELIMINATIONS

	<u>RMDC</u>	<u>RMFP</u>	<u>RMDC Eagle Rock, Inc.</u>
<b>ASSETS</b>			
Accounts receivable	\$ -	\$ -	\$ (15,937.04)
Related party receivables	(177,428)	-	-
Buildings	-	-	-
Investment in housing	-	-	-
Construction in progress RMDC developer fee	-	-	-
Long-term notes and interest receivable	(2,122,337)	-	-
Total Assets	<u>(2,299,764)</u>	<u>-</u>	<u>(15,937)</u>
<b>LIABILITIES</b>			
Accounts payable to RMDC	-	(295)	(2,000)
Accounts payable to RMDC Eagle Rock	(14,111)	-	-
Notes and interest payable to RMDC	-	-	(21,850)
Notes and interest payable to EM Project No. 2	-	-	-
Total Liabilities	<u>(14,111)</u>	<u>(295)</u>	<u>(23,850)</u>
<b>NET ASSETS</b>			
Unrestricted net assets	(1,683,648)	-	-
Paid-in capital	-	-	-
Total Liabilities and Net Assets	<u>(1,697,759)</u>	<u>(295)</u>	<u>(23,850)</u>
<b>REVENUE</b>			
Service fees from RMDC	(183,060)	-	-
RMDC developer fee EM II and Big Boulder	(570,000)	-	-
Service fees from Eagle Rock	-	-	(62,008)
Commodities due from RMDC	-	-	(55,984)
Interest on note due from EM II	-	-	-
Interest on notes due from related organizations	(31,288)	-	-
Total Revenue	<u>(784,348)</u>	<u>-</u>	<u>(117,992)</u>
<b>EXPENSES</b>			
Expenses from RMDC service fees	(34,764)	-	(8,025)
Expenses from Eagle Rock service fees	-	-	-
Commodities due from RMDC to Eagle Rock	(55,984)	-	-
Interest on note due to EM Proj No. 2	-	-	-
Interest on notes due to RMDC	-	-	-
Total Expenses	<u>(90,748)</u>	<u>-</u>	<u>(8,025)</u>
<b>Change in Net Assets Due to Eliminations</b>	<u>\$ (693,600)</u>	<u>\$ -</u>	<u>\$ (109,967)</u>

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

<u>EM II</u>	<u>EM III</u>	Penkay Eagles <u>Manor, Inc.</u>	Eagle Manor Project <u>No. 2, Inc.</u>	<u>Big Boulder</u>	<u>River Rock</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (15,937.04)
-	-	-	-	-	-	(177,428)
(656,109)	(727,539)	-	-	(570,000)	-	(1,953,648)
-	-	(110)	-	-	-	(110)
-	-	-	-	(300,000)	-	(300,000)
-	-	-	(386,611)	-	-	(2,508,947)
(656,109)	(727,539)	(110)	(386,611)	(870,000)	-	(4,956,071)
(7,021)	-	(89,260)	-	(24,591)	(54,262)	(177,428)
(1,068)	(758)	-	-	-	-	(15,937)
(866,658)	(824,236)	-	-	(409,592)	-	(2,122,337)
(386,611)	-	-	-	-	-	(386,611)
(1,261,359)	(824,994)	(89,260)	-	(434,183)	(54,262)	(2,702,313)
-	-	-	-	(570,000)	-	(2,253,648)
-	-	(110)	-	-	-	(110)
(1,261,359)	(824,994)	(89,370)	-	(1,004,183)	(54,262)	(4,956,071)
(788)	(4,488)	(10,781)	-	-	-	(199,117)
-	-	-	-	-	-	(570,000)
-	-	-	-	-	-	(62,008)
-	-	-	-	-	-	(55,984)
-	-	-	(3,739)	-	-	(3,739)
-	-	-	-	-	-	(31,288)
(788)	(4,488)	(10,781)	(3,739)	-	-	(922,136)
(87,278)	(52,993)	(16,057)	-	-	-	(199,117)
(40,662)	(21,347)	-	-	-	-	(62,009)
-	-	-	-	-	-	(55,984)
(3,739)	-	-	-	-	-	(3,739)
-	(31,288)	-	-	-	-	(31,288)
(131,679)	(105,628)	(16,057)	-	-	-	(352,137)
\$ 130,891	\$ 101,140	\$ 5,276	\$ (3,739)	\$ -	\$ -	\$ (570,000)

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
SCHEDULE OF OTHER RELATED PARTY TRANSACTIONS

	<u>RMDC</u>	<u>RMDC Eagle Rock, Inc.</u>
<b>ASSETS</b>		
Accounts receivable	\$ -	\$ 3,125
Related party receivables	105,669	-
Current portion of notes and interest receivable	9,554	-
Investment in housing	1,000	-
Long-term notes and interest receivable	4,633,186	-
Total Assets	4,749,409	3,125
<b>LIABILITIES</b>		
Accounts payable to RMDC Eagle Rock	-	-
Accounts payable to RMDC	-	-
Current portion of notes and interest payable to RMDC	-	-
Notes and interest payable to RMDC	-	-
Total Liabilities	-	-
<b>NET ASSETS</b>		
Paid-in capital	-	-
Total Liabilities and Net Assets	-	-
<b>REVENUE</b>		
Service fees to RMDC	221,493	-
Service fees to RMDC Eagle Rock	-	68,718
Reimbursement to RMDC for expenses paid	2,357	-
Interest on notes due from related organizations	108,144	-
Total Revenue	331,993	68,718
<b>EXPENSES</b>		
Expenses from RMDC service fees	-	-
Expenses from RMDC Eagle Rock service fees	-	-
Reimburse RMDC for expenses paid	-	-
Interest on notes due to RMDC	-	-
Total Expenses	-	-
<b>Effect on Net Assets</b>	<b>\$ 331,993</b>	<b>\$ 68,718</b>

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

<u>RMDC</u> <u>Ptarmigan, Inc.</u>	<u>RMDC Penkay</u> <u>LLC</u>	<u>Penkay</u>	<u>Ptarmigan</u>	<u>Pheasant Glen</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,125
-	-	-	-	-	105,669
-	-	-	-	-	9,554
-	-	-	-	-	1,000
-	-	-	-	-	4,633,186
-	-	-	-	-	4,752,534
-	-	1,619	753	753	3,125
45,557	-	55,213	2,174	2,725	105,669
-	-	-	9,554	-	9,554
-	-	2,594,210	739,713	1,299,263	4,633,186
45,557	-	2,651,041	752,194	1,302,741	4,751,533
-	-	1,000	-	-	1,000
45,557	-	2,652,041	752,194	1,302,741	4,752,533
-	-	-	-	-	221,493
-	-	-	-	-	68,718
-	-	-	-	-	2,357
-	-	-	-	-	108,144
-	-	-	-	-	400,711
-	-	146,870	42,029	32,594	221,493
-	-	49,036	9,841	9,841	68,718
-	2,357	-	-	-	2,357
-	-	59,677	6,742	41,725	108,144
-	2,357	255,583	58,612	84,160	400,711
\$ -	\$ (2,357)	\$ (255,583)	\$ (58,612)	\$ (84,160)	\$ -

