Rocky Mountain Development Council, Inc.

Financial Report

June 30, 2012

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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) (a nonprofit organization) as of June 30, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 previously present fairly, in all material respects, the financial position of RMDC as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, on our consideration of RMDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying supplementary schedules on pages 54 – 64 are also presented for the purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Anderson ZurMuehlen & Co., P.C.

Helena, Montana
March 28, 2013

CONSOLIDATED FINANCIAL STATEMENTS

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2012

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 784,100
Accounts receivable	235,145
Related party receivable, current	86,346
Grants receivable	198,194
Current portion of notes and interest receivable	16,640
Prepaid deposits and expenses	52,972
Inventory	52,681
Asset held for sale	58,500
Total current assets	1,484,578
FIXED ASSETS	
Land	1,725,616
Land improvements - net	103,489
Leasehold improvements - net	81,102
Buildings - net	17,104,611
Equipment - net	502,756
Total fixed assets	19,517,574
OTHER ASSETS	
Investment in housing project	1,110
Construction in progress	223,453
Long-term related party receivable	25,170
Long-term notes and interest receivable	4,977,051
Long-term accounts receivable	8,304
Deferred costs - net	68,241
Total other assets	5,303,329
Total assets	$ 26,305,481

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

LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 858,528
Compensated absences	455,471
Refundable advances/deferred revenue	285,727
Current portion of long-term debt	460,286
Total current liabilities	2,060,012
LONG-TERM DEBT	
Notes and interest payable	2,234,922
Other liabilities	354,720
Total long-term liabilities	2,589,642
Total liabilities	4,649,654
NET ASSETS	
Unrestricted net assets	
Controlling interests	12,659,727
Noncontrolling interest in partnership equity	8,983,781
Total unrestricted net assets	21,643,508
Temporarily restricted net assets	12,319
Total net assets	21,655,827
Total liabilities and net assets	$ 26,305,481

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

CHANGES IN UNRESTRICTED NET ASSETS:	
Revenues and Gains:	
Grants - federal	$ 6,973,112
Grants - other	2,044,042
County tax	464,789
Local support	83,179
Fundraising and donations	271,355
Program service	2,501,111
Other	247,463
In-kind	920,649
Total unrestricted revenues and gains	13,505,700
Net Assets Released from Temporary Restrictions:	
Satisfaction of Restrictions:	
Total net assets released from restrictions	13,421
Total unrestricted revenues, gains and other support	13,519,121
Expenses and Losses:	
Aging and nutrition	1,802,276
Corporation for National Service	1,172,039
Emergency & youth shelter	847,398
Housing - general	2,618,567
Other	515,515
Preschool/Childcare	2,860,763
Senior activities	118,676
Transportation	30,529
Weatherization	1,458,481
Total program expenses and losses	11,424,244
General and administrative	1,181,455
Fundraising	29,921
Total unrestricted expenses and losses	12,635,620
Change in unrestricted net assets	883,501

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:	
Contributions	2,739
Net assets released from restrictions	(13,421)
Total changes in temporarily restricted net assets	(10,682)
Total changes in unrestricted and temporarily restricted net assets	872,819
Paid-in-capital	(4,384)
Consolidated net assets, beginning of year	20,787,392
Consolidated net assets, end of year	$ 21,655,827

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

		PROGRAM EXPENSES				
	GENERAL & ADMINISTRATIVE	AGING & NUTRITION	CORP FOR NATL SERVICE	EMERGENCY & RUNAWAY	HOUSING	OTHER
Advertising	$ 1,482	$ 918	$ 1,517	$ 894	$ 4,381	$ 1,074
Assistance payments	-	-	-	4,492	-	51,984
Communications	14,282	15,827	10,303	11,992	36,614	8,091
Consultant/contract	6,211	34,861	1,636	4,315	115,697	14,466
Equipment rent/maintenance	14,919	3,298	1,082	446	5,055	3,611
In-kind	59	-	97,744	-	-	-
Insurance	16,240	8,253	586	9,403	61,039	2,975
Legal fees	45	101	-	-	16,562	75
Materials and supplies	7,325	20,938	739	8,392	53,646	6,246
Meal costs	681	169,542	385	22,261	239,024	7,540
Occupancy	33,214	53,003	4,465	22,289	224,253	29,741
Office supplies	17,980	5,570	4,273	4,350	13,593	1,553
Other	5,314	11,308	3,515	5,370	42,848	4,057
Pass-through grants	-	519,810	-	20,748	-	16,667
Photocopies/printing	969	151	1,572	208	180	297
Salaries and related expenses	1,043,405	887,577	303,269	690,624	1,079,515	331,649
Stipends	-	-	497,955	-	-	270
Travel/training	17,874	38,361	17,353	7,374	30,876	3,607
Vehicle maintenance/repair	193	15,036	6,960	13,753	68	37
Volunteer participant expense	1	1	216,754	-	2,458	1,875
Interest expense	-	6,575	720	-	76,756	18,453
Depreciation and amortization	1,261	11,146	1,211	20,487	616,002	11,247
	$ 1,181,455	$ 1,802,276	$ 1,172,039	$ 847,398	$ 2,618,567	$ 515,515

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

PROGRAM EXPENSES						
PRESCHOOL CHILDCARE	SENIOR ACTIVITIES	TRANSPORTATION	WEATHERIZATION	TOTAL PROGRAM	FUNDRAISING	TOTAL
$ 1,455	$ -	-	$ 658	$ 10,897	$ 1,885	$ 14,264
-	-	-	152,636	209,112	-	209,112
13,391	2,942	2	9,954	109,116	1,592	124,990
108,953	1,491	91	455,172	736,682	2,922	745,815
6,076	260	4	3,409	23,241	18	38,178
579,914	-	-	-	677,658	-	677,717
17,929	2,273	1,543	16,742	120,743	-	136,983
-	-	-	45	16,783	-	16,828
30,595	1,047	77	134,823	256,503	259	264,087
107,791	3,523	-	505	550,571	-	551,252
137,122	43,396	-	30,987	545,256	-	578,470
3,854	299	6	4,357	37,855	445	56,280
6,368	1,311	109	7,016	81,902	557	87,773
-	-	-	-	557,225	-	557,225
1,557	7,322	-	1,192	12,479	-	13,448
1,790,984	48,698	1,504	566,472	5,700,292	20,423	6,764,120
-	-	-	-	498,225	-	498,225
30,402	109	472	8,930	137,484	975	156,333
1,626	5,268	7,047	22,002	71,797	28	72,018
3	1	-	-	221,092	797	221,890
2,321	-	-	9,055	113,880	-	113,880
20,422	736	19,674	34,526	735,451	20	736,732
$ 2,860,763	$ 118,676	$ 30,529	$ 1,458,481	$ 11,424,244	$ 29,921	$ 12,635,620

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 872,819
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Depreciation	731,472
Amortization expense	5,260
Loss on sale of assets	5,446
Donated assets	(16,871)
Change in assets and liabilities:	
Increase in current receivables	(314,895)
Decrease in grant receivables	329,336
Decrease in prepaid expenses	26,404
Increase in inventory	(12,940)
Increase in long-term interest receivable	(81,525)
Increase accounts payable & accrued expenses	108,404
Decrease in compensated absences	(7,036)
Increase in refundable advances	104,775
Decrease in deferred interest payable	(910)
Increase in other liabilities	354,720
Net cash provided by operating activities	2,104,459
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(2,479,033)
Construction in progress and completed	(184,816)
Preacquisition costs expensed	32,575
Proceeds from the sale of property	2,800
Increase in long-term related party receivables	(120,422)
Increase in long-term notes receivable	(37,304)
Principal payments received on long-term notes receivable	79,964
Paid-in capital on partnership investments	(4,274)
Net cash used in investing activities	(2,710,510)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net changes in line of credit and short-term notes	(300,000)
Proceeds from long-term debt	1,058,781
Principal payments on long-term debt	(41,770)
Net cash provided by financing activities	717,011
Net change in cash and cash equivalents	110,960
Cash and cash equivalents, beginning of year	673,140
Cash and cash equivalents, end of year	$ 784,100
SUPPLEMENTAL INFORMATION:	
Interest Paid	$ 96,262

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

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

Reporting Entity:
Rocky Mountain Development Council, Inc. (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-six community service programs funded by various federal, state and local government agencies. The programs of RMDC are organized and operated on the basis of activity types. Program activity separation is used to aid management in demonstrating compliance with finance-related, legal and contractual provisions. The minimum number of programs is maintained consistent with legal and managerial requirements.

