

**ROCKY MOUNTAIN DEVELOPMENT
COUNCIL, INC.**

FINANCIAL REPORT

June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rocky Mountain Development Council, Inc. (RMDC) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RMDC as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Schedule of Expenditures of Federal Awards and Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplementary information presented on pages 49 through 56 is also presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, 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* in considering RMDC's internal control over financial reporting and compliance.



Helena, Montana
November 30, 2017

CONSOLIDATED FINANCIAL STATEMENTS

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents, operations	\$ 778,784
Cash and cash equivalents, custodial	143,017
Accounts receivable	176,421
Related party receivables	37,043
Grants receivable	659,732
Current portion of notes and interest receivable	12,874
Prepaid deposits and expenses	91,561
Inventory	<u>49,358</u>
Total current assets	<u>1,948,790</u>

FIXED ASSETS

Land	1,922,166
Land improvements, net	194,106
Leasehold improvements, net	88,865
Buildings, net	18,541,888
Equipment, net	<u>349,157</u>
Total fixed assets	<u>21,096,182</u>

OTHER ASSETS

Investments in partnerships	1,000
Cash restricted for security deposits and reserves	849,391
Cash restricted for housing projects	367,935
Long-term related party receivable	4,550
Long-term notes and interest receivable	4,494,550
Long-term accounts receivable	5,710
Deferred costs, net	<u>34,212</u>
Total other assets	<u>5,757,348</u>
Total assets	<u><u>\$ 28,802,320</u></u>

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
June 30, 2017

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 497,952
Cash and cash equivalents held for others	143,017
Compensated absences	277,964
Refundable advances and deferred revenue	176,140
Current portion of long-term debt	<u>75,289</u>
Total current liabilities	<u>1,170,362</u>

LONG-TERM DEBT

Notes and interest payable	1,730,278
Other liabilities	<u>161,846</u>
Total long term liabilities	<u>1,892,124</u>
Total liabilities	<u>3,062,486</u>

NET ASSETS

Unrestricted net assets

Unrestricted net assets and controlling interests in partnerships	14,165,845
Noncontrolling interests in partnerships	<u>11,254,699</u>
Total unrestricted net assets	25,420,544

Temporarily restricted net assets	<u>319,290</u>
Total net assets	<u>25,739,834</u>

Total liabilities and net assets	<u>\$ 28,802,320</u>
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The Notes to Consolidated Financial Statements are an integral part of this statement.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

CHANGE IN UNRESTRICTED NET ASSETS

REVENUES, GAINS, AND OTHER SUPPORT

Grants - federal	\$ 6,121,042
Grants - other	1,111,998
County tax	375,631
Local support	39,274
Fundraising & donations	311,104
Program service	1,963,825
Other	302,451
In-kind	<u>935,966</u>
Total unrestricted revenues, gains, and other support	<u>11,161,291</u>

NET ASSETS RELEASED FROM RESTRICTIONS

Satisfaction of restrictions	<u>333</u>
Total unrestricted revenues, gains and other support	<u>11,161,624</u>

EXPENSES

Program	
Aging & Nutrition	2,163,372
Senior Volunteer	918,524
Housing - General	2,665,643
Other	233,828
Preschool/Childcare	4,285,083
Senior Activities	147,906
Transportation	28,095
Weatherization	<u>911,020</u>
Total program expenses	<u>11,353,471</u>
General and administrative	1,889,158
Recovery of indirect costs from programs	(846,064)
Recovery of other allocated costs from programs	<u>(977,150)</u>
	65,944
Fundraising	<u>9,661</u>
Total unrestricted expenses	<u>11,429,076</u>

Change in unrestricted net assets	<u>(267,452)</u>
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ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
For the Year Ended June 30, 2017

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Contributions	47,203
Net assets released from restrictions	<u>(333)</u>
Change in temporarily restricted net assets	<u>46,870</u>
Change in net assets	(220,582)
Partnership distributions	(4,347)
Consolidated net assets, beginning of year	<u>25,964,763</u>
Consolidated net assets, end of year	<u>\$ 25,739,834</u>