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

NOTE 2: TEMPORARILY RESTRICTED NET ASSETS

RMDC had temporarily restricted net assets of \$23,001 at June 30, 2011. Following is a summary of activity in Temporarily Restricted Net Assets for FY 2011:

Beginning Balance, July 1, 2010	\$30,738
Donor restricted contributions	33,115
Released through satisfaction of use restrictions	<u>40,852</u>
Temporarily restricted net assets, June 30, 2011	<u>\$23,001</u>

At June 30, 2011, temporarily restricted net assets were available for the follow programs:

Senior Services	\$ 8,507
Early Childhood Development	3,498
Mental Health	35
Housing Projects	7,742
Other	<u>3,219</u>
	<u>\$23,001</u>

NOTE 3: LONG-TERM NOTES AND INTEREST RECEIVABLE

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 in a grant from U.S. Bank Corp. Interest accrues at 1% per annum. At June 30, 2011 the principal balance and accrued interest was \$61,737. The principal balance and accrued interest are due April 1, 2019.

On June 1, 1999 RMDC executed a loan 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 original agreement called for 360 monthly installments of \$1,433 through July 2029. The agreement was amended in February 2003 to extend payment until May 2031. At June 30, 2011 the long-term principal balance was \$219,838.

On December 29, 1999 RMDC executed a Development Fee Note with the Roadrunner Residence LP for \$63,726 including interest at 6.47% per annum. The original agreement structured payments of the developer fee due to RMDC on an available cash basis until June 30, 2007. The agreement was amended February 2003 to extend the final payment to December 2014 (within the required fifteen year period for tax credit purposes). Payment remains dependent upon available cash. The long-term principal balance at June 30, 2011 was \$1,995.

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 3: LONG-TERM NOTES AND INTEREST RECEIVABLE (CONTINUED)

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 June 30, 2016. The principal balance and accrued interest at June 30, 2011 was \$21,439.

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. One 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. The principal and accrued interest balance at June 30, 2011 was \$341,000. To the extent there is sufficient available cash (as defined in the Partnership Agreement) 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. The principal balance and accrued interest of the second note was \$380,629 at June 30, 2011.

On August 15, 2003 RMDC executed three 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 and through Community Housing Development Organization (CHDO) funds. The CHDO funds were provided by the Roadrunner housing project's repayment of a HOME note. The three notes are secured by the related property.

One note in the amount of \$59,167 plus accrued interest at 4.27% per annum must be repaid on or before August 15, 2033. The second note in the amount of \$506,157 is payable in monthly installments of \$800, including interest at 4.27%, beginning January 1, 2004 through September 1, 2019. The third note in the amount of \$411,856 is payable in monthly installments of \$333, including interest at 4.27%, beginning January 1, 2004 through September 1, 2019. The second and third note payments are contingent on sufficient available cash (as defined in the Pheasant Glen Partnership Agreement). The principal balance and accrued interest of the notes was \$1,299,263 at June 30, 2011.

Beginning in December 2003, RMDC loaned funds to Penkay to finance the acquisition and rehabilitation of Penkay Eagles Manor. These loans were permitted under provisions of the Limited Partnership Agreement. Funding for these loans were 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 which were signed by both parties in February 2006. The four notes are secured by the related property.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 3: LONG-TERM NOTES AND INTEREST RECEIVABLE (CONTINUED)

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 based on available cash from the operation of Penkay Eagles Manor. The first installment was due on December 31, 2006. The entire remaining balance of principal and accrued interest is due and payable on February 22, 2041. The principal balance and accrued interest was \$511,216 on June 30, 2011.

Under the RMDC 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 based on available cash from the operation of Penkay Eagles Manor. The first installment was due on December 31, 2006. Any remaining balance of principal and accrued interest on October 28, 2041 is subject to renegotiation. The principal balance and accrued interest was \$372,416 on June 30, 2011.

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 based on available cash from the operation of Penkay Eagles Manor. The first installment was due on December 31, 2006. The entire remaining balance of principal and accrued interest is due and payable on February 16, 2041. The principal balance and accrued interest was \$639,797 on June 30, 2011.

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 based on available cash from the operation of Penkay Eagles Manor. The first installment was due on December 31, 2006. The entire remaining loan balance is due and payable on November 22, 2040. The principal balance of the loan on June 30, 2011 is \$650,000.

On February 1, 2007, RMDC executed a loan agreement with Penkay to provide funding of \$346,500 at 4.86% interest compounded annually for the Penkay Eagles Manor project. Funds for the loan were provided by a federal grant. The note is secured by the related property. The principal and accrued interest on the loan is due in annual installments based on available cash from the operation of Penkay Eagles Manor. The first installment was due on December 31, 2007. The entire remaining balance of principal and accrued interest is due and payable on February 16, 2042. The principal balance and accrued interest was \$420,780 on June 30, 2011.

On July 10, 2006, RMDC executed a loan agreement with the Montana Veterans Foundation, Inc. to provide funding of \$50,000 at 1% interest compounded annually for the veterans' transitional housing project. Funds for the loan were provided by a federal grant. The principal and accrued interest on the loan is due in monthly installments based on available cash from the operation of the transitional housing facility. The first installment was due on November 1, 2006. The entire remaining balance of principal and accrued interest is due and payable on October 1, 2021. The principal balance and accrued interest was \$8,713 on June 30, 2011.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

NOTE 4:      FIXED ASSETS

A summary of property, equipment, and land at June 30, 2011 follows:

Land	<u>\$ 1,208,634</u>
Land Improvements	\$ 103,159
Less: Accumulated Depreciation	<u>( 5,499)</u>
Land Improvements, Net	<u>\$ 97,660</u>
Leasehold Improvements	\$ 237,510
Less: Accumulated Depreciation	<u>( 146,590)</u>
Leasehold Improvements, Net	<u>\$ 90,920</u>
Buildings	\$18,674,129
Less: Consolidation Adjustment	( 1,953,648)
Less: Accumulated Depreciation	<u>( 946,321)</u>
Buildings, Net	<u>\$15,774,160</u>
Equipment and Vehicles	\$ 1,385,020
Less: Accumulated Depreciation	<u>( 856,402)</u>
Equipment, Net	<u>\$ 528,617</u>

The building consolidation adjustment reflects fees paid by EM II and EM III to RMDC and Eagle Rock, Inc. for services provided in support of the EM II, EM III and Big Boulder building projects.