RMDC has established several entities to own and operate various housing facilities it has developed through its housing program. As required by U.S. generally accepted accounting principles, these financial statements include the consolidated activity of RMDC, Rocky Mountain Front Properties, Inc. (RMFP), RMDC Eagle Rock, Inc., Eagle Manor II Residences, L.P. (EM II), Eagle Manor III Residences, L.P. (EM III), Penkay Eagles Manor, Inc., Eagles Manor Project No. 2, Inc., Big Boulder Residences L.P. (Big Boulder), and River Rock Residences, L.P. (River Rock). All material transactions between these organizations are eliminated from the consolidated financial statements.

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

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

Eagles Manor Complex:
The Eagles Manor complex located in Helena, Montana was constructed to house low to moderate income area senior citizens. The original facility (Penkay Eagles Manor) is comprised of 66 units and is owned and operated by Eagle Rock Residences Partnership (a related party as more fully described below). RMDC supported the renovation of this facility through funds obtained through its housing program. RMDC also redeveloped a portion of the pre-existing facility into 44 units located on the Eagles campus, now owned and operated by EMII.

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

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

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

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

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

River Rock:
River Rock was organized in December 2010 by RMDC to develop and operate affordable housing in Helena, Montana. The 33-unit construction project is estimated to be completed in June 2013. RMDC River Rock, LLC is the general partner and RMDC was the limited partner at June 30, 2012. Wincopin Circle, LLLP became the limited partner in October 2012.

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.

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

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

Other Related Party Entities:
RMDC has also participated in the development of other low-income housing projects, but does not control these through direct ownership or control of their operations; therefore, they are not included in RMDC's consolidated financial statements. RMDC created RMDC Ptarmigan, Inc., a non-profit corporation, to serve as the general partner for two limited partnerships established to own and operate Ptarmigan and Pheasant Glen affordable housing complexes in Helena, Montana. RMDC Ptarmigan, Inc., as general partner, has a .01% ownership interest in Ptarmigan and Pheasant Glen. RMDC Ptarmigan, Inc. created RMDC Penkay LLC, which is the general partner of Eagle Rock Residences Limited Partnership. Eagle Rock Residences Limited Partnership owns and operates Penkay Eagles Manor in Helena, Montana.

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

Cash and Cash Equivalents:
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.

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

Accounts Receivable:
Accounts receivable primarily represent amounts due to RMDC and RMDC Eagle Rock, Inc. Amounts owed to RMDC are for various services including preschool and youth homes. 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.

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 5. The amount reported as current portion of notes and interest receivable represents the estimated loan principal and interest payments that RMDC will receive within one year of June 30, 2012.

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.

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

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 40 years.

Construction in Progress:
Construction in progress represents costs incurred on the River Rock project. Included in these costs is $24,901 of capitalized interest related to the construction of the project. Eliminated from this amount on the Consolidated Statement of Financial Position is $102,524, which includes developer fees of $80,000, intercompany labor of $19,620 and interest expense of $2,904 owed by River Rock to RMDC.

Estimated completion of the River Rock project is June 2013. The estimated cost of the project at completion is $6.2 million.

Deferred Costs:
Deferred costs include financing charges and fees paid by EM II, EM III, Big Boulder and the River Rock project, net of accumulated amortization. The deferred costs related to financing activities are amortized on a straight-line basis over the term of the loan and period benefited. The following summarizes the costs, amortization as of June 30, 2012, and the net balance as of that date:

	DEFERRED COSTS	ACCUMULATED AMORTIZATION	NET
EMII	$49,384	$ 29,046	$20,338
EMIII	23,071	10,300	12,771
Big Boulder	7,460	59	7,401
River Rock	27,731	-	27,731
			$68,241

Compensated Absences:
RMDC permits employees to accumulate earned, unused annual and sick leave benefits. Nonunion RMDC employees earn annual leave at a 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 work with their employees to maintain their accrued annual leave balance below 30 days. At termination, an employee is paid for any accumulated, unused annual leave multiplied by their current salary rate.

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

Compensated Absences (Continued):
RMDC employees earn sick leave at a rate of 12 days per year. There is no limit on the accumulation of sick leave. At termination, an employee is paid 25% of their accumulated, unused sick leave multiplied by their current salary rate.

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, an employee is 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 is 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 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 days of accrued personal leave.

RMDC Eagle Rock, Inc. (ERI) employees are compensated for accumulated, unused annual and sick leave balances. Regular full-time employees earn eighty hours annual leave per year. Regular full-time employees earn an additional twenty-four hours of annual leave per year for every five years of employment. Employees are eligible to receive a maximum of 168 hours of annual leave time per year. There is no requirement that annual leave be taken. An employee who terminates employment with ERI is entitled to payment for accumulate, unused annual leave multiplied by the employee’s current salary rate.

ERI employees accrue sick leave credits at a rate of six days for each year of service with no restriction on the number of sick days the employee may accumulate. When an employee terminates, they are entitled to a lump-sum payment equal to one-fourth of the pay attributed to their accumulated, unused sick leave multiplied by the employee’s salary or wage at the time of termination.

The reported compensated absence liability, for both RMDC and ERI reflects the amount due employees for their annual leave balance and 25% of their sick leave balance at June 30, 2012, applying current pay rates and applicable benefits. The compensated absence expense is associated with the RMDC or ERI program that pays the employees’ salaries.

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.

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

Indirect Costs:
Indirect costs that benefit all RMDC programs are allocated to each program using an approved indirect cost rate. The final approved rate for RMDC is 11.7% during fiscal year 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 15. Management has calculated its estimated liability as required by U.S. GAAP and has determined it to be immaterial at June 30, 2012.

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

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires or is met through expenditure or lapse of time, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions restricted for the purchase of depreciable assets are released from restriction when the asset is acquired. Permanently restricted contributions are held for the specified purpose in perpetuity. No permanently restricted net assets existed at June 30, 2012.

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

Net Assets and Noncontrolling Interest in Partnership Equity:
The interest in partnership equity held by the limited partners of EMII and EMIII, 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 from their respective partners are reported as part of consolidated unrestricted net assets as these entities are directly controlled by RMDC.

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

Advertising and Promotional Costs:
Advertising and promotional costs are expensed as incurred. For the year ended June 30, 2012 advertising and promotion costs total approximately $14,264.

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, federal information returns for tax years prior to 2009 and state returns prior to 2007 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 2009 and 2007 remain subject to review by federal and state taxing authorities for these entities, respectively.

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

Subsequent Events:
Management has evaluated subsequent events through March 28, 2013, the date which the financial statements were available for issue. Note 17 describes events requiring disclosure.

NOTE 2. CUSTODIAN OF CASH

RMDC is the custodian of cash for several groups/councils. Activities of the groups are related to programs that RMDC administers. RMDC does not control the activities or funds but receives and disburse funds on their behalf. The amounts represent deposit accounts held by RMDC as well as a corresponding current liability. Amounts held on behalf of these groups at June 30, 2012, are as follows:

Head Start Parent Fund	$ 13,419
Healthy Community	315
Helena Senior Advisory Council	2,984
Pennies for Progress	37,634
Friends of Headstart	57,061
	$ 111,413

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS

RMDC had temporarily restricted net assets of $12,319 at June 30, 2012. Following is a summary of activity in temporarily restricted net assets during FY 2012:

Beginning Balance, July 1, 2011	$	23,001
Donor restricted contributions		2,739
Released through satisfaction of use restrictions		13,421
Temporarily restricted net assets, June 30, 2012	$	12,319

At June 30, 2012, temporarily restricted net assets were available for the follow programs:

Senior services	$	5,202
Housing projects		6,329
Other		788
	$	12,319

NOTE 4. RELATED PARTY RECEIVABLES

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

NOTE 4. RELATED PARTY RECEIVABLES (CONTINUED)

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

	June 30, 2012 Balance	Eliminations	Consolidated June 30, 2012 Balance
Related party receivables - current			
RMDC			
RMDC EAGLE ROCK, INC.	$ 23,398	$ (23,398)	$ -
EAGLE ROCK RESIDENCE LP	51,880	-	51,880
EAGLE MANOR II LP	10,783	(10,783)	-
EAGLE MANOR III LP	13,237	(13,237)	-
PTARMIGAN RESIDENCES LP	7,871	-	7,871
PHEASANT GLEN LP	8,419	-	8,419
BIG BOULDER LP	14,014	(14,014)	-
RMFP	9,004	(9,004)	-
TOWSEND HOUSE, INC.	3,100	-	3,100
RIVER ROCK	194,379	(194,379)	-
EAGLE MANOR PROJECT NO. 2	4,341	(4,341)	-
RMDC PTARMIGAN, INC.	11,148	-	11,148
RMDC PHEASANT GLEN, INC.	1,360	-	1,360
PENKAY EAGLES MANOR, INC.	35,142	(35,142)	-
Total RMDC	388,076	(304,298)	83,778
RMDC Eagle Rock, Inc.	7,018	(4,450)	2,568
Total	$ 395,094	$ (308,748)	$ 86,346
Long-term related party receivables			
RMDC			
EAGLE MANOR PROJECT NO. 2	$ 2,799	$ (2,799)	$ -
RMDC PTARMIGAN, INC.	25,170	-	25,170
PENKAY EAGLES MANOR, INC.	34,180	(34,180)	-
RMDC BIG BOULDER, LLC	8,813	(8,813)	-
RMDC RIVER ROCK, LLC	1,834	(1,834)	-
Total	$ 72,796	$ (47,626)	$ 25,170

NOTE 5. 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, 2012, the principal balance and accrued interest was $62,287. The principal balance and accrued interest are due April 1, 2019.