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	General and Administrative			Program Expenses				Program Expenses				Fundraising	Total	
	Indirect Costs	Other Supporting Services	Total General and Administrative	Aging and Nutrition	Senior Volunteer	Housing	Other	Preschool Childcare	Senior Activities	Transportation	Weatherization	Total Program		Total Fundraising
Advertising/recruitment	\$ 56	\$ 7	\$ 63	\$ 132	\$ 1,550	\$ 1,855	\$ 1,624	\$ 1,682	\$ -	\$ -	\$ 10	\$ 6,853	\$ 348	\$ 7,264
Assistance payments	-	-	-	-	-	-	-	-	-	-	232,518	232,518	-	232,518
Communications	28,710	44,521	73,231	31,671	15,133	44,528	3,722	50,652	3,954	278	14,789	164,727	784	238,742
Consultant/contract	11,859	20,713	32,572	23,210	1,909	91,139	2,200	151,110	218	114	321,338	591,238	3,425	627,235
Equipment rent/maintenance	11,317	35,581	46,898	-	300	-	1,132	6,285	123	-	-	7,840	-	54,738
In-kind	-	-	-	1,228	27,728	237	-	906,773	-	-	-	935,966	-	935,966
Insurance	17,589	9,750	27,339	8,095	-	93,464	797	23,181	1,944	3,285	8,396	139,162	-	166,501
Legal fees	-	-	-	-	-	345	-	-	-	-	-	345	-	345
Materials and supplies	2,762	38,772	41,534	15,957	-	67,161	4,722	139,188	2,307	119	5,816	235,270	-	276,804
Meal costs	-	169,453	169,453	440,946	-	174,870	115	222,160	3,000	-	-	841,091	-	1,010,544
Occupancy	37,562	176,110	213,672	51,525	15,112	371,273	29,886	200,406	63,864	-	24,332	756,398	75	970,145
Office supplies	11,024	2,234	13,258	6,744	3,569	9,595	775	26,081	45	-	2,621	49,430	1,041	63,729
Other	6,124	549	6,673	22,140	2,067	62,086	4,966	23,599	19	150	117	115,144	214	122,031
Pass-through grants	-	-	-	640,899	-	-	47,980	-	-	-	-	688,879	-	688,879
Photocopies/printing	4,339	134	4,473	1,535	5,039	1,062	496	6,302	4,375	29	98	18,936	1,478	24,887
Salaries and related expenses	700,170	384,768	1,084,938	754,918	199,656	746,258	100,860	2,102,811	42,000	33,234	211,510	4,191,247	1,057	5,277,242
Stipends	-	-	-	-	357,833	-	-	-	-	-	-	357,833	-	357,833
Travel/training	13,301	1,900	15,201	50,856	17,959	14,156	8,090	37,387	17,899	207	13,225	159,779	175	175,155
Vehicle maintenance/repair	-	1,449	1,449	10,003	-	-	-	908	-	7,675	2,776	21,362	-	22,811
Volunteer participant expense	-	-	-	-	173,523	-	-	-	-	-	-	173,523	-	173,523
Interest expense	42	20,110	20,152	-	-	76,090	-	107	-	-	-	76,197	-	96,349
Depreciation and amortization	6,148	24,260	30,408	-	-	843,608	10,231	44,020	628	13,801	500	912,788	-	943,196
Indirect costs allocated to programs	-	107,844	107,844	127,159	97,146	67,916	16,232	342,431	7,530	5,768	72,974	737,156	1,064	846,064
Recovery of indirect costs	(846,064)	-	(846,064)	-	-	-	-	-	-	-	-	-	-	(846,064)
Recovery of other allocated costs	-	(977,150)	(977,150)	(23,646)	-	-	-	-	-	(36,565)	-	(60,211)	-	(1,037,361)
	<u>\$ 4,939</u>	<u>\$ 61,005</u>	<u>\$ 65,944</u>	<u>\$ 2,163,372</u>	<u>\$ 918,524</u>	<u>\$ 2,665,643</u>	<u>\$ 233,828</u>	<u>\$ 4,285,083</u>	<u>\$ 147,906</u>	<u>\$ 28,095</u>	<u>\$ 911,020</u>	<u>\$ 11,353,471</u>	<u>\$ 9,661</u>	<u>\$ 11,429,076</u>

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (220,582)
Adjustments to reconcile the change in net assets to net cash flows from operating activities:	
Depreciation	934,139
Amortization	9,057
Gain on disposal of assets	(20,270)
Loss on sale of assets	3,739
Forgiveness of long-term debt	(55,000)
Forgiveness of accrued interest payable	(9,489)
Change in assets and liabilities:	
Increase in current receivables	(44,171)
Decrease in grant receivables	7,150
Increase in prepaid expenses	(36,705)
Increase in inventory	(10,478)
Increase in long-term interest receivable	(84,046)
Decrease in accounts payable & accrued expenses	(22,296)
Increase in compensated absences	9,345
Increase in refundable advances	19,789
Decrease in other liabilities	<u>(30,000)</u>
Net cash flows from operating activities	<u>450,182</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(212,760)
Proceeds from insurance claim on damaged property	107,047
Proceeds from sale of assets held for sale	170,700
Decrease in long-term related party receivables	7,588
Decrease in long-term notes receivable	600
Principal payments received on long-term notes receivable	11,857
Paid-in capital received on partnership investments	<u>(4,347)</u>
Net cash flows from investing activities	<u>80,685</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on construction line of credit	(116,668)
Principal payments on long-term debt	<u>(43,434)</u>
Net cash flows from financing activities	<u>(160,102)</u>
Net change in cash and cash equivalents	370,765
Cash and cash equivalents, beginning of year	<u>1,768,362</u>
Cash and cash equivalents, end of year	<u>\$ 2,139,127</u>
SUPPLEMENTAL INFORMATION:	
Interest Paid	<u>\$ 82,819</u>
CASH AND CASH EQUIVALENTS PER THE STATEMENT OF FINANCIAL POSITION:	
Cash and cash equivalents, operations	\$ 778,784
Cash and cash equivalents, custodial	143,017
Cash restricted for security deposits and reserves	849,391
Cash restricted for housing projects	<u>367,935</u>
Total cash and cash equivalents, end of year	<u>\$ 2,139,127</u>

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

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

Reporting Entity

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

RMDC provides centralized administration and support for approximately 20 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.

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 (GAAP), these financial statements include the consolidated activity of RMDC, Rocky Mountain Front Properties, Inc. (RMFP), RMDC Eagle Rock, Inc. (ERI), Eagles Manor II Residences, L.P. (EM II), Eagles Manor III Residences, L.P. (EM III), Penkay Eagles Manor, Inc., Eagles Manor Project No. 2, Inc., Big Boulder Residences, L.P. (Big Boulder), River Rock Residences, L.P. (River Rock), and Ptarmigan Residence, L.P. (Ptarmigan). All material transactions between these organizations are eliminated from the consolidated financial statements.