NOTE 5:      LINE OF CREDIT

RMDC has an unsecured line of credit at Valley Bank of Helena for \$300,000. Interest accrues at .50% above the prime rate (3.25% at June 30, 2011) with a rate floor of 5.50% and a rate ceiling of 9.0% and is payable in monthly installments. The interest rate is reviewed quarterly and adjusted as needed. The principal and remaining unpaid interest is due March 3, 2012. At June 30, 2011 the principal balance outstanding was \$300,000.

On February 1, 2010, Big Boulder entered into a construction line of credit at Valley Bank of Helena for \$609,025 at an interest rate of 6.50% per annum. The purpose of this note was to finance the purchase, demolition and reconstruction of the Big Boulder Apartments, which are located in Boulder. The note was collateralized by the related property. At June 30, 2011 the principal balance outstanding was zero. The terms of the note call for one payment of all outstanding principal plus accrued interest on December 1, 2011.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 6: LONG-TERM DEBT

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 debt is due on or before April 1, 2019 with interest at 1% per annum. The agreement is unsecured. The principal balance and accrued interest payable at June 30, 2011 was \$55,000 and \$6,737, respectively.

On January 7, 2000, RMDC signed a \$60,373 note payable to Valley Bank for the purchase of a house in Townsend. The house is rented to the Head Start program for classroom space. Payments on the note are due in 240 monthly installments of \$515, including interest at 6.5% per annum. The note is secured by land and a building. The balance at June 30, 2011 was \$29,248, of which \$4,110 is considered current.

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 the U.S. Department of Agriculture of \$62,385. Monthly payments are \$374.03, of which \$173.37 is subsidized by the Department of Agriculture. The loan is 6% per annum, with the final payment due November 1, 2034. The note is secured by the Elk Creek Lodge facility. The principal balance at June 30, 2011 was \$56,385, of which \$1,136 is considered current.

On November 1, 2004, RMFP entered into an agreement with the U.S. Department of Agriculture to borrow up to \$125,000 to fund the rehabilitation of the Elk Creek Lodge facility. The principal and accrued interest on borrowed monies was deferred until the project was completed. The project was completed and the principal balance, including accrued interest, was \$128,070 at November 1, 2005. Payments of \$676 are due monthly beginning December 1, 2005, based upon an amortization schedule of 50 years at 6% per annum. The U.S. Department of Agriculture is providing a monthly subsidy of \$401. The note is secured by Elk Creek Lodge facility. The principal balance at June 30, 2011 was \$125,212, of which \$621 is considered current. The loan is scheduled for retirement in 30 years.

On December 1, 2005, RMFP signed a \$40,000 note payable to the U.S. Department of Agriculture to fund the completion of the rehabilitation of the Elk Creek Lodge in Augusta. Payments are due in 360 installments of \$224, including interest at 5.375% per annum. The U.S. Department of Agriculture is providing a monthly subsidy of \$95. The note is secured by the Elk Creek Lodge property. The principal balance at June 30, 2011 was \$36,567, of which \$740 is considered current.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 6: LONG-TERM DEBT (CONTINUED)

RMDC assumed a note for Elkhorn Affordable Housing in the amount of \$6,325. This agreement is with the Federal Home Loan Bank (FHLB) whereby the GR8 Hope program repays FHLB \$75 for each participating home purchase. This is an unsecured note. The principal balance payable at June 30, 2011 was \$4,150 and is interest free.

RMDC assumed all assets and liabilities of the Montana Youth Homes, Inc. on July 1, 2008. The assumed liabilities include a non-interest bearing note payable to the State of Montana in the amount of \$27,003. The terms of the note agreement require monthly payments to the State of Montana of \$435.54 until such time as the balance due is paid. No monthly payment is due in the event any monthly census or population of youth receiving services from the Montana Youth Homes is below 180 days of service. This is an unsecured note. At June 30, 2011 the principal balance of the note was \$12,360.

On June 10, 2009, EM III signed a \$450,000 note payable to Mountain West Bank of Helena to complete the financing of the cost of constructing the Eagle Manor III facility in Helena. The note is secured by the related property. Payments on the note are due in 360 monthly installments of \$2,699.21, including interest at 6% per annum. The principal balance at June 30, 2011 was \$438,577 of which \$6,247 is considered current.

On September 21, 2009, RMDC signed a \$7,285 note payable to Valley Bank of Helena to purchase a copier for the Head Start program. The note is secured by the copier. Payments on the note are due in 59 monthly installments of \$142.54, including interest at 6.50% per annum. The principal balance at June 30, 2011 was \$4,998, of which \$1,428 is considered current.

On March 10, 2010, EM II signed an \$115,682 note payable to Mountain West Bank of Helena to finance the rehabilitation of Eagles Manor II in Helena. The note is secured by the related property. Payments on the note are due in 360 monthly installments of \$693.57, including interest at 6% per annum. The principal balance at June 30, 2011 was \$113,206, of which \$1,573 is considered current.

On July 28, 2010, RMDC signed a note payable to Mountain West Bank of Helena in the amount of \$550,000 to finance the purchase of a building located at 631 N Last Chance Gulch in Helena. The building, formerly leased, was purchased for use by the Drop In Center, LIEAP and Weatherization program staff. The note is secured by the related property. Payments on the note are due in 300 monthly installments of \$3,715.69, including interest at 6.5% per annum. The principle balance at June 30, 2011 was \$541,895, of which \$9,649 is considered current.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

NOTE 6: LONG-TERM DEBT (CONTINUED)

On October 1, 2010, RMDC acquired Townsend Homestead Manor, a 10 unit, low-income facility, in Townsend, Montana. With the property, RMDC assumed the prior owner's debt with the U.S. Department of Agriculture of \$254,158, and accrued interest of \$423.83. Payments on the note are due in 360 monthly installments of \$1,024.46, including interest at 11.875% per annum. The note is secured by the Townsend Homestead Manor property. The principle balance at June 30, 2011 was \$252,041, of which \$1,613 is considered current.

The following schedule reflects the minimum principal payments due for the years subsequent to June 30, 2011 for the debt obligations previously described and related long-term interest accrued.