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

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 agreement called for 360 monthly installments of $1,433 through May 2029. At June 30, 2012 the long-term principal balance was $219,507.

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 agreement structured payments of the developer fee due to RMDC on an available cash basis until June 30, 2007. Payment remains dependent upon available cash. The loan will be paid in full in fiscal year 2013.

On November 20, 2000 RMDC executed a loan agreement with RMDC Ptarmigan, Inc. to fund an Operating Deficit Escrow account in the amount of $40,000. RMDC Ptarmigan, Inc. was required, as the general partner of Ptarmigan Residence LP, to establish this escrow account for the Ptarmigan low-income housing project. RMDC made the loan from the developer fee it received for the project. The loan bears interest at 6.09% and is payable in full no later than June 30, 2016. The principal balance and accrued interest at June 30, 2012 was $28,641.

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, 2012 was $344,100. 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 $384,270 at June 30, 2012.

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 note was paid in full in 2012. 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.

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

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 $1,252,193 at June 30, 2012.

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 was provided from grants secured by RMDC for the sole purpose of financially supporting the Penkay Eagles Manor project. The final terms of the loans are described in three agreements which were signed by both parties in February 2006 and one agreement signed by both parties in February 2007. The four notes are secured by the related property.

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 $517,216 on June 30, 2012.

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 $385,613 on June 30, 2012.

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 $663,441 on June 30, 2012.

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, 2012 is $650,000.

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

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 1, 2042. The principal balance and accrued interest was $437,620 on June 30, 2012.

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 final installment is payable on January 1, 2014. The long-term principal balance was $1,919 on June 30, 2012.

On October 14, 2011, RMDC executed an agreement with Caird Engineering Works (Caird) to pay delinquent property taxes. Caird agreed to pay RMDC $29,000 on May 15, 2012. The agreement was amended on November 15, 2012 to extend the due date to May 15, 2014 and accrue interest at 6% per annum effective from the original agreement date. The principal balance and accrued interest on June 30, 2012 was $30,244.

In addition, RMDC has advanced funds to entities that are eliminated in consolidation. RMDC has advanced operating funds totaling $198,968 to Eagle Rock, Inc. to support the entities service to Helena area housing facilities. In addition, RMDC has loaned grant funds (HOME, CDBG or HUD grants) or deferred developer fees obtained through RMDC's housing program that provided a portion of the financing for various housing projects. Terms of the loans vary, but repayment of loan principal and accrued interest are generally dependent upon available cash as defined by the partnership agreement governing each respective facility.

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

The following summarizes the notes described above:

Long-term notes and interest receivable	Note	Interest	Balance	Eliminations	Balance
RMDC					
Roadrunner Residences	$ 55,000	$ 7,287	$ 62,287	$ -	$ 62,287
Roadrunner Residences	219,507	-	219,507	-	219,507
Ptarmigan, Inc	19,945	8,696	28,641	-	28,641
Ptarmigan, Inc	310,000	34,100	344,100	-	344,100
Ptarmigan, Inc	364,175	20,095	384,270	-	384,270
Pheasant Glen, Inc	411,856	156,108	567,964	-	567,964
Pheasant Glen, Inc	506,157	178,072	684,229	-	684,229
Penkay Eagles Manor	480,000	37,216	517,216	-	517,216
Penkay Eagles Manor	299,897	85,716	385,613	-	385,613
Penkay Eagles Manor	512,844	150,597	663,441	-	663,441
Penkay Eagles Manor	650,000	-	650,000	-	650,000
Penkay Eagles Manor	346,500	91,120	437,620	-	437,620
Montana Veterans Foundation	1,919	-	1,919	-	1,919
Caird Engineering Works	29,000	1,244	30,244	-	30,244
Eagles Manor II (HOME)	500,000	-	500,000	(500,000)	-
Eagles Manor II (CDBG)	366,657	-	366,657	(366,657)	-
Eagles Manor III (HOME)	516,461	68,071	584,532	(584,532)	-
Eagles Manor III (HUD grant)	196,000	29,193	225,193	(225,193)	-
Eagles Manor III (Developer Fee)	111,774	-	111,774	(111,774)	-
RMDC Eagle Rock Inc. (Operating loan)	198,968	-	198,968	(198,968)	-
River Rock Residences (HOME)	143,950	2,627	146,577	(146,577)	-
River Rock Residences (CDBG)	87,530	278	87,808	(87,808)	-
Big Boulder (HOME)	500,000	1,836	501,836	(501,836)	-
	6,828,140	872,256	7,700,396	(2,723,345)	4,977,051
EAGLE MANOR PROJECT NO. 2, INC.			390,349	(390,349)	-
Total			$ 8,090,745	$ (3,113,694)	$ 4,977,051

NOTE 6. OTHER RELATED PARTY TRANSACTIONS

RMDC provides accounting and property management services to external related parties and those within the consolidated entity. RMDC Eagle Rock Inc. also provides maintenance services to these entities and food service to the Eagles complex residents. The following is a schedule of the revenue these services provided RMDC and RMDC Eagle Rock, Inc., including the amounts eliminated within the consolidated entity:

NOTE 6. OTHER RELATED PARTY TRANSACTIONS (CONTINUED)

	RMDC	RMDC Eagle Rock, Inc.	Consolidating Eliminations	Total
RMDC Ptarmigan, Inc.	$ 2,324	$ -	$ -	$ 2,324
Eagle Rock Residences, LP	173,766	51,268	-	225,034
Ptarmigan, LP	34,137	14,510	-	48,647
Pheasant Glen, LP	40,731	14,510	-	55,241
Townsend Housing, Inc.	3,100	-	-	3,100
RMFP	21,546	-	(21,546)	-
RMDC Eagle Rock, Inc.	8,340	-	(8,340)	-
EM II	73,767	34,179	(107,946)	-
EM III	59,938	17,247	(77,185)	-
Eagle Manor Project No. 2, Inc.	3,559	-	(3,559)	-
Big Boulder	48,512	7,056	(55,568)	-
	$ 469,720	$ 138,770	$ (274,144)	$ 334,346

NOTE 7. FIXED ASSETS

A summary of property, equipment, and land at June 30, 2012 follows:

Land	$ 1,725,616
Land improvements	$ 114,779
Less: Accumulated depreciation	(11,290)
Land improvements, net	$ 103,489
Leasehold improvements	$ 237,510
Less: Accumulated depreciation	(156,408)
Leasehold improvements, net	$ 81,102
Buildings	$ 20,919,270
Less: Consolidation adjustment	(2,295,998)
Less: Accumulated depreciation	(1,518,661)
Buildings, net	$ 17,104,611
Equipment and vehicles	$ 1,481,433
Less: Accumulated depreciation	(978,677)
Equipment, net	$ 502,756

NOTE 7. FIXED ASSETS (CONTINUED)

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

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

NOTE 8. LINE OF CREDIT

RMDC has an unsecured line of credit at Valley Bank of Helena for $300,000. Interest accrues at 5.50%. The interest rate and line of credit is reviewed quarterly and adjusted as needed. At June 30, 2012 the principal balance outstanding was $-0-.

NOTE 9. 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, 2012 was $55,000 and $7,287, 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, 2012 was $24,976, of which $4,517 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, 2012 was $55,250, of which $1,206 is considered current.