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

RMFP

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

Eagles Manor Complex

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

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

Finally, an additional 30 units were constructed on the Eagles campus, owned and operated by EM III, which was organized by 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 Manor campus in Helena, Montana. Penkay Eagles Manor, Inc. is the general partner and Homestead Equity Fund VI, LP and Homestead SLP, LLC are the limited partners.

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

Big Boulder

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

River Rock

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

Eagles 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.

Ptarmigan

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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 residents of Eagle Rock Residences (Penkay), EM II, EM III, Big Boulder, River Rock, Ptarmigan, and Pheasant Glen Limited Partnership (Pheasant Glen). These services primarily relate to the provision of a congregate meal program for the residents of the Eagles Manor complex, maintenance and housekeeping services. RMDC holds the majority of the Board of Directors positions and has provided financial support to RMDC Eagle Rock, Inc.

Other Related Party Entities

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

Basis of Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents consists of both operations and custodial accounts. RMDC maintains pooled petty cash and deposit accounts that are used by all programs during the normal course of operations. RMDC is also the custodian of cash for several groups/councils. See Note 2 for disclosure of RMDC's custodial cash accounts. For purposes of the consolidated statement of cash flows, all checking accounts, savings accounts, overnight repurchase agreements, and restricted reserve accounts are considered cash equivalents. Deposits are carried at cost, which approximates fair value.

RMDC and its consolidated entities maintain cash accounts in multiple financial institutions. Accounts at the financial institutions (for each entity with separate tax identification numbers) are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. RMDC's main operating account has unlimited coverage through a repurchase agreement, under which all deposits are fully collateralized. At June 30, 2017, the uninsured cash balance was \$10,252.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

Accounts Receivable

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

Related Party Receivables

Related party receivables represent amounts due from organizations affiliated with RMDC.

Grants Receivable

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

Notes and Interest Receivable

RMDC has made loans to provide funding for affordable housing projects and agreed to defer payments due for services rendered to other organizations. Information concerning these loans is provided in Note 4. The amount reported as current portion of notes and interest receivable represents the estimated loan principal and interest payments that RMDC will receive within one year of June 30, 2017. The remaining balances are due for various terms, as more fully disclosed in Note 4.

Prepaid Deposits and Expenses

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

Inventory

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

Assets Held for Sale

Long-lived assets that are not used in normal operations and will be sold within one year are classified as an asset held for sale. Assets held for sale are reported at the lower of cost or fair value. There were no assets held for sale at June 30, 2017.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

Fixed Assets

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

Cash Restricted for Security Deposits, Reserves, and Housing Projects

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

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

Construction In Progress

Construction in progress represents costs incurred for new construction and improvement projects for RMDC and its consolidated entities. There was no construction in progress at June 30, 2017.

Deferred Costs

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

Compensated Absences

RMDC and ERI permit nonunion employees to accumulate earned, unused annual and sick leave benefits. RMDC and ERI policy allows the accrual of up to 240 hours of unused annual leave. At termination, nonunion employees are paid for any accumulated, unused annual leave and 25% of accumulated, unused sick leave multiplied by their current salary rate. RMDC union employees are granted personal leave and are permitted to accumulate earned, unused annual sick leave. At termination, union employees are paid 25% of accumulated, unused sick leave multiplied by their current salary rate.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

In-Kind Contributions

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

Indirect Costs and Other Supporting Services

Indirect costs that benefit all RMDC programs are allocated to each program using an approved indirect cost rate. Although the provisional approved rate for RMDC is 13.2% for fiscal year 2017, the effective rate applied during fiscal year 2017 is 12.8%.

RMDC maintains separate internal service funds, including kitchen, buildings, copier and network, for activities that benefit associated programs. The cost of these activities is allocated to the programs based on rates internally calculated on an annual basis in order to recover the costs of those activities. Allocation of actual costs may result in over- or under-recovery as the rates are set in advance, based on budgeted costs. Any over- or under-recovery is included in the calculation of the rates for the next fiscal year.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Material estimates that are particularly susceptible to significant change relate to RMDC's guaranty agreements and responsibilities as the organization responsible for managing a number of low-income housing properties in RMDC's service area. The above noted obligations and commitments are more fully described in Note 13. Management has calculated its estimated liability as required by GAAP and has determined it to be immaterial at June 30, 2017.

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, 2017.

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

Net Assets and Noncontrolling Interests in Partnership Equity

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

The Big Boulder partnership agreement also requires monetary contributions from the general and limited partner. The contributions received by partners are reported as part of consolidated unrestricted net assets as this entity is directly controlled by RMDC.

The interest in partnership equity held by the general partner of Ptarmigan is presented as noncontrolling interest. The limited partner interest is held by RMDC at June 30, 2017, and as such is presented as controlling interest.

Advertising and Recruitment Costs

Recruitment, advertising, and promotional costs are expensed as incurred. For the year ended June 30, 2017, recruitment, advertising, and promotional costs totaled \$7,264.

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., and Eagle Manor Project No. 2, Inc.

Rocky Mountain Front Properties, Inc. is subject to federal and state income tax as a C-Corporation. EM II, EM III, Big Boulder, River Rock, and Ptarmigan are each organized as limited partnerships, with tax years ending each December 31.