Current portion, due 2012	<u>\$ 31,441</u>
Long-term:	
2013	\$ 28,954
2014	30,828
2015	31,508
2016	33,097
Thereafter	<u>1,515,036</u>
Subtotal long-term	1,639,423
Long-term interest	<u>6,739</u>
Total long-term	<u>\$1,646,162</u>

NOTE 7: 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 give rise to property rights and are therefore considered operating leases. The terms of these leases vary from one to ten years. RMDC may terminate these lease agreements due to the lack of funding or in response to a default by the lessor.

Total expenses for operating leases with initial or remaining terms in excess of one year were \$98,460 for the fiscal year ended June 30, 2011. The following future minimum payments are scheduled for leases with initial or remaining terms in excess of one year:

2012	\$55,501
2013	<u>42,959</u>
Total	<u>\$98,460</u>

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

NOTE 8: 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.

Following is a summary of in-kind contributions recorded and their related fair values:

Contracted services	\$583,435
Meals	51,482
Physical examinations/lab work	12,010
Space	72,161
Supplies/training material	24,489
Building, labor and materials	27,142
Transportation services	4,962
Volunteer recognition	2,421
Vehicle	<u>6,124</u>
Total in-kind contributions	<u>\$784,226</u>

Included in the value of in-kind contributions reported above, \$33,102 were recorded as assets in the statement of financial position.

In addition to the contributions reported in the table above, the Head Start program received services valued at \$84,261 that did not meet the guidelines of U.S. GAAP. The value of these services is not reported on the financial statements. However, the regulations for these programs allow the value of these services to be reported as matching funds for grant purposes.

NOTE 9: EMPLOYEE BENEFITS

***Retirement Benefits***

RMDC's retirement plan, Rocky Mountain Development Council Retirement Plan and Trust, provides retirement benefits through a defined contribution plan. The plan year begins on January 1 and ends on December 31 of each year. Eligibility requirements for the plan are for employees who are twenty years or older with six or more months of service. Participants must then complete five hundred or more hours of service annually to receive an employer contribution or a year of vesting service.

A defined contribution plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Benefits depend solely on amounts contributed to the plan, plus investment earnings.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 9: EMPLOYEE BENEFITS (CONTINUED)

Employer contributions become fully vested after five years. Employer contributions to the plan are discretionary. The employer contribution to the plan for the period ended June 30, 2011, was \$292,336.

The Retirement Plan also includes a 401(k) option. The plan permits all employees with six months or more of service, at their option, to defer a portion of their salary. The deferred contributions are not available to participants until they terminate, retire, upon death, or for an eligible unforeseeable 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 upon initial employment. Participating employees elect to have monies withheld pre-tax from their paychecks and contributed to the plan for use in paying health care, daycare and insurance premium expenses. The balance of employee contributions in the plan was \$13,335 at June 30, 2011. Employees subsequently withdrew \$13,014 of this balance for eligible expenses. The remaining balance of \$321 became the property of RMDC on October 1, 2011.

NOTE 10: COMMITMENTS AND CONTINGENCIES

***RMDC***

RMDC derived approximately 77% of its revenue from grants and tax revenues from various federal, state and local government agencies. A significant variation in the level of support, if this were to occur, would have a material effect on RMDC's programs and activities.

Amounts due from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although RMDC expects such amounts, if any, to be immaterial.

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 no CHDO proceeds as of June 30, 2011.

***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,

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 10: COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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 did not occur.

***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 Michael & Associates. The significant obligations under the preceding agreements are summarized as follows:

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

NOTE 10: COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

***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 XI 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,

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

NOTE 10: COMMITMENTS AND CONTINGENCIES (CONTINUED)

- 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; 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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 10: COMMITMENTS AND CONTINGENCIES (CONTINUED)

partner. As of June 30, 2011 the limited partners' capital contribution was \$3,529,119. At June 30, 2011 the book value of the partnership's capital assets totaled approximately \$4.4 million. These assets serve as collateral in the event the limited partners exercise the repurchase option. The limited partners may exercise this option if;

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

The guaranty also applies to Penkay's mortgage and replacement reserve requirements. The mortgage balance was \$318,552 at June 30, 2011. Beginning January 2007, the general partner, or RMDC as the guarantor, were 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, 2011, the Operating Deficit Reserve Account balance was \$145,700. 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 re-define 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. The amended agreement places the following significant obligations upon Penkay Eagles Manor, Inc., the general partner:

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 10: COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2011 the limited partners' capital contribution was \$4,872,000. At June 30, 2011, the book value of the partnership's capital assets totaled approximately \$5.5 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 re-define 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). In the event a repurchase occurs, the limited partners must transfer their partnership interest to the general partner. As of June 30, 2011, the limited partners' capital contribution was \$5,324,795. As of June 30, 2011, the book value of the partnership's capital assets totaled approximately \$6.3 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.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 10: COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

***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.

NOTE 11: CONDITIONAL PROMISES RECEIVABLE

The following schedule reflects the value of conditional promises received by RMDC that are outstanding as of June 30, 2011. These conditional promises arise from grant/contract activities that are underway at fiscal year-end, but which are not complete.

Program	Grant/Contract Period Ends	Amount
Head Start	April 30, 2012	\$1,727,607
Northwestern Energy	December 28, 2011	55,418
DOE ARRA Weatherization	December 31, 2011	81,699
LIEAP Client Education	December 31, 2011	68,369
LIEAP Administration	September 30, 2011	24,192
Community Services Block Grant	June 30, 2012	94,253
Commodities Supplemental Food	September 30, 2011	7,308
Missoula Aging Services	May 31, 2012	9,618
Missoula Aging Services	September 30, 2011	1,033
HOME (Homestead Manor)	April 27, 2012	349,158
HOME (Big Boulder)	April 22, 2012	90,408
Tax Credit Assistance Program (Big Boulder)	February 16, 2012	2,067,291
Tax Credit Exchange Program (Big Boulder)	December 31, 2011	987,948
Tenant Based Rental Assistance	December 9, 2011	12,945
Homelessness Prevention/Rapid Rehousing	May 31, 2012	78,585
Emergency Shelter Grants	March 31, 2012	35,774
Aging Disability Resource Center	September 29, 2012	35,152
Sustainable Energy Resources for Consumers	March 31, 2012	451,296
Medicaid Improvements Patients & Providers	December 29, 2012	6,910
LIEAP Weatherization	August 30, 2011	31,701
Court Assessment Program	September 30, 2011	<u>2,461</u>
Total conditional promises receivable at June 30, 2011		<u>\$6,219,126</u>