NOTE 9. LONG-TERM DEBT (CONTINUED)

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, 2012 was $124,591, of which $659 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, 2012 was $35,826, of which $781 is considered current.

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, 2012 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. The State of Montana forgave the balance of the note at June 30, 2012 which was $7,839. At June 30, 2012 the principal balance of the note was $-0-.

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, 2012 was $432,486 of which $6,631 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, 2012 was $3,570, of which $1,523 is considered current.

NOTE 9. LONG-TERM DEBT (CONTINUED)

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, 2012 was $111,653, of which $1,670 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 principal balance at June 30, 2012 was $529,657, of which $10,469 is considered current.

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 principal balance at June 30, 2012 was $252,041, of which $1,613 is considered current.

On August 15, 2011, River Rock Residences signed a $561,187.49 note payable to Mountain West Bank of Helena to fund the purchase of land to build a low-income housing facility. Interest payments at 5.5% per annum are due monthly. The terms of the note changed during the year and a principal payment of $129,970 was made on October 1, 2011. The note is secured by the land that was purchased with the loan proceeds. The principal balance of $431,217 was considered current and was due August 31, 2012.

On October 20, 2011, RMDC signed a $252,502 unsecured note payable to Mountain West Bank of Helena to fund current operations. Interest payments at 5.5% per annum are due monthly. The principal balance of $252,502 at June 30, 2012 was originally due on November 30, 2012. An amendment agreement effective December 20, 2012 extended the due date to October 30, 2013. The balance due is considered long-term.

On May 9, 2012, RMDC signed a $375,000 note payable to NeighborWorks Montana that is to be used as a bridge loan for the River Rock Residences project. The note is secured by the future River Rock Residences developer fees up to the amount of the loan. Interest payments at 5.5% annum are due quarterly with the principal balance due and payable on June 1, 2015. The principal balance of $375,000 at June 30, 2012 is considered long-term.

NOTE 9. LONG-TERM DEBT (CONTINUED)

The following schedule reflects the minimum principal payments due for the years subsequent to June 30, 2012 for the debt obligations previously described and related long-term interest accrued.

Current portion, due 2013	$ 460,286
Long-term:	
2014	$ 288,203
2015	406,223
2016	33,243
2017	34,136
Thereafter	1,465,830
	2,227,635
Long-term interest	7,287
Total long-term	$ 2,234,922

NOTE 10. OTHER LONG-TERM LIABILITIES

RMDC entered into an agreement with Lewis & Clark County associated with unpaid insurance premiums, resulting in amount owing of $459,532, with a payment of $104,812 due within one year. The remainder of $354,720 is classified as a long-term liability.

NOTE 11. 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 $54,440 for the fiscal year ended June 30, 2012. The following future minimum payments are scheduled for leases with initial or remaining terms in excess of one year:

2013	$ 44,839
2014	9,601
Total	$ 54,440

NOTE 12. 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	$ 521,559
Meals	49,815
Physical examinations/lab work	12,729
Space	69,353
Supplies/training material	12,173
Minor equipment	1,200
Building, labor and materials	12,060
Transportation services	2,201
Volunteer recognition	8,688
Building	214,000
Vehicle	16,871
Total in-kind contributions	$ 920,649

The value of in-kind contributions above includes contributed assets in the amount of $242,931 that are reported as fixed assets in the statement of financial position.

In-kind contributions were recorded for the following programs:

Head Start	$ 579,914
Senior Companion Program	44,576
Foster Grandparent Program	53,169
Weatherization	16,871
Housing	226,060
General & Administrative	59
Total	$ 920,649

In addition to the contributions reported in the table above, the Head Start program received services valued at $47,650 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 13. 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.

Employer contributions become fully vested after five years, or when a participant attains the early retirement age of 55 and is still employed by RMDC. The vested interest of employer contributions may be withdrawn upon an employee's termination. Employer contributions to the plan are discretionary. From July 1, 2011 to June 30, 2012 employer contributions were 7% of a qualified participant's wages. From July 1, 2012 forward, employer contributions are 5% of a qualified participant's wages. The employer contribution to the plan for the period ended June 30, 2012, was $291,568. The covered and total payroll for the year ended June 30, 2012 was $4,165,257 and $4,612,947 respectively.

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, day care and insurance premium expenses. The balance of employee contributions in the plan was $13,287 at June 30, 2012. Employees subsequently withdrew $10,175 of this balance for eligible expenses. The remaining balance of $3,112 became the property of RMDC on February 28, 2013.

NOTE 14. NONCONTROLLING INTEREST IN PARTNERSHIP EQUITY

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

	Controlling 0.01%	Non-Controlling 99.99%	Total 100%
EM II	$ 485	$ 4,853,872	$ 4,854,357
EM III	413	4,129,909	4,130,322
Total	$ 898	$ 8,983,781	$ 8,984,679

Though the noncontrolling interest is significant, the structure, role and responsibility of the general partner is such that these entities have been consolidated into the financial statements of RMDC.

NOTE 15. COMMITMENTS AND CONTINGENCIES

RMDC:

RMDC derived approximately 70% 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. Due to federal spending cuts (sequestration) affecting programs in fiscal year 2013, RMDC expects a $145,867 decrease in support as follows:

Program	Amount	Grant Period
Foster Grandparent	$ 15,018	07/01/2012-06/30/2013
Senior Companion	21,330	07/01/2012-06/30/2013
Community Services (CSBG)	10,125	01/01/2013-12/31/2013
Head Start	99,394	05/01/2013-04/30/2014
	$ 145,867	

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.

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 $1,820 of CHDO proceeds as of June 30, 2012.

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

The general partner is obligated to repurchase the interest of the limited partners for a purchase price equal to the sum of the total capital contributions made by the limited partners, plus $60,149, which represents costs incurred by the limited partners, if;

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

The termination of the partnership is expected to occur at the end of 2015, the fifteen-year tax credit period, by mutual consent of the general and limited partners. The partnership agreement calls for termination of the partnership at December 31, 2050 if an earlier consensual termination has not occurred.

Ptarmigan:
On November 20, 2000, RMDC executed a guaranty agreement for Ptarmigan. The agreement provides that RMDC unconditionally guarantees due payment, performance, and fulfillment of all liabilities, obligations and undertakings of Ptarmigan's general partner, RMDC Ptarmigan, Inc., arising under the Amended and Restated Partnership Agreement, Operating Deficit Guaranty Agreement, Construction Completion Guaranty Agreement, Repurchase Guaranty Agreement, Asset Management Agreement, and Administrative Services Agreement. The guaranty applies to Ptarmigan, its limited partners and successors, including Countryside Corporate Tax Credits VIII, LP.

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Ptarmigan (Continued):
The significant obligations under the preceding agreements are summarized as follows:

The general partner is obligated to repurchase the interest of the limited partner for a purchase price equal to the sum of the total capital contributions made by the limited partners, plus $125,449, which represents an allocation of the limited partner's organizational and offering expenses and fees, less the aggregate amount of cash distributions paid to the limited partner, if;

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

The partnership agreement calls for continuation of the partnership until December 31, 2055 if an earlier consensual termination has not occurred.

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

The significant obligations under these agreements are summarized as follows:

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

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Pheasant Glen (Continued):

- 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; or,
- at any time construction or operation of the complex is enjoined by a final order of a court having jurisdiction and such injunction continues for a period of thirty days; or,
- a casualty occurs resulting in substantial destruction of more than 50% of the complex, or there is substantial destruction of less than 50% of the complex and the insurance proceeds are insufficient to restore the complex or the complex is not restored within 24 months following such casualty.

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

Penkay:

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

The partnership agreement contains the following obligations:

The general partner is obligated to repurchase the interest of the limited partners for a purchase price equal to the sum of the total capital contributions made by the limited partners, plus the legal, accounting and internal costs incurred by the limited partner in connection with its investment in the partnership (subject to a $75,000 cap), plus any interest or penalties assessed by the IRS as a result of any recapture of tax credits, plus all transfer taxes or similar assessments incurred by the limited partners in connection with the sale. In the event a repurchase occurs, the limited partners must transfer their partnership interest to the general partner. As of June 30, 2012 the limited partners' capital contribution was $3,529,119. At June 30, 2012 the book value of the partnership's capital assets totaled approximately $4.4 million.