Fair Value Measurements

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 2. CUSTODIAN OF CASH

RMDC is the custodian of cash for several groups/councils. Activities of the groups are related to programs that RMDC administers. RMDC does not control the activities or funds but receives and disburses funds on their behalf. The amounts represent deposit accounts held by RMDC as well as a corresponding current liability. Amounts held on behalf of these groups at June 30, 2017, are as follows:

Head Start Parent Fund	\$ 18,436
Head Start Pennies for Progress	37,821
Friends of Head Start	76,378
Senior Bingo Fund	1,691
Employee Social Fund	4,328
Helena Senior Advisory Council	<u>4,363</u>
	<u>\$ 143,017</u>

NOTE 3. RELATED PARTIES

Related Party Receivables

Related party receivables represent balances due from entities affiliated with RMDC, other than notes receivable as disclosed in Note 4. These arise from expenses paid on behalf of the entities by RMDC, as well as amounts due to RMDC for property management and accounting services provided to the entities. Amounts that are not expected to be collected within one year are classified as long-term.

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 3. RELATED PARTIES (CONTINUED)

	<u>Stand Alone</u> <u>June 30, 2017</u>	<u>Consolidating</u> <u>Eliminations</u>	<u>Consolidated</u> <u>June 30, 2017</u>
Current related party receivables			
RMDC			
Eagle Rock Residence LP	\$ 27,384	\$ -	\$ 27,384
Eagle Manor II Residences LP	6,706	(6,706)	-
Eagle Manor III Residences LP	4,547	(4,547)	-
Ptarmigan Residence LP	3,220	(3,220)	-
Pheasant Glen LP	4,204	-	4,204
Big Boulder Residences LP	14,098	(14,098)	-
Rocky Mountain Front Properties Inc.	22,719	(22,719)	-
Townsend Housing Inc.	1,419	-	1,419
River Rock Residences LP	<u>4,083</u>	<u>(4,083)</u>	<u>-</u>
Total RMDC	88,380	(55,373)	33,007
RMDC EAGLE ROCK INC.	18,992	(15,766)	3,226
PTARMIGAN RESIDENCE LP	<u>2,563</u>	<u>(1,753)</u>	<u>810</u>
Total	<u>\$ 109,935</u>	<u>\$ (72,892)</u>	<u>\$ 37,043</u>
Long-term related party receivables			
RMDC			
Eagle Manor Project No. 2 Inc.	\$ 26,717	\$ (26,717)	\$ -
RMDC Ptarmigan Inc.	<u>4,550</u>	<u>-</u>	<u>4,550</u>
Total	<u>\$ 31,267</u>	<u>\$ (26,717)</u>	<u>\$ 4,550</u>

Related Party Transactions

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

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

	<u>RMDC</u>	<u>Eagle Rock,</u> <u>Inc.</u>	<u>Consolidating</u> <u>Eliminations</u>	<u>Total</u>
RMDC Ptarmigan Inc.	\$ 1,287	\$ -	\$ -	\$ 1,287
Eagle Rock Residence LP	144,110	42,325	-	186,435
Pheasant Glen LP	53,940	13,392	-	67,332
Townsend Housing Inc.	16,340	82	-	16,422
Rocky Mountain Front Properties Inc.	18,665	-	(18,665)	-
RMDC Eagle Rock Inc.	13,113	-	(13,113)	-
Eagle Manor II Residences LP	77,179	33,559	(110,738)	-
Eagle Manor III Residences LP	46,746	17,353	(64,099)	-
Penkay Eagle Manor Inc.	1,265	-	(1,265)	-
Eagle Manor Project No. 2 Inc.	687	-	(687)	-
Big Boulder Residences LP	83,755	744	(84,499)	-
River Rock Residences LP	47,812	12,942	(60,754)	-
Ptarmigan Residence LP	<u>37,375</u>	<u>6,239</u>	<u>(43,614)</u>	<u>-</u>
	<u>\$ 542,274</u>	<u>\$ 126,636</u>	<u>\$ (397,434)</u>	<u>\$ 271,476</u>

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 4. LONG-TERM NOTES AND INTEREST RECEIVABLE

Long-term notes and interest receivable consist of the following at June 30, 2017:

	Note Principal June 30, 2017	Note Interest June 30, 2017	Total Stand Alone June 30, 2017	Consolidating Eliminations	Consolidated June 30, 2017
RMDC					
Roadrunner Residence (FHLB)	\$ 55,000	\$ 10,037	\$ 65,037	\$ -	\$ 65,037
Roadrunner Residence (HOME)	161,648	-	161,648	-	161,648
Pheasant Glen LP (CDBG)	506,157	153,538	659,695	-	659,695
Pheasant Glen LP (HOME)	411,856	244,039	655,895	-	655,895
Eagle Rock Residence LP (CDBG)	480,000	67,216	547,216	-	547,216
Eagle Rock Residence LP (HUD)	299,896	151,693	451,589	-	451,589
Eagle Rock Residence LP (HOME)	512,843	268,807	781,650	-	781,650
Eagle Rock Residence LP (FHLB)	650,000	-	650,000	-	650,000
Eagle Rock Residence LP (HUD II)	346,500	175,320	521,820	-	521,820
Ptarmigan Residence LP (Operating Deficit)	3,805	146	3,951	(3,951)	-
Ptarmigan Residence LP (CDBG)	310,000	49,600	359,600	(359,600)	-
Ptarmigan Residence LP (HOME)	364,175	38,304	402,479	(402,479)	-
RMDC Eagle Rock Inc. (Operating loan)	206,399	-	206,399	(206,399)	-
Eagle Manor II Residences LP (HOME)	500,000	-	500,000	(500,000)	-
Eagle Manor II Residences LP (CDBG)	366,658	-	366,658	(366,658)	-
Eagle Manor III Residences LP (HOME)	516,461	179,626	696,087	(696,087)	-
Eagle Manor III Residences LP (HUD)	196,000	74,077	270,077	(270,077)	-
Eagle Manor III Residences LP (Developer)	111,775	-	111,775	(111,775)	-
Big Boulder Residences LP (HOME)	420,999	14,691	435,690	(435,690)	-
River Rock Residences LP (HOME)	742,530	102,646	845,176	(845,176)	-
River Rock Residences LP (CDBG)	316,547	3,283	319,830	(319,830)	-
	<u>7,479,249</u>	<u>1,533,023</u>	<u>9,012,272</u>	<u>(4,517,722)</u>	<u>4,494,550</u>
EAGLE MANOR PROJECT NO. 2 INC.	<u>373,859</u>	<u>18,880</u>	<u>392,739</u>	<u>(392,739)</u>	<u>-</u>
Total	<u>\$ 7,853,108</u>	<u>\$ 1,551,903</u>	<u>\$ 9,405,011</u>	<u>\$ (4,910,461)</u>	<u>\$ 4,494,550</u>

Roadrunner Residence LP

On April 1, 1999, RMDC executed a promissory note loaning \$55,000 to Roadrunner Residence LP for the purpose of constructing a low-income rental housing project. RMDC received the \$55,000 as a subsidy from Federal Loan Home Bank (FHLB) (through U.S. Bank). Interest accrues at 1% per annum. The principal balance and accrued interest are due April 1, 2019. At June 30, 2017, the principal and accrued interest balance was \$65,037. See Note 7 for disclosure on RMDC's note payable to FHLB related to this note receivable. Roadrunner Residence LP is investigating appropriate timing of loan forgiveness by RMDC and the write-off of this note payable on the Partnership's side.

On December 1, 1998 RMDC executed an agreement loaning \$340,000 to Roadrunner Residence LP for the purpose of constructing a low-income rental housing project. RMDC received the \$340,000 in a federal grant to be used for this project. Interest accrues at 3% per annum. The note is secured by the related property. The agreement calls for 360 monthly installments of \$1,433 through May 2029. At June 30, 2017, the principal balance was \$174,165, of which \$12,517 is current and \$161,648 is classified as long-term in the consolidated statement of financial position.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

Pheasant Glen LP

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

The CDBG note in the amount of \$506,157 is payable in monthly installments of \$800, including interest at 4.27% through September 1, 2019. The principal and accrued interest balance at June 30, 2017, was \$659,695, including total payments received to date of \$146,378. The HOME note in the amount of \$411,856 is payable in monthly installments of \$333, including interest at 4.27% through September 1, 2019. No payments have been received to date. The principal and accrued interest balance at June 30, 2017, was \$655,895.

Eagle Rock Residence LP (Penkay)

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

Under the RMDC CDBG Construction Loan Agreement, RMDC loaned \$480,000 to Penkay at 1.25% interest compounded annually. The principal and accrued interest on the loan is due in annual installments beginning December 31, 2006. No payments have been received to date. The entire remaining balance of principal and accrued interest is due and payable on February 22, 2041. The principal and accrued interest balance was \$547,216 at June 30, 2017.

Under the RMDC HUD Construction Loan Agreement, RMDC loaned \$299,896 to Penkay at 4.40% interest compounded annually. The principal and accrued interest on the loan is due in annual installments beginning December 31, 2006. No payments have been received to date. Any remaining balance of principal and accrued interest on October 28, 2041, is subject to renegotiation. The principal and accrued interest balance was \$451,589 at June 30, 2017.

Under the RMDC HOME Construction Loan Agreement, RMDC loaned \$512,843 to Penkay at 4.61% interest compounded annually. The principal and accrued interest on the loan is due in annual installments beginning December 31, 2006. No payments have been received to date. The entire remaining balance of principal and accrued interest is due and payable on February 16, 2041. The principal and accrued interest balance was \$781,650 at June 30, 2017.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

Eagle Rock Residence LP (Penkay) (Continued)

Under the RMDC FHLB of Seattle Construction Loan, RMDC loaned \$650,000 to Penkay at 0% interest. The loan principal is due in annual installments beginning December 31, 2006. No payments have been received to date. The entire remaining loan balance is due and payable on November 22, 2040. The principal balance of the loan at June 30, 2017 was \$650,000.

Under the RMDC HUD II Construction Loan, RMDC loaned \$346,500 to Penkay at 4.86% interest compounded annually. The principal and accrued interest on the loan is due in annual installments beginning December 31, 2007. No payments have been received to date. The entire remaining balance of principal and accrued interest is due and payable on February 1, 2042. The principal and accrued interest balance was \$521,820 at June 30, 2017.

Current Portion and Other Current Notes Receivable

As disclosed above, the current portion of the note receivable from Roadrunner Residence LP is \$12,517. Accrued interest in the amount of \$357 is also receivable on this note.