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 12: SUBSEQUENT EVENTS

Following are descriptions of subsequent events requiring disclosure:

- On July 1, 2011, RMDC purchased a lot located at 870 Wolf Road in Helena. The contract sales price was \$44,472. This lot is the site for the 2011-2012 High School House project. The purchase was financed by a construction line of credit that was opened on July 1, 2011.
- On August 15, 2011, RMDC purchased a lot in the Anderson Business Park. This was purchased with a loan of \$561,187.49 at 5.5% interest per annum from Mountain West Bank of Helena. This land will be the site of the 33 unit senior housing project called River Rock. Construction of this project is scheduled to begin mid-year 2012. The loan matures on March 31, 2012.
- On September 26, 2011, a \$196,482.50 revolving construction line of credit at 4% interest per annum was opened at Mountain West Bank of Helena. The purpose of this line of credit is to finance costs associated with the construction of the 2011-2012 High School House project. The loan matures on September 26, 2012. It is anticipated that proceeds from the sale of the house will pay the loan balance on maturity.
- On December 21, 2011, RMDC opened an operating line of credit with Mountain West Bank for \$250,000. The purpose of this line of credit is to support housing development activities. The line of credit matures on November 30, 2012.
- RMDC and Big Boulder extended the construction line of credit at Valley Bank of Helena for the Big Boulder project from December 1, 2011 through March 1, 2012. All other terms and conditions remained the same.
- On December 30, 2011, Eagle Manor Project No. 2, Inc. became the sole member of RMDC North Stone, LLC. RMDC North Stone, LLC and RMDC formed North Stone Residences, LP. The purpose of the limited partnership is to construct a 30 unit senior housing project.

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
SUMMARY OF PROGRAMS BY GRANTOR AGENCIES  
YEAR ENDED JUNE 30, 2011**

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 are used to provide shelter and medical services to eligible homeless individuals.

Homelessness Prevention Rapid Re-Housing Program funds are used to provide tenant security and utility deposits, rental assistance, and utility payments to eligible individuals.

Children's Mental Health System of Care funds are used to develop a statewide system that will provide mental health services to Montana children and youth with serious emotional disturbances and their families.

State and Federal funds are received through a subcontract with Boyd Andrew to provide tobacco, alcohol and drug abuse prevention programs.

Child and Adult Care Food Program provides subsidy to help cover the costs of providing breakfast, lunch and snacks to 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  
YEAR ENDED JUNE 30, 2011**

**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. Big Boulder Residences, L.P. received significant funding from the Tax Credit Assistance Program and Tax Credit Exchange Program.

**DEPARTMENT OF COMMERCE – Other**

Tenant Based Rental Assistance Program funds are used to provide tenant security and utility deposits to eligible individuals.

**OFFICE OF PUBLIC INSTRUCTION**

Children's Summer Feeding Program provides lunch to children at pre-approved low income qualified sites in Lincoln, Townsend and Augusta during the summer months.

The School Breakfast Program and the National School Lunch Program provides breakfast, lunch and snacks to teenage clients residing at the Montana Youth Homes.

**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.

**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, Area IV Agency on Aging, and Mental Health Service Coordination.

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2011**

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>GRANT NUMBER</b>	<b>EXPENDITURES</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Direct Programs			
Foster Grandparent/Senior Companion Cluster:			
Foster Grandparents	94.011	09SFPMT002	\$ 373,190
Senior Companion	94.016	09SCPMT003	518,903
Total Foster Grandparent/Senior Companion Cluster			892,092
Retired Senior Volunteer	94.002	09SRPMT012	51,766
Total Corporation for National and Community Service			943,859
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Programs			
Head Start Cluster:			
Head Start	93.600	08CH0035/45	1,748,451
		08CH0035/46	246,236
			1,994,687
Head Start - ARRA	93.708	08SE0035/01	54,704
Total Head Start Cluster, Health and Human Services			2,049,391
Passed through State Department of Public Health and Human Services			
Community Services Block Grant Cluster:			
Community Services Block Grant	93.569	10-028-10006-0	71,851
		11-028-10006-0	127,050
		Agreement	800
			199,701
CSBG American Recovery and Reinvestment Act	93.710	09-029-10006-0	3,032
Total Community Services Block Grant Cluster			202,733
Low-Income Home Energy	93.568	10-028-16006-0	221,025
		10-028-11006-0	121,609
		11-028-11006-0	68,611
		10-028-11020-0	9,384
		11-028-11020-0	128,501
Subtotal Low-Income Home Energy			549,131
Comprehensive Mental Health Services for Children (SED)	93.104	07-11-3-01-011-0	12,838
		09-10-5-01-008-0	668
Subtotal Comprehensive Mental Health Services for Children			13,506
Special Programs for the Aging			
Aging Cluster:			
Title III - Supportive Services and Senior Centers	93.044	08-22A-A004	167,272
Title III - Nutrition Services	93.045	08-22A-A004	348,440
Aging Congregate Nutrition Services for States - ARRA	93.707	10-22S-A004	19,517
Aging Home-Delivered Nutrition Services - ARRA	93.705	10-22S-A004	9,146
Nutrition Services Incentive Program	93.053	08-22A-A004	171,583
Total Aging Cluster			715,959
Health Care Financing Research, Demonstrations and Evaluations	93.779	08-22A-A004	19,177
Training, Research and Discretionary Projects and Programs	93.048	11-22A-ADRC4	89,358
National Family Caregiver Support	93.052	08-22A-A004	61,337
Title VII - Long Term Care Ombudsman Services for Older Individuals	93.042	08-22A-A004	52,612
Title III - Disease Prevention and Health Promotion Services	93.043	08-22A-A004	11,581
Centers for Medicare and Medicaid Services Research, Demonstrations and Ev	93.779	11-22A-MIPPA4	4,146
Affordable Care Act- Medicare Improvements for Patients and Providers	93.518	11-22A-MIPPA4	2,710
Total Aging Programs			956,879
Total Passed through State Department of Public Health and Human Services			1,722,249
Total U.S. Department of Health and Human Services			3,771,641