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Penkay (Continued):
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 $313,025 at June 30, 2012. Beginning January 2007, the general partner, or RMDC as the guarantor, was required to ensure that $250 per unit is contributed annually to the replacement reserve, resulting in an initial contribution of $16,500. This required contribution increases 3% each succeeding year. If the partnership's available cash is not sufficient to fund this contribution, the general partner or the guarantor are required to make an operating deficit loan to cover the deficiency.

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

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

As of June 30, 2012, the Operating Deficit Reserve Account balance was $109,787. 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.

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

EM III:
On August 15, 2007, EM III amended its partnership agreement. The amendments redefine the responsibilities of the partnership's general and limited partners. This was in response to the replacement of RMDC as the limited partner by Homestead Equity Fund VI, LP and Homestead SLP, LLC on June 30, 2007. The amended agreement places the following significant obligations upon Penkay Eagles Manor, Inc., the general partner:

- The partnership agreement calls for continuation of the partnership until July 6, 2011, and thereafter as renewed under Montana law, except that the partnership may be dissolved prior to such date upon a sale or other disposition of the partnership's assets, or a consensual termination. Under certain circumstances, the general partner is obligated to repurchase the interest of the limited partners for a purchase price equal to the sum of the total capital contributions made by the limited partners, plus interest at the rate of 7% per annum from the date of such capital contribution. In the event a repurchase occurs, the limited partners must transfer their partnership interest to the general partner. As of June 30, 2012 the limited partners' capital contribution was $4,872,110. At June 30, 2012, the book value of the partnership's capital assets totaled approximately $5.4 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 fails to meet the Minimum Set-Aside Test.

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

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

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

EM II (Continued):

- The partnership agreement calls for continuation of the partnership until December 31, 2058, except that the partnership may be dissolved prior to such date upon a sale or other disposition of the partnership's assets, or a consensual termination. Under certain circumstances, the general partner and 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, 2012, the limited partners' capital contribution was $5,320,541. As of June 30, 2012, the book value of the partnership's capital assets totaled approximately $6 million. These assets serve as collateral in the event the limited partners exercise the repurchase option. The limited partners may exercise this option if the complex is not constructed in accordance with the construction plans or the Fair Housing Act of 1988 as amended.

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

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 16. CONDITIONAL PROMISES RECEIVABLE

The following schedule reflects the value of conditional promises received by RMDC that are outstanding as of June 30, 2012. These conditional promises arise from grant/contract activities that are underway at fiscal year-end, but which are not complete:

NOTE 16. CONDITIONAL PROMISES RECEIVABLE (CONTINUED)

Program	Grant/Contract Period Ends	Amount
Head Start	April 30, 2013	$ 1,758,198
Northwestern Energy	December 28, 2012	143,449
Retired Senior Volunteer Program (CNS)	March 31, 2013	23,871
Striving Readers (OPI)	October 31, 2012	149,186
Community Services Block Grant	June 30, 2013	82,755
Commodities Supplemental Food	September 30, 2012	7,980
Missoula Aging Services	May 31, 2013	12,473
HOME (Homestead Manor)	January 31, 2013	35,417
HOME (River Rock)	December 31, 2013	606,050
CDBG (River Rock)	December 31, 2013	362,469
LIEAP Weatherization	August 31, 2012	21,057
LIEAP Outreach	December 31, 2012	17,602
LIEAP Client Education	September 30, 2012	1,147
Aging Disability Resource Center	September 29, 2012	17,992
Total conditional promises receivable		$ 3,239,646

NOTE 17. SUBSEQUENT EVENTS

Following are descriptions of subsequent events requiring disclosure:

On September 17, 2012 River Rock Residences opened a construction line of credit at 5% at Mountain West Bank. The purpose of the line of credit is to finance costs associated with the construction of the River Rock low-income housing project. Construction on the project began in August 2012 and completion is anticipated in June 2013. The loan matures on February 17, 2014. RMDC anticipates that the construction line for River Rock will be paid off in full through the limited partner contributions anticipated in accordance with the terms of the partnership agreement.

On October 10, 2012 Big Boulder Residences signed a $252,257 note payable to Valley Bank to fund reserves and current operations. Payments on the note are due in 360 monthly installments of $1,504.87 including interest at $5.95% per annum. The note matures on October 10, 2042.

SINGLE AUDIT SECTION

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
June 30, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	EXPENDITURE
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Direct Programs			
Foster Grandparent/Senior Companion Cluster:			
Foster Grandparents	94.011	09SFPMT002	$ 369,705
Senior Companion	94.016	09SCPMT003	522,971
Total Foster Grandparent/Senior Companion Cluster			892,676
Retired Senior Volunteer	94.002	09SRPMT012	47,160
	94.002	12SRMT008	17,542
Total Corporation for National and Community Service			957,378
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through State Department of Labor and Industry			
Training and Technical Assistance	94.009	Agreement	1,621
Total Passed through State Department of Labor and Industry			1,621
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs			
Head Start	93.600	08CH0035/46	1,727,607
		08CH0035/47	229,677
Total Head Start			1,957,284
Passed through State Department of Public Health and Human Services			
Community Services Block Grant	93.569	11-028-10006-0	91,406
		12-028-10006-0	135,383
Total Community Services Block Grant			226,789
Low-Income Home Energy	93.568	10-028-16006-0	31,701
		11-028-16006-0	385,166
		11-028-11006-0	24,192
		12-028-11006-0	66,098
		12-025-11056-0	29,655
		10-028-11020-0	56,591
		11-028-11020-0	188,430
		12-028-11002-0	35,013
Subtotal Low-Income Home Energy			816,846
State Court Improvement Program	93.586	MOU	1,272
Special Programs for the Aging			
Aging Cluster:			
Title III - Supportive Services and Senior Centers	93.044	12-22A-A004	213,404
Title III - Nutrition Services	93.045	12-22A-A004	253,448
Nutrition Services Incentive Program	93.053	12-22A-A004	151,959
Total Aging Cluster			618,811
Centers for Medicare and Medicaid Research, Demonstrations and Evaluations	93.779	12-22A-A004	19,325
		11-22A-MIPPA4	6,910
			26,235
Training, Research and Discretionary Projects and Programs	93.048	10-22A-ADRC4	18,479
Title VII - Long Term Care Ombudsman Services for Older Individuals	93.042	12-22A-A004	53,368
Title III - Disease Prevention and Health Promotion Services	93.043	12-22A-A004	13,912
Training, Research and Discretionary Projects and Programs	93.048	11-22A-ADRC4	81,834
National Family Caregiver Support	93.052	12-22A-A004	78,152
Total Aging Programs			890,791
Total Passed through State Department of Public Health and Human Services			1,935,698
Total U.S. Department of Health and Human Services			3,892,982

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	EXPENDITURE
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State Department of Public Health and Human Services			
Child and Adult Care Food Program	10.558	06-03-CACFP-091	111,216
		12-02-CSCFP-151	4,011
			115,227
Commodity Supplemental Food Program	10.565	11-027-21007-0	7,308
		12-027-21007-0	21,252
			28,560
Rural Rental Housing Loans	10.415	Agreement	25,100
Subtotal DPHHS Pass Through			168,887
Passed through State Office of Public Instruction			
Summer Food Program for Children	10.559	OPI 25-6579	5,447
National School Lunch Program	10.555	OPI 25-6579	9,904
School Breakfast Program	10.553	OPI 25-6579	7,835
Subtotal OPI Pass Through			23,186
Total U.S. Department of Agriculture			192,073
U.S. DEPARTMENT OF ENERGY			
Passed through State Department of Public Health and Human Services			
Weatherization Assistance for Low-Income Persons	81.042	11-028-30026-0	98,818
Weatherization Assistance for Low-Income Persons - SERC ARRA	81.042	11-029-30040-0	450,205
Weatherization Assistance for Low-Income Persons - ARRA	81.042	09-029-30026-0	181,699
Total U.S. Department of Energy			730,722
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through State Department of Commerce			
HOME Grant	14.239	M09B-SG300100-18	90,408
		M08T-SG300100-18	306,518
		M11-SG300100-18	143,950
			540,876
CDBG Grant	14.228	MT-CDBG-11HR-01	87,531
Home Access Tenant Based Rental Assistance	14.239	M09-SG3001-13	934
First Time Home Buyers & Dollars & Sense	14.169	Agreement	5,990
Subtotal DOC Pass Through			635,331
Passed through State Department of Public Health and Human Services			
Emergency Shelter Grant Program	14.231	11-028-51006-0	25,748
Homeless Prevention Rapid Re-Housing Program - ARRA	14.257	09-029-51006-0	87,998
Subtotal			113,746
Total U.S. Department of Housing and Urban Development			749,077
U.S. DEPARTMENT OF EDUCATION			
Passed through State Office of Public Instruction			
Striving Readers	84.371	Agreement	50,668
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through State Department of Transportation			
New Freedom Program	20.521	Contract 105209	71,153
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Programs			
Emergency Food and Shelter National Board Program	97.024	557800-014	1,700
Total expenditures of federal awards			$ 6,647,374