Consolidation Adjustments

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

NOTE 5. FIXED ASSETS

Depreciation expense for property and equipment totaled \$934,139 and amortization expense is \$9,057 which are included in depreciation and amortization expense in the accompanying consolidated statement of functional expenses for the fiscal year ended June 30, 2017.

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 5. FIXED ASSETS (CONTINUED)

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

Land	<u>\$ 1,922,166</u>
Land improvements	\$ 272,196
Less: Accumulated depreciation	<u>(78,090)</u>
Land improvements, net	<u>\$ 194,106</u>
Leasehold improvements	\$ 250,847
Less: Accumulated depreciation	<u>(161,982)</u>
Leasehold improvements, net	<u>\$ 88,865</u>
Buildings	\$ 27,511,544
Less: Consolidation adjustment	(3,087,398)
Less: Accumulated depreciation	<u>(5,882,258)</u>
Buildings, net	<u>\$ 18,541,888</u>
Equipment and vehicles	\$ 1,823,441
Less: Accumulated depreciation	<u>(1,474,284)</u>
Equipment, net	<u>\$ 349,157</u>
Total Fixed Assets	<u>\$ 21,096,182</u>

NOTE 6. DEFERRED COSTS

Amortization expense for deferred financing costs and fees paid by the housing entities has been included in depreciation and amortization expense in the accompanying consolidated statement of functional expenses and totaled \$9,057 for the fiscal year ended June 30, 2017. The components of deferred costs at June 30, 2017 were as follows:

	Gross Costs <u>June 30, 2017</u>	Accumulated Amortization <u>June 30, 2017</u>	Net <u>June 30, 2017</u>
EMII	\$ 49,384	\$ 42,764	\$ 6,620
EMIII	22,838	18,269	4,569
Big Boulder	7,460	3,849	3,611
River Rock	27,731	8,319	19,412
Ptarmigan	6,170	6,170	-
			<u>\$ 34,212</u>

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 6. DEFERRED COSTS (CONTINUED)

Expected amortization expense for each of the next five fiscal years and thereafter subsequent to June 30, 2017 is as follows:

2018	\$ 6,921
2019	6,921
2020	5,282
2021	2,645
2022	2,275
Thereafter	<u>10,168</u>
	<u>\$ 34,212</u>

NOTE 7. LONG-TERM DEBT OBLIGATIONS

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

	<u>June 30, 2017</u>	
Notes and Interest Payable		
RMDC		
4.25% (variable interest rate - see description below) Note Payable to First Interstate Bank (Jackson Street Building), due July 28, 2035.	\$ 464,264	Payable in monthly installments of \$3,073, including interest.
4.25% Note Payable to USDA (Townsend Homestead Manor), due October 1, 2040.		Payable in monthly installments of \$1,024, including interest, of which \$485 is subsidized by USDA.
	<u>243,246</u>	
	<u>707,510</u>	
RMFP		
6.0% Note Payable to USDA (Elk Creek Lodge), due November 1, 2034.	48,428	Payable in monthly installments of \$374, including interest, of which \$173 is subsidized by USDA.
6.0% Note Payable to USDA (Elk Creek Lodge), due November 1, 2034.	120,865	Payable in monthly installments (calculated based on a 50 year amortization schedule) of \$676, including interest, of which \$401 is subsidized by USDA. Final installment is due 30 years from the
5.375% Note Payable to USDA (Elk Creek Lodge), due December 1, 2035.	31,465	Payable in monthly installments of \$224, including interest, of which \$95 is subsidized by USDA.
EM II		
6.0% Note Payable to First Interstate Bank (EM II Facility), due March 10, 2040.	102,955	Payable in monthly installments of \$694, including interest.
EM III		
6.0% Note Payable to First Interstate Bank (EM III Facility), due June 10, 2039.	395,167	Payable in monthly installments of \$2,699, including interest.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 7. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Big Boulder

5.95% (variable interest rate - see description below) Note Payable to Valley Bank (Fund Reserves and Current Operations), due October 10, 2042.	235,880	Payable in monthly installments of \$1,505, including interest.
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Ptarmigan

4.12% Note Payable to Valley bank, due December 1, 2031.	133,297	Payable in monthly installments of \$1,019, including interest.
	1,775,567	

Other Long-Term Debt:

RMDC

Non-Interest-Bearing Health Insurance debt to L&C County, due Fiscal Year 2024.	191,846	Payable in annual installments of approximately \$30,000.
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	191,846	
Total notes and interest payable	1,967,413	
Current maturities	(75,289)	
Total notes and interest payable, net	\$ 1,892,124	

Future maturities of long-term debt and related long-term interest accrued for each of the next five fiscal years and thereafter subsequent to June 30, 2017 are as follows:

		Principal
2018	\$	75,289
2019		77,470
2020		79,793
2021		82,426
2022		85,072
Thereafter		1,567,363
		\$ 1,967,413

Notes and Interest Payable

RMDC

In 1998, RMDC signed an agreement with the Federal Home Loan Bank (FHLB) whereby the FHLB agreed to provide a \$55,000 subsidy to the Roadrunner low-income housing project. The agreement stipulated any repayments of principal and payments of interest received by RMDC must be paid forthwith to the FHLB. On April 1, 1999 RMDC loaned these funds to the Roadrunner Residence Limited Partnership, thereby also creating a debt from RMDC to the FHLB. The agreement was unsecured. In September 2017, RMDC received confirmation that the RMDC debt to FHLB for principal and accrued interest was forgiven. The debt was written off and there is no balance due at June 30, 2017. See Note 4 for disclosure on the continuing note receivable from Roadrunner.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 7. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Notes and Interest Payable (Continued)

RMDC (Continued)

On January 7, 2000, RMDC signed a \$60,373 note payable to Valley Bank to purchase a house in Townsend to be used by the Head Start program for classroom space. The note bore interest at a rate based on the New York prime rate plus additional 2.25 percentage points with a rate floor of 6.0% and a rate ceiling of 11.0%, adjustable every five years. The note was secured by the related property. RMDC paid the matured note in February 2017.