**The Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.**

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2011**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	EXPENDITURES
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through State Department of Public Health and Human Services			
Child and Adult Care Food Program	10.558	06-03-CACFP-091	107,945
Commodity Supplemental Food Program	10.565	10-027-21007-0 11-027-21007-0	6,786 21,588 28,374
Rural Rental Housing Loans	10.415	Agreement	15,752
Subtotal DPHHS Pass Through			152,071
Passed through State Office of Public Instruction			
Summer Food Program for Children	10.559	OPI 25-6579	11,396
National School Lunch Program	10.555	OPI 25-6579	9,476
School Breakfast Program	10.553	OPI 25-6579	6,806
Subtotal OPI Pass Through			27,677
Total U.S. Department of Agriculture			179,748
<b>U.S. DEPARTMENT OF ENERGY</b>			
Passed through State Department of Public Health and Human Services			
Weatherization Assistance for Low-Income Persons	81.042	10-028-30026-0	76,676
Weatherization Assistance for Low-Income Persons - ARRA	81.042	09-029-30026-0	935,237
Weatherization Assistance for Low-Income Persons - SERC ARRA	81.042	11-029-30040-0	4,874
Total U.S. Department of Energy			1,016,786
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through State Department of Commerce			
HOME Grant	14.239	M09B-SG300100-18 M08T-SG300100-18	409,592 110,842 520,434
CDBG Grant	14.228	MT-CDBG-10PF-03	447,000
Home Access Tenant Based Rental Assistance	14.239	M09-SG3001-13	66,021
First Time Home Buyers & Dollars & Sense	14.169	Agreement	15,335
Subtotal DOC Pass Through			1,048,790
Passed through State Department of Public Health and Human Services			
Emergency Shelter Grant Program	14.231	10-028-51006-0	29,840
Homeless Prevention Rapid Re-Housing Program - ARRA	14.257	09-029-51006-0	157,817
Subtotal			187,657
Total U.S. Department of Housing and Urban Development			1,236,446
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through State Department of Public Health and Human Services			
State Fiscal Stabilization Fund - ARRA	84.397	10-22S-A004	181,162
Passed through State Office of Public Instruction			
Arts In Education	84.351	Agreement	5,000
Total U.S. Department of Education			186,162
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through State Department of Transportation			
New Freedom Program	20.521	Contract 105209	66,805
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Direct Programs			
Emergency Food and Shelter National Board Program	97.024	557800-014	900
<b>Total expenditure of federal awards</b>			<b>\$ 7,402,347</b>

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
NOTES TO THE SCHEDULE OF EXPENDED FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

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 sub-recipients for the following programs:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Emergency Shelter Grant Program	14.231	\$ 24,840
Special Programs for the Aging:		
State Fiscal Stabilization ARRA	84.397	51,516
Disease Prevention and Health Promotion	93.043	3,850
Supportive Services and Senior Centers	93.044	27,528
Nutrition Services	93.045	153,912
National Family Caregiver Support	93.052	13,546
Nutrition Services Incentive Program	93.053	104,559
Nutrition Services ARRA	93.705	9,146
Nutrition Services ARRA	93.707	19,517
HOME Grant	14.239	<u>409,592</u>
Total		<u>\$818,006</u>

NOTE 3: RECONCILIATION TO CONSOLIDATED 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 for RMDC	\$7,402,348
Plus rent subsidy received by RMFP from Rural Development	29,393
Plus interest subsidy received by RMFP from Rural Development	8,034
Plus rent subsidy received by EMII from HUD	116,811
Plus rent subsidy received by EMIII from HUD	84,745
Plus rent subsidy received by Big Boulder from HUD	<u>68,728</u>
Total federal grant revenue per Consolidated Statement of Activities	<u>\$7,710,059</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. Payments received by RMDC for these loans are considered CHDO proceeds. CHDO proceeds must be used for HOME eligible activities that support housing for low-income individuals. RMDC received \$25,001 in CHDO proceeds during the year ended June 30, 2011, and those CHDO proceeds were fully disbursed on HOME eligible activities by June 30, 2011.

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**SCHEDULE OF INDIRECT COST RECONCILIATION**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<b>Total agency-wide expenditures:</b>	
General and Administrative	\$ 1,121,967
Program Services	12,160,591
Fund Raising	24,212
	<hr/>
Total expenditures on Statement of Activities	13,306,770
<b>Less:</b>	
Indirect costs	(1,121,967)
Exclusions:	
Bad debt expense	(4,839)
Commodities	(44,662)
Depreciation	(182,997)
Inkind	(751,124)
Pass-through	(734,810)
Related party transactions	(1,626,640)
Assistance payments	(330,773)
Asset adjustment to fair market value	(38,532)
Asset donations	(4,275)
Internal service fund expense eliminations	47,850
	<hr/>
Total Exclusions	(3,670,802)
<b>Indirect cost base expenditures</b>	8,514,000
Indirect cost rate	11.7%
	<hr/>
<b>Total indirect cost charges</b>	<u><u>\$ 996,138</u></u>
<b>Allocated Indirect Costs by Program:</b>	
Aging & Nutrition	\$151,981
Corporation for National Service	118,634
Emergency Shelter & Runaway Youth	81,009
Housing	102,286
Other	71,679
Preschool/Childcare	267,023
Senior Activities	13,594
Transportation	4
Weatherization	178,928
Fundraising	2,821
General and Administrative	8,182
	<hr/>
<b>Total indirect cost charged to programs</b>	<u><u>\$ 996,138</u></u>

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**SCHEDULE OF TRANSFERS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**County Mill Fund Transfers**

**Sources:**

Carry Forward from 2010	\$ 10,277
Lewis and Clark County	297,155
Jefferson County	44,094
Broadwater County	26,418
<b>Total County Mill Funds Received</b>	<b><u>\$ 377,944</u></b>

**Program Recipients:**

Congregate Meals	\$ 86,313
Home Delivered Meals	73,518
Commodities	3,183
Area IV on Aging	36,362
Foster Grandparent Program	30,619
Retired Senior Volunteer Program	30,982
Augusta Senior Center	11,162
Senior Services & Transportation	42,304
Senior Space	58,069
Total County Mill Funds Transferred	372,512
<b>Carry Forward to 2012</b>	<b><u>5,432</u></b>
<b>Total County Mill Funds</b>	<b><u>\$ 377,944</u></b>

**Community Service Block Grant Transfers**  
**(Includes American Recovery & Reinvestment Act Funds)**

**Program Recipients:**

Montana Youth Homes	\$ 74,066
Head Start	9,669
Weatherization/Energy Assistance	6,808
Emergency Shelter and Homeless Youth	753
<b>Total Community Service Block Grant Transfers</b>	<b><u>\$ 91,296</u></b>

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**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**JUNE 30, 2011**