NOTE 1. BASIS OF PRESENTATION

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

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

NOTE 2. SUBRECIPIENTS

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Emergency Shelter Grant Program	14.231	$ 20,748
Special Programs for the Aging:		
Disease Prevention & Health Promotion	93.043	4,000
Supportive Services & Senior Centers	93.044	4,485
Nutrition Services	93.045	150,091
National Family Caregiver Support	93.052	13,546
Nutrition Services Incentive Program	93.053	100,926
HOME Grant, Big Boulder	14.239	90,408
HOME Grant, River Rock	14.239	143,950
		$ 528,154

NOTE 3. RECONCILIATION TO FINANCIAL STATEMENTS

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

Total expenditures of federal awards	$ 6,647,374
Plus: rent subsidy received by RMFP from Rural Development	32,881
Plus: interest subsidy received by RMFP from Rural Development	8,034
Plus: rent subsidy received by EMII from HUD	116,445
Plus: rent subsidy received by EMIII from HUD	96,255
Plus: rent subsidy received by Big Boulder from HUD	58,946
Plus: commodities received by RMDC Eagle Rock, Inc.	13,177
Total federal grant revenue per Consolidated Statement of Activities	$ 6,973,112

NOTE 4. HOME CHDO PROCEEDS

RMDC is a certified Community Housing Development Organization (CHDO). As a CHDO, RMDC has loaned HOME grant funds to other organizations to support the development of low-income housing. Repayment received by RMDC on these loans represent CHDO proceeds. These CHDO proceeds must be used for HOME eligible activites that support housing for low-income persons. RMDC had available CHDO proceeds of $97,265 of which $95,445 was disbursed on HOME eligible activities leaving $1,820 available at June 30, 2012.

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

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

We have audited the consolidated financial statements of Rocky Mountain Development Council, Inc. (RMDC) as of and for the year ended June 30, 2012, and have issued our report thereon dated March 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of RMDC is responsible for establishing and maintaining effective 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 the Organization's internal control over financial reporting.

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

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

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 March 28, 2013.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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
March 28, 2013

anderson ZURMUEHLEN

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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 Rocky Mountain Development Council's (RMDC) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of RMDC's major federal programs for the year ended June 30, 2012. 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 each of 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 of RMDC's compliance with those requirements.

As described in item 2012-1 and 2012-2 in the accompanying schedule of findings and questioned costs, RMDC did not comply with requirements regarding cash management and reporting that are applicable to its Head Start program. Compliance with such requirements is necessary, in our opinion, for RMDC to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, RMDC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-2.

Internal Control Over Compliance
Management of RMDC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered RMDC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RMDC's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2 to be material weaknesses.

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 additional deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

RMDC's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit RMDC's response and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of RMDC's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on RMDC's compliance but not to provide an opinion on the effectiveness of RMDC's internal control over compliance.

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RMDC's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Anderson ZurMuehlen & Co., P.C.

Helena, Montana
March 28, 2013

SUMMARY OF AUDIT RESULTS

Financial Statements:

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

Federal Awards:

Internal Control over major programs:	
Material weakness identified?	Yes
Significant deficiency not considered material weakness identified?	No
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	Yes

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Head Start	93.600
Foster Grandparents/Senior Companions Cluster:	
Foster Grandparents	94.011
Senior Companions	94.016
DOE Weatherization Cluster:	
Weatherization Assistance for Low-Income Persons	81.042
Weatherization Assistance for Low-Income Persons - SERC ARRA	81.042
Weatherization Assistance for Low-Income Persons - ARRA	81.042

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

FINDINGS AND SIGNIFICANT DEFICIENCIES OR MATERIAL WEAKNESSES - FINANCIAL STATEMENT AUDIT

None reported.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

See Schedule of Findings and Questioned Costs, #2012-1 and #2012-2.

#2012-01. Head Start Program, CFDA No. 90.600
Compliance Requirement: Cash Management

Condition: We noted federal funds were advanced to pay certain program expenses but the funds were not used to pay the expenses incurred.

Criteria: Cash management requirements under the compliance supplement of OMB A-133 require the grantee to incur the expense before seeking reimbursement under a cost reimbursement grant.

Effect: RMDC did not comply with the federal cash management requirement that federal funds be used to reimburse the specific allowable expenses incurred for program operations. This is considered to be a material weakness in internal control over compliance.

Perspective: During the period of October 2011 through February 2012, Head Start funds were drawn to pay health insurance expenses for program employees, but RMDC did not have sufficient cash to pay all of its bills during this time, including those for health insurance. The grantor was notified of the noncompliance and the past due bills were paid prior to the final program reporting date.

Cause: Management failed to comply with its cash management controls while experiencing an agency-wide shortage of cash, by specifying certain agency-wide expenses be paid to the extent cash was available. There was insufficient cash available to pay the agency's health insurance bills during this time period.

Recommendation: We recommend management comply with its cash management controls when managing federal awards without exception.

Management Response: Contact: Curt Chisholm, Interim Executive Director
Concur. See corrective action plan.

#2012-02. Head Start Program, CFDA No. 90.600
Compliance Requirement: Reporting

Condition: Three of the four financial reports tested contained inaccuracies due to the condition cited in Finding #2012-01: the SF-425 Cash Transaction Report for the quarters ended December 31, 2011 and March 31, 2012, and the SF-425 Expenditures and Income Reports (semi-annual report for the six months ended October 31, 2011). Reimbursed but unpaid health insurance costs were reported as "unliquidated obligations," which should include only prepaid expenses in reports prepared on the accrual basis.

Criteria: Controls should be in place to insure financial reports are accurately prepared.

Effect: Financial reports submitted during the year were inaccurate. This is considered to be a material exception.

Perspective: The final program report submitted for the year was correct.

Cause: See Finding #2012-01.

Recommendation: We recommend management comply with its reporting controls when managing federal awards without exception.

Management Response: Contact: Curt Chisholm, Interim Executive Director
Concur. See corrective action plan.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

There were no findings or questioned costs reported in the audit for the year June 30, 2011.

RMDC

ROCKY MOUNTAIN
DEVELOPMENT COUNCIL

March 26, 2013

To: Anderson Zurmuehlen

From: Curt Chisholm, Interim Executive Director

Re: RMDC Corrective Action Plan for compliance issue #2012-1 and #2012-2

RMDC has taken several steps to remedy both the cash flow situation that contributed to the compliance problem and to implement an improved cash monitoring system.

First, there has been a change in upper agency management, and a transition team has been put in place to guide the search for a new executive director and fiscal director, and to closely oversee the agency's operations in the interim period. This transition team is composed of the Interim Executive Director, the Interim Director of Finance, the Human Resource Officer, Housing Program Manager and a volunteer with a long standing relationship as a previous employee of a grantor to RMDC. The interim designation refers to the transition status of the agency at this point in time; however, it should be noted that the Board has given the Interim Executive Director and Director of Finance full authority to manage and restructure the agency in their current roles. The team meets weekly to discuss current agency issues that are then brought to the Board's attention for discussion and resolution.

Second, the Board is fully engaged in the process of getting the agency back on its feet. The Finance Committee of the Board meets monthly with the agency's management. At the Board's request, the staff prepared an agency-wide cash flow projection to assess the availability of cash to fund RMDC's operations through the end of fiscal year 2013. Budgets were developed, revised and entered into the accounting system to facilitate ongoing monitoring. Expenses have been reviewed and discretionary items eliminated during FY 2013. RMDC and the Board are assessing its program services, available resources to fund them and are in the process of developing a plan to ensure RMDC is managed as a sustainable and effective organization.

Third, RMDC has reviewed internal accounting processes and identified additional controls that have been implemented to prevent future noncompliance. Calculation and monitoring of the cash balance as part of the cash draw process has been updated and implemented since this issue was identified. The fiscal staff has discussed the importance of compliance with this and all A-133 compliance requirements.

Fourth, RMDC paid the Head Start health insurance expenses to Lewis and Clark County, its insurance provider, prior to the grant closeout date of July 30, 2012. All health insurance expense charged to federal grants has been paid in full.