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

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

RMFP

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

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

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

EM II

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

EM III

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 7. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Notes and Interest Payable (Continued)

Big Boulder

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

Ptarmigan

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

Other Long-Term Debt Obligations

RMDC

During the fiscal year 2012, RMDC entered into an agreement with Lewis & Clark County regarding unpaid insurance premiums of \$459,532. RMDC plans to pay off the remainder of the balance of \$191,846 in annual installments of approximately \$30,000 over a 7-year period.

In April 2017, a five-year capital lease agreement expired with MailFinance, a Neopost USA Company (MailFinance). The lease covered a mailing machine with a postage meter. Upon expiration of the lease, RMDC owns the equipment, except the postage meter, per USPS regulations.

As described in Note 4, RMDC has advanced grant funds, developer fees earned on housing projects and additional operational support to Eagle Rock Inc., EM II, EM III, River Rock, Big Boulder and Ptarmigan to support low-income housing development. Payment of these loans and accrued interest is generally subject to available cash as defined in the various partnership agreements. These balances have been eliminated in consolidation.

NOTE 8. LEASES

Operating Leases

RMDC has entered into a number of facility lease agreements. These leases provide space for Head Start classrooms, senior centers, RMDC administrative offices and other programs. RMDC has also entered into two copier machine leases. These leases do not have elements of ownership and are therefore considered operating leases. Rental expense under these operating leases has been included in occupancy expense in the consolidated statement of functional expenses and totaled \$76,973 for the fiscal year ended June 30, 2017.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 8. LEASES (CONTINUED)

Operating Leases (Continued)

Some of the operating leases are noncancelable with various expiration dates through 2018. RMDC has the right to terminate these lease agreements due to the lack of funding or in response to a default by the lessor. Future minimum rental payments for leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

2018	\$ 32,116
2019	11,381
2020	3,352
2021	3,352
2022	<u>3,073</u>
	<u>\$ 53,273</u>

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2017, temporarily restricted net assets were available for the following programs:

Senior services	\$ 291,277
Spirit of Service program	25,862
Head Start	1,000
Other	<u>1,151</u>
	<u>\$ 319,290</u>

NOTE 10. NONCONTROLLING INTERESTS IN PARTNERSHIP EQUITY

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

	<u>Controlling</u>	<u>Noncontrolling</u>	<u>Total</u>
EMII	\$ (142)	\$ 3,699,407	\$ 3,699,265
EMIII	(47)	3,320,930	3,320,883
Big Boulder	5,835,827	-	5,835,827
River Rock	(2,912)	4,234,457	4,231,545
Ptarmigan	<u>44,248</u>	<u>(95)</u>	<u>44,153</u>
	<u>\$ 5,876,974</u>	<u>\$ 11,254,699</u>	<u>\$ 17,131,673</u>

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 10. NONCONTROLLING INTEREST IN PARTNERSHIP EQUITY
(CONTINUED)

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

NOTE 11. NON-MONETARY TRANSACTIONS

In-Kind Contributions

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

In-kind contributions consist of the following:

Contracted services	\$ 785,575
Supplies and training materials	20,879
Space	100,557
Meals	16,683
Volunteer recognition	143
Physical examinations and lab work	10,902
Board Expenses	<u>1,228</u>
Total in-kind contributions	<u>\$ 935,966</u>

All in-kind contributions were expensed in accordance with GAAP for the fiscal year ended June 30, 2017.

In-kind contributions were received for the following programs:

Head Start	\$ 906,773
Senior Companion Program	7,176
Foster Grandparent Program	20,552
Affordable Housing	238
Area IV Agency on Aging	<u>1,228</u>
Total in-kind contributions	<u>\$ 935,966</u>

In addition to the contributions reported in the tables above, the Head Start program received services valued at \$43,889 that did not meet the guidelines for revenue recognition under GAAP. The value of these services is therefore not reported in the accompanying consolidated financial statements. However, the regulations for this program allows the value of these services to be reported as matching funds for grant purposes.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 12. EMPLOYEE BENEFITS

Retirement Benefits

RMDC has a defined contribution profit sharing retirement plan based on a fiscal year managed by a third party administrator. An employee must be at least 21 years of age and complete 12 months of service to be eligible to participate in the plan. Head Start employees subject to a collective bargaining agreement participate in the RMDC plan as specified by the agreement.

The employer's contribution to the plan is discretionary. Preliminary and effective contribution rates are approved by the Board of Directors. The effective contribution rates on employees' compensation were calculated for fiscal year 2017 based on the actual amount contributed to the plan by RMDC and total eligible employees compensation for the fiscal year. Total RMDC contributions to the plan during fiscal year 2017 were allocated to the individual participants' accounts based on their eligible compensation during fiscal year 2017 multiplied by the effective contribution rate. The preliminary contribution rate on employees' compensation for fiscal year 2017 was set at 3.0% and the effective contribution rate on eligible employees' compensation for the fiscal year ended June 30, 2017 was 3.053%. The preliminary approved contribution rate for fiscal year 2018 remains at 3.0%. Retirement plan expense was \$86,993 for fiscal year 2017.