ASSETS	RMDC	RMFP	<u>RMDC Eagle</u> Rock, Inc.	EMII
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 252,796	\$ 18,604	\$ 2,811	\$ 198,415
Accounts receivable	372,773	4,159	31,990	2,180
Related party receivable	202,129	-	-	-
Grants receivable	241,736	-	-	-
Current portion of notes and interest receivable	20,541	-	-	-
Prepaid deposits and expenses	54,627	1,065	774	2,105
Inventory	31,142	-	8,598	-
Asset held for resale	2,800	-	-	-
Total current assets	<u>1,178,544</u>	<u>23,829</u>	<u>44,174</u>	<u>202,700</u>
<b>FIXED ASSETS</b>				
Land	336,744	22,495	-	147,742
Land improvements - net	14,315	-	-	20,679
Leasehold improvements - net	90,920	-	-	-
Buildings - net	1,390,746	140,655	-	6,043,739
Equipment - net	282,337	1,520	19,843	60,636
Total fixed assets	<u>2,115,062</u>	<u>164,671</u>	<u>19,843</u>	<u>6,272,795</u>
<b>OTHER ASSETS</b>				
Investment in housing project	1,020	-	-	-
Construction in progress	22,714	-	-	-
Long-term notes and interest receivable	7,129,710	-	-	-
Preacquisition Costs	32,575	-	-	-
Deferred costs - net	-	-	-	23,081
Total other assets	<u>7,186,018</u>	<u>-</u>	<u>-</u>	<u>23,081</u>
<b>Total Assets</b>	<u>\$ 10,479,625</u>	<u>\$ 188,500</u>	<u>\$ 64,017</u>	<u>\$ 6,498,576</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 787,061	\$ 5,095	\$ 112,761	\$ 17,309
Compensated absences	446,274	-	16,232	-
Refundable advances	109,442	1,334	-	14,846
Current portion of long-term debt	21,124	2,497	-	1,573
Line of credit advances	300,000	-	-	-
Total current liabilities	<u>1,663,902</u>	<u>8,926</u>	<u>128,994</u>	<u>33,728</u>
<b>LONG TERM DEBT</b>				
Notes and interest payable	886,541	215,668	21,850	1,364,885
<b>NET ASSETS</b>				
Unrestricted net assets	7,906,181	(36,094)	(86,827)	(224,852)
Temporarily restricted net assets	23,001	-	-	-
Paid-in capital	-	-	-	5,324,815
Total net assets	<u>7,929,182</u>	<u>(36,094)</u>	<u>(86,827)</u>	<u>5,099,963</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 10,479,625</u>	<u>\$ 188,500</u>	<u>\$ 64,017</u>	<u>\$ 6,498,576</u>

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**JUNE 30, 2011**

<u>EMIII</u>	<u>Penkay Eagles Manor, Inc.</u>	<u>Eagle Manor Project No. 2, Inc.</u>	<u>Big Boulder</u>	<u>River Rock</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 128,118	\$ -	\$ -	\$ 72,396	\$ -	\$ -	\$ 673,140
2,563	-	-	2,404	-	(15,937)	400,133
-	-	-	-	-	(177,428)	24,700
-	-	-	292,815	-	-	534,551
-	-	-	-	-	-	20,541
2,450	-	-	8,354	-	-	69,375
-	-	-	-	-	-	39,740
-	-	-	-	-	-	2,800
133,131	-	-	375,968	-	(193,366)	1,764,979
198,317	-	-	503,336	-	-	1,208,634
8,440	-	-	54,227	-	-	97,660
-	-	-	-	-	-	90,920
5,274,313	-	-	4,878,355	-	(1,953,648)	15,774,160
58,417	-	-	105,865	-	-	528,617
5,539,487	-	-	5,541,783	-	(1,953,648)	17,699,991
-	110	200	110	-	(110)	1,330
-	-	-	417,096	-	(300,000)	139,811
-	-	386,611	-	-	(2,508,948)	5,007,373
-	-	-	-	-	-	32,575
15,063	-	-	7,627	-	-	45,771
15,063	110	386,811	424,833	-	(2,809,058)	5,226,859
\$ 5,687,681	\$ 110	\$ 386,811	\$ 6,342,584	\$ -	\$ (4,956,071)	\$ 24,691,830
\$ 89,353	\$ 89,260	\$ 8,348	\$ 370,122	\$ 717	\$ (193,367)	\$ 1,286,659
-	-	-	-	-	-	462,506
10,880	-	-	41,169	-	-	177,671
6,246	-	-	-	-	-	31,441
-	-	-	-	-	-	300,000
106,479	89,260	8,348	411,291	717	(193,367)	2,258,276
1,256,573	-	-	409,592	-	(2,508,948)	1,646,162
(547,481)	(89,150)	378,462	5,521,481	-	(2,253,648)	10,568,072
-	-	-	-	-	-	23,001
4,872,110	-	-	220	(717)	(110)	10,196,318
4,324,629	(89,150)	378,462	5,521,701	(717)	(2,253,758)	20,787,392
\$ 5,687,681	\$ 110	\$ 386,811	\$ 6,342,584	\$ -	\$ (4,956,071)	\$ 24,691,830

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>RMDC</u>	<u>RMFP</u>	<u>RMDC</u> <u>Eagle Rock</u> <u>Inc.</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>			
<b>Revenues and Gains</b>			
Grants - federal	\$ 7,402,348	\$37,427	\$55,984
Grants - other	652,137		
County tax	507,824		
Local support	85,162		
Fundraising & donations	286,193		249
Program service	2,353,496	20,970	508,881
Other	179,518		
Inkind	784,226		
Total Unrestricted Revenues and Gains	12,250,905	\$58,397	565,114
<b>Net Assets Released from Temporary Restrictions</b>			
Satisfaction of Restrictions			
Total Net Assets Released from Restrictions	18,138		
Total Unrestricted Revenues, Gains and Other Support	12,269,043	58,397	565,114
<b>Expenses and Losses</b>			
Aging & Nutrition	2,010,954		
Corporation for National Service	1,090,443		
Emergency & Youth Shelter	737,313		
Housing - General	922,266	62,504	635,291
Other	948,520		
Preschool/Childcare	2,983,917		
Senior Activities	116,720		
Transportation	19,703		
Weatherization	1,710,183		
Total Program Expenses and Losses	10,540,020	62,504	635,291
General and Administrative	1,121,967		
Fund Raising	24,212		
Total Unrestricted Expenses and Losses	11,686,198	62,504	635,291
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	<b>582,844</b>	<b>(4,107)</b>	<b>(70,177)</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>			
Contributions	10,400		
Net assets released from restrictions	(18,138)		
<b>CHANGES IN TEMPORARILY RESTRICTED NET</b>	<b>(7,738)</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>575,106</b>	<b>(4,107)</b>	<b>(70,177)</b>
<b>PAID-IN CAPITAL</b>			
<b>CONSOLIDATED NET ASSETS, BEGINNING OF YEAR</b>	<b>7,354,076</b>	<b>(31,985)</b>	<b>(16,650)</b>
<b>CONSOLIDATED NET ASSETS, END OF YEAR</b>	<b>\$ 7,929,182</b>	<b>\$ (36,094)</b>	<b>\$ (86,827)</b>

**ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>EMII</u>	<u>EMIII</u>	<u>Penkay Eagles Manor, Inc.</u>	<u>Eagle Manor Project No. 2, Inc.</u>	<u>Big Boulder</u>	<u>River Rock</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$116,811	\$84,745			\$68,728		(\$55,984)	\$7,710,059
				3,903,311			4,555,448
				-			507,824
				-			85,162
				-			286,442
166,999	125,142			67,726		(831,125)	2,412,089
1,978	6,072	10,781	3,739	-		(35,027)	167,061
				-			784,226
<u>\$285,788</u>	<u>\$215,959</u>	<u>10,781</u>	<u>3,739</u>	<u>4,039,765</u>	<u>-</u>	<u>(922,136)</u>	<u>\$16,508,312</u>
							18,138
<u>285,788</u>	<u>215,959</u>	<u>10,781</u>	<u>3,739</u>	<u>4,039,765</u>		<u>(922,136)</u>	<u>16,526,450</u>
						(55,984)	1,954,970
							1,090,443
							737,313
515,042	414,824	12,802	4,835	326,695	717	(296,153)	2,598,823
							948,520
							2,983,917
							116,720
							19,703
							1,710,183
<u>515,042</u>	<u>414,824</u>	<u>12,802</u>	<u>4,835</u>	<u>326,695</u>	<u>717</u>	<u>(352,137)</u>	<u>12,160,592</u>
							1,121,967
							24,212
<u>515,042</u>	<u>414,824</u>	<u>12,802</u>	<u>4,835</u>	<u>326,695</u>	<u>717</u>	<u>(352,137)</u>	<u>13,306,772</u>
<u>(229,254)</u>	<u>(198,865)</u>	<u>(2,021)</u>	<u>(1,096)</u>	<u>3,713,070</u>	<u>(717)</u>	<u>(570,000)</u>	<u>3,219,678</u>
							10,400
							(18,138)
							(7,738)
<u>(229,254)</u>	<u>(198,865)</u>	<u>(2,021)</u>	<u>(1,096)</u>	<u>3,713,070</u>	<u>(717)</u>	<u>(570,000)</u>	<u>3,211,940</u>
<u>(1,778)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110</u>	<u>-</u>	<u>110</u>	<u>(1,558)</u>
<u>5,330,995</u>	<u>4,523,493</u>	<u>(87,129)</u>	<u>379,559</u>	<u>1,808,521</u>	<u>-</u>	<u>(1,683,868)</u>	<u>17,577,012</u>
<u>\$ 5,099,963</u>	<u>\$ 4,324,629</u>	<u>\$ (89,150)</u>	<u>\$ 378,462</u>	<u>\$ 5,521,701</u>	<u>\$ (717)</u>	<u>\$ (2,253,758)</u>	<u>\$ 20,787,391</u>

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 the consolidated financial statements of Rocky Mountain Development Council, Inc. (RMDC) as of and for the year ended June 30, 2011, and have issued our report thereon dated February 1, 2012. 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. The financial statements of the affiliated entities were not audited in accordance with *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered RMDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RMDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RMDC's control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of RMDC in a separate letter dated February 1, 2012.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Zurmuehlen & Co., P.C.*

Helena, Montana  
February 1, 2012

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

### Compliance

We have audited the compliance of Rocky Mountain Development Council, Inc. (RMDC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. RMDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of RMDC's management. Our responsibility is to express an opinion on RMDC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on RMDC's compliance with those requirements.

In our opinion, RMDC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The management of RMDC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered RMDC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 employee, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Helena, Montana  
February 1, 2012

1. Summary of Auditor's Results:

**Financial Statements:**

- The report on the consolidated financial statements has an unqualified opinion.
- The audit of the consolidated financial statements did not disclose any material weaknesses in internal control over financial reporting.
- The audit of the consolidated financial statements did not disclose any significant deficiencies that are not considered to be material weaknesses in internal control over financial reporting.
- No instances of noncompliance material to the RMDC financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

**Federal Awards:**

- There were no material weaknesses in internal control over major programs.
- There were no significant deficiencies identified that are not considered material weaknesses in internal control over major programs.
- The audit disclosed no findings which the auditor is required to report under OMB Circular A-133.
- The report on compliance for major programs has an unqualified opinion.
- The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- RMDC qualified as a low-risk auditee.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
 Year Ended June 30, 2011

- ❑ Major programs consist of the following:

<u>PROGRAM</u>	<u>GRANTOR</u>	<u>CFDA #</u>
<b>Community Services</b>		
<b>Block Grant Cluster:</b>		
Community Services Block Grant	U.S. Department of Health and Human Services (passed through State Department of Health and Human Services)	93.569
Community Services Block Grant - American Recovery and Reinvestment Act	U.S. Department of Health and Human Services (passed through State Department of Health and Human Services)	93.710
<b>State Fiscal Stabilization</b>		
<b>Fund Cluster:</b>		
State Fiscal Stabilization	U.S. Department of Education Fund – American Recovery and Reinvestment Act	84.397
<b>Community Development</b>		
<b>Block Grant Cluster:</b>		
Community Development Block Grant	U.S. Department of Housing and Urban Development (passed through State Department of Commerce)	14.228
<b>Homeless Prevention Rapid Re-Housing Program-</b> American Recovery and Reinvestment Act	U.S. Department of Housing and Urban Development (passed through State Department of Commerce)	14.257
<b>Weatherization Assistance</b>		
<b>For Low-Income Persons Cluster:</b>		
Weatherization Assistance For Low-Income Persons	U.S. Department of Energy (passed through State Department of Health and Human Services)	81.042
Weatherization Assistance For Low-Income Persons - American Recovery and Reinvestment Act	U.S. Department of Energy (passed through State Department of Health and Human Services)	81.042

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2011

2. There were no findings related to the RMDC financial statements that are required to be reported in accordance with *Government Auditing Standards*.
  
3. There are no current findings or questioned costs related to federal awards.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2011

There were no findings or questioned costs reported in the audit for the year ended June 30, 2010.