Fifth, regarding the specific issue of reporting, the fiscal staff determined they had been completing the related financial reports inaccurately at the time they identified the cash management issue. In July 2012, RMDC staff notified the grantor of the inaccuracies and stated they would issue revised reports. The grantor stated that it was not necessary to and that RMDC should not resubmit corrected reports. Fiscal staff reviewed the process for completing the reports and revised and updated the process so that the financial reports would be completed properly. The final reports submitted for the grant year were accurate.

Finally, the Interim Director of Finance hired on June 18, 2012 identified the compliance issues and notified the external auditors of these issues and how the fiscal staff had remedied the issues prior to the commencement of the audit.

SUPPLEMENTARY INFORMATION

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.

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

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

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

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.

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:

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

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.

OFFICE OF PUBLIC INSTRUCTION (CONTINUED):

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

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.

LOCAL FUNDING – Other Programs:

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

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF INDIRECT COST RECONCILIATION
June 30, 2012

Total agency-wide expenditures:	
General and administrative	$1,181,455
Program services	11,424,244
Fundraising	29,921
Total expenditures on Statement of Activities	12,635,620
Less:	
Indirect costs	(1,181,455)
Exclusions:	
Commodities	(15,120)
Depreciation	(133,661)
In-kind	(677,718)
Pass-through	(610,287)
Related party transactions	(1,589,637)
Assistance payments	(209,482)
Asset adjustment to fair market value	(5,720)
Bad debt	(2,079)
Internal service fund expense eliminations	75,685
Indirect cost base expenditures	8,286,146
Indirect cost rate	11.70%
Total indirect cost charges	$ 969,479
Allocated indirect costs by program:	
Aging & Nutrition	$ 117,507
Corporation for National Service	122,408
Emergency Shelter & Runaway Youth	93,183
Housing	111,486
Other	42,816
Preschool/Childcare	238,574
Senior Activities	5,102
Transportation	6,945
Weatherization	143,624
General and administrative	86,457
Fundraising	1,377
Total indirect cost charges to programs	$ 969,479

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF TRANSFERS
For the Fiscal Year Ended June 30, 2012

County Mill Fund Transfers

Sources:	
Carry Forward from 2011	$ 5,432
Lewis and Clark County	297,155
Jefferson County	42,928
Broadwater County	25,182
Total County Mill Funds Received	$ 370,697
Program Recipients:	
Congregate Meals	$ 69,269
Home Delivered Meals	54,185
Senior Companion Program	42,185
Area IV on Aging	39,298
Foster Grandparent Program	43,398
Retired Senior Volunteer Program	31,826
Augusta Senior Center	10,916
Senior Medicare Patrol	1,965
Senior Services & Transportation	68,012
Senior Space	9,643
Total County Mill Funds Transferred	$ 370,697

Community Service Block Grant Transfers

Program Recipients:	
Transitional Living Program	$ 374
Children's Summer Feeding Program	8,489
Commodities	14,640
Head Start	30,215
Compeer	17,575
Homelessness Activities	3,485
Indirect Cost Pool	85,537
Weatherization/Energy Assistance	711
Housing Prevention/Rapid Re-Housing	642
Total Community Service Block Grant Transfers	$ 161,668

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2012

ASSETS	RMDC	RMFP	RMDC Eagle Rock, Inc.	EMII	EMIII
CURRENT ASSETS					
Cash and cash equivalents	$ 362,617	$ 29,406	$ 15,158	$ 216,871	$ 141,692
Accounts receivable	185,739	4,687	36,063	2,569	2,011
Related party receivable	388,076	-	7,018	-	-
Grants receivable	198,194	-	-	-	-
Current portion of notes and interest receivable	16,640	-	-	-	-
Prepaid deposits and expenses	42,612	1,113	849	2,634	2,511
Inventory	43,052	-	9,629	-	-
Asset held for resale	58,500	-	-	-	-
Total current assets	1,295,430	35,206	68,717	222,074	146,214
FIXED ASSETS					
Land	278,244	22,495	-	147,742	198,317
Land improvements, net	13,515	-	-	19,132	7,791
Leasehold improvements, net	81,102	-	-	-	-
Buildings, net	1,731,822	134,111	-	5,808,148	5,132,905
Equipment, net	248,761	1,040	30,099	42,488	35,083
Total fixed assets	2,353,444	157,646	30,099	6,017,510	5,374,096
OTHER ASSETS					
Investments	6,020	-	-	-	-
Construction in progress	-	-	-	-	-
Long-term related party receivable	72,796	-	-	-	-
Long-term notes and interest receivable	7,700,396	-	-	-	-
Long-term accounts receivable	-	-	8,304	-	-
Deferred costs, net	-	-	-	20,338	12,771
Total other assets	7,779,212	-	8,304	20,338	12,771
Total assets	$ 11,428,086	$ 192,852	$ 107,120	$ 6,259,922	$ 5,533,081
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 690,113	$ 12,845	$ 57,434	$ 21,728	$ 38,348
Compensated absences	443,388	-	12,083	-	-
Refundable advances/Deferred Revenue	248,815	1,334	1,112	15,176	10,425
Current portion of long-term debt	18,122	2,646	-	1,670	6,631
Total current liabilities	1,400,438	16,825	70,629	38,574	55,404
LONG TERM					
Notes and interest payable	1,486,062	213,021	198,968	1,366,991	1,347,355
Other liabilities	354,720	-	-	-	-
Total long term liabilities	1,840,782	213,021	198,968	1,366,991	1,347,355
Total liabilities	3,241,220	229,846	269,597	1,405,565	1,402,759
NET ASSETS					
Unrestricted net assets and controlling interests in partnerships	8,174,547	(41,994)	(162,477)	485	413
Noncontrolling interests in partnerships	-	-	-	4,853,872	4,129,909
Common Stock	-	5,000	-	-	-
Temporarily restricted net assets	12,319	-	-	-	-
Total net assets	8,186,866	(36,994)	(162,477)	4,854,357	4,130,322
Total liabilities and net assets	$ 11,428,086	$ 192,852	$ 107,120	$ 6,259,922	$ 5,533,081

Penkay Eagles Manor, Inc.	Eagle Manor Project No. 2, Inc.	Big Boulder	River Rock	Eliminations	Consolidated
$ -	$ -	$ 18,356	$ -	$ -	$ 784,100
-	-	4,076	-	-	235,145
-	-	-	-	(308,748)	86,346
-	-	-	-	-	198,194
-	-	-	-	-	16,640
887	834	1,532	-	-	52,972
-	-	-	-	-	52,681
-	-	-	-	-	58,500
887	834	23,964	-	(308,748)	1,484,578
-	-	503,336	575,482	-	1,725,616
-	-	63,051	-	-	103,489
-	-	-	-	-	81,102
-	-	6,593,623	-	(2,295,998)	17,104,611
-	-	145,285	-	-	502,756
-	-	7,305,295	575,482	(2,295,998)	19,517,574
110	200	110	-	(5,330)	1,110
-	-	-	325,977	(102,524)	223,453
-	-	-	-	(47,626)	25,170
-	390,349	-	-	(3,113,694)	4,977,051
-	-	-	-	-	8,304
-	-	7,401	27,731	-	68,241
110	390,549	7,511	353,708	(3,269,174)	5,303,329
$ 997	$ 391,383	$ 7,336,770	$ 929,190	$ (5,873,920)	$ 26,305,481
$ 70,117	$ 18,582	$ 41,539	$ 264,195	$ (356,373)	$ 858,528
-	-	-	-	-	455,471
-	-	8,865	-	-	285,727
-	-	-	431,217	-	460,286
70,117	18,582	50,404	695,412	(356,373)	2,060,012
-	-	501,836	234,385	(3,113,696)	2,234,922
-	-	-	-	-	354,720
-	-	501,836	234,385	(3,113,696)	2,589,642
70,117	18,582	552,240	929,797	(3,470,069)	4,649,654
(69,120)	372,801	6,784,530	(607)	(2,398,851)	12,659,727
-	-	-	-	-	8,983,781
-	-	-	-	(5,000)	-
-	-	-	-	-	12,319
(69,120)	372,801	6,784,530	(607)	(2,403,851)	21,655,827
$ 997	$ 391,383	$ 7,336,770	$ 929,190	$ (5,873,920)	$ 26,305,481