The retirement plan also includes a 401(k) option. To participate in salary deferrals, employees must meet age eligibility standards as described above. The deferred contributions are not available to participants until they terminate, retire, upon death, or for an eligible emergency. Participants who reach normal retirement age are eligible for in-service distributions.

All assets and income of the plan are held in a custodial account for the exclusive benefit of the plan's participants and beneficiaries.

Cafeteria Plan

RMDC has a cafeteria plan in which employees may elect to participate. Participating employees elect to have monies withheld pre-tax from their paychecks and contributed to the plan for use in paying healthcare, daycare and insurance premium expenses, in accordance with federal regulations. RMDC has a claims-based funding plan in which employees' flexible spending contributions are held in a designated RMDC bank account. This account is debited each time a claim is paid. This account maintains a \$5,000 minimum balance to cover any deficits the plan may incur. RMDC uses forfeitures to maintain the minimum balance. The deficits or forfeitures are recorded in the fiscal year following that of the plan's fiscal year. RMDC received forfeitures of \$1,488 in fiscal year 2017 for the plan ended June 30, 2016.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 13. COMMITMENTS AND CONTINGENCIES

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 \$128,655 of CHDO proceeds as of June 30, 2017.

Housing Commitments

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

Roadrunner Low-Income Housing Project

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

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

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

The termination of the partnership is expected to occur at the end of 2019, although the fifteen-year tax credit period ended in 2015. The partnership agreement calls for termination of the partnership at December 31, 2050, if an earlier consensual termination has not occurred.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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. The guaranty also applied to Ptarmigan's investor limited partner, Countryside Corporate Tax Credits VIII, LP. December 31, 2015 marked the end of Ptarmigan's fifteen-year tax compliance period. On March 31, 2016, Countryside Corporate Tax Credits VIII, LP assigned its 99.99% limited partner interest to RMDC. At June 30, 2017, RMDC is the 99.99% limited partner and RMDC Ptarmigan, Inc. is the .01% general partner. Although RMDC is still obligated under the guaranty agreement, the general partner continues to be responsible for administrative and financial matters related to the partnership.

Pheasant Glen

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

The significant obligations under these agreements are summarized as follows:

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

- the funding on the mortgage loan has been terminated or foreclosure proceedings have been undertaken by the lender; or,
- at any time the general partner is personally liable under, or with respect to, the mortgage loan or any other loan secured by partnership assets; or,
- 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,

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Pheasant Glen (Continued)

- 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, 2017 the partnership interest of the limited partner was \$649,733. At June 30, 2017, the book value of the partnership's capital assets totaled approximately \$3.3 million.

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

- the 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.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Penkay (Continued)

The guaranty also applies to Penkay's mortgage and replacement reserve requirements. The mortgage balance was \$279,387 at June 30, 2017. 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 is required to make an operating deficit loan to cover the deficiency.

As of June 30, 2017, the Operating Deficit Reserve Account balance was \$110,335. The funds in this account can be used with the general and limited partners' approval to cover operating expenses, debt service obligations or other partnership expenses when cash is insufficient.

The partnership agreement calls for continuation of the partnership until November 25, 2053, except that the partnership may be dissolved prior to such date upon a sale or other disposition of the partnership's assets, or a consensual termination.

EM III

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

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, 2017, the partnership interest of the limited partner was \$3,320,930.

At June 30, 2017, the book value of the partnership's capital assets totaled approximately \$4.6 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 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.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

EM II

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

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

In the event a repurchase occurs, the limited partners must transfer their partnership interest to the general partner. As of June 30, 2017, the partnership interest of the limited partner was \$3,699,407. As of June 30, 2017, the book value of the partnership's capital assets totaled approximately \$4.8 million. These assets serve as collateral in the event the limited partners exercise the repurchase option. The limited partners may exercise this option if the complex is not constructed in accordance with the construction plans or the Fair Housing Act of 1988 as amended. If at any time after construction is complete an operating deficit exists, the general partner must lend funds to the partnership in an amount equal to the deficit. The loan shall bear interest at a rate of 4% per annum and shall be repayable from cash flow.

River Rock

On October 31, 2012, RMDC executed a guaranty agreement for River Rock. The agreement provides that RMDC unconditionally guarantees punctual performance of all obligations of River Rock's general partner, RMDC River Rock LLC, arising under the First Amended and Restated Agreement of Limited Partnership and the Development Services Agreement. The guarantee applies to River Rock and its limited partner, American Express - Utah Equity Fund.

If an operating deficit exists, then the general partner must lend funds to the partnership in an amount equal to the deficit. The obligation is limited to the maximum advance amount of \$78,000.

RMDC and Affiliates

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. CONDITIONAL PROMISES TO GIVE

Conditional promises to give arise from grant/contract activities that are underway at fiscal year-end, but which are not complete. The following schedule reflects the value of conditional promises to give received by RMDC that are outstanding at June 30, 2017:

<u>Program/Contract</u>	<u>Grant/Contract Period Ends</u>	<u>Amount</u>
Head Start	April 30, 2018	\$ 2,087,569
Montana Preschool