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
June 30, 2012

	RMDC	RMFP	RMDC Eagle Rock Inc.	EMII	EMIII
CHANGES IN UNRESRICTED NET ASSETS					
Revenues and Gains					
Grants - federal	$ 6,647,374	$ 40,915	$ 66,239	$ 116,445	$ 96,255
Grants - other	848,655	-	-	-	-
County tax	464,789	-	-	-	-
Local support	83,179	-	-	-	-
Fundraising & donations	270,113	-	1,242	-	-
Program service	2,009,499	19,852	514,094	169,923	121,461
Other	270,668	1,622	-	1,402	235
In-kind	706,649	-	-	-	-
Total unrestricted revenues and gains	11,300,926	62,389	581,575	287,770	217,951
Net Assets Released from Temporary Restrictions					
Satisfaction of restrictions					
Total net assets released from restrictions	13,421	-	-	-	-
Total unrestricted revenues, gains and other support	11,314,347	62,389	581,575	287,770	217,951
Expenses and Losses					
Aging & Nutrition	1,855,338	-	-	-	-
Corporation for National Service	1,172,039	-	-	-	-
Emergency & Youth Shelter	847,398	-	-	-	-
Housing - General	975,866	68,289	657,225	529,102	412,258
Other	515,515	-	-	-	-
Preschool/Childcare	2,860,763	-	-	-	-
Senior Activities	118,676	-	-	-	-
Transportation	30,529	-	-	-	-
Weatherization	1,458,481	-	-	-	-
Total program xxpenses and losses	9,834,605	68,289	657,225	529,102	412,258
General and Administrative	1,181,455	-	-	-	-
Fundraising	29,921	-	-	-	-
Total unrestricted expenses and losses	11,045,981	68,289	657,225	529,102	412,258
CHANGES IN UNRESTRICTED NET ASSETS	268,366	(5,900)	(75,650)	(241,332)	(194,307)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	2,739	-	-	-	-
Net assets released from restrictions	(13,421)	-	-	-	-
Changes in temporarily restricted net assets	(10,682)	-	-	-	-
Total changes in unrestricted and temporarily restricted net assets	257,684	(5,900)	(75,650)	(241,332)	(194,307)
Paid-in-capital	-	-	-	(4,274)	-
Common stock	-	5,000	-	-	-
Consolidated net assets, beginning of year	7,929,182	(36,094)	(86,827)	5,099,963	4,324,629
Consolidated net assets, end of year	$ 8,186,866	$ (36,994)	$ (162,477)	$ 4,854,357	$ 4,130,322

Penkay Eagles Manor, Inc.	Eagle Manor Project No. 2, Inc.	Big Boulder	River Rock	Eliminations	Consolidated
$ -	$ -	$ 58,946	$ -	$ (53,062)	$ 6,973,112
-	-	1,195,387	-	-	2,044,042
-	-	-	-	-	464,789
-	-	-	-	-	83,179
-	-	-	-	-	271,355
-	-	82,394	-	(416,112)	2,501,111
27,683	3,739	9,563	-	(67,449)	247,463
-	-	214,000	-	-	920,649
27,683	3,739	1,560,290	-	(536,623)	13,505,700
-	-	-	-	-	13,421
27,683	3,739	1,560,290	-	(536,623)	13,519,121
-	-	-	-	(53,062)	1,802,276
-	-	-	-	-	1,172,039
-	-	-	-	-	847,398
7,653	9,400	297,461	-	(338,687)	2,618,567
-	-	-	-	-	515,515
-	-	-	-	-	2,860,763
-	-	-	-	-	118,676
-	-	-	-	-	30,529
-	-	-	-	-	1,458,481
7,653	9,400	297,461	-	(391,749)	11,424,244
-	-	-	-	-	1,181,455
-	-	-	-	-	29,921
7,653	9,400	297,461	-	(391,749)	12,635,620
20,030	(5,661)	1,262,829	-	(144,874)	883,501
-	-	-	-	-	2,739
-	-	-	-	-	(13,421)
-	-	-	-	-	(10,682)
20,030	(5,661)	1,262,829	-	(144,874)	872,819
-	-	-	110	(220)	(4,384)
-	-	-	-	(5,000)	-
(89,150)	378,462	5,521,701	(717)	(2,253,757)	20,787,392
$ (69,120)	$ 372,801	$ 6,784,530	$ (607)	$ (2,403,851)	$ 21,655,827

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF CONSOLIDATING ELIMINATIONS
June 30, 2012

	RMDC	RMFP	RMDC Eagle Rock, Inc.	EM II	EM III
ASSETS					
Related party receivables	$ 351,922	$ -	$ 3,396	$ -	$ 1,056
Buildings	-	-	-	656,109	727,539
Investment in housing	5,020	-	-	-	-
Construction in progress RMDC developer fee	-	-	-	-	-
Long-term notes and interest receivable	2,723,345	-	-	-	-
Total Assets	$ 3,080,287	$ -	$ 3,396	$ 656,109	$ 728,595
LIABILITIES					
Accounts payable to RMDC	$ -	$ 9,003	$ 23,398	$ 10,783	$ 13,237
Accounts payable to RMDC Eagle Rock	-	-	-	1,444	-
Accounts payable to Eagle Manor III	-	-	989	114	-
Notes and interest payable to RMDC	-	-	198,968	866,658	921,500
Notes and interest payable to EM Project No. 2	-	-	-	390,349	-
Total Liabilities	$ -	$ 9,003	$ 223,355	$ 1,269,348	$ 934,737
NET ASSETS					
Unrestricted net assets	$ -	$ -	$ -	$ 656,108	$ 727,539
Paid-in capital	-		-	110	-
Common Stock	-	5,000	-	-	-
Total Liabilities and Net Assets	$ -	$ 9,003	$ 223,355	$ 1,925,566	$ 1,662,276
REVENUE					
RMDC service fees	$ 247,630	$ -	$ -	$ -	$ -
RMDC developer fee EM II and Big Boulder	110,000	-	-	-	-
Eagle Rock service fees	-	-	58,481	-	-
Partnership fee	-	-	-	-	-
Commodities from RMDC	-	-	53,062	-	-
Interest on note due from EM II	-	-	-	-	-
Interest on notes due from related organizations	36,028	-	-	-	-
Total Revenue	$ 393,658	$ -	$ 111,543	$ -	$ -
EXPENSES					
Expenses from RMDC service fees	$ -	$ 21,546	$ 8,340	$ 73,767	$ 59,938
Expenses from Eagle Rock service fees	-	-	-	34,179	17,247
Partnership fee	-	-	-	27,683	-
Commodities from RMDC to Eagle Rock	53,062	-	-	-	-
Interest on note due to EM Proj No. 2	-	-	-	3,736	-
Interest on notes due to RMDC	-	-	-	-	31,288
Total Expenses	53,062	21,546	8,340	139,365	108,473
Change in Net Assets Due to Eliminations	$ 340,596	$(21,546)	$ 103,203	$ (139,365)	$ (108,473)

Penkay Eagles Manor, Inc.	Eagle Manor Project No. 2, Inc.	Big Boulder	River Rock	Total
$ -	$ -	$ -	$ -	$ 356,374
-	-	912,350	-	2,295,998
110	200	-	-	5,330
-	-	-	102,524	102,524
-	390,349	-	-	3,113,694
$ 110	$ 390,549	$ 912,350	$ 102,524	$ 5,873,920
$ 69,322	$ 17,787	$ 14,014	$ 194,379	$ 351,923
-	-	1,499	-	2,943
-	-	404	-	1,507
-	-	501,836	234,385	2,723,347
-	-	-	-	390,349
$ 69,322	$ 17,787	$ 517,753	$ 428,764	$ 3,470,069
$ -	$ -	$ 870,000	$ -	$ 2,253,647
-	-	110	110	330
-	-	-	-	5,000
$ 69,322	$ 17,787	$ 1,387,863	$ 428,874	$ 5,729,046
$ -	$ -	$ -	$ -	$ 247,630
-	-	-	-	110,000
-	-	-	-	58,481
27,683	-	-	-	27,683
-	-	-	-	53,062
-	3,739	-	-	3,739
-	-	-	-	36,028
$ 27,683	$ 3,739	$ -	$ -	$ 536,623
$ -	$ 3,559	$ 48,512	$ -	$ 215,662
-	-	7,056	-	58,482
-	-	-	-	27,683
-	-	-	-	53,062
-	-	-	-	3,736
-	-	1,836	-	33,124
-	3,559	57,404	-	391,749
$ 27,683	$ 180	$ (57,404)	$ -	$ 144,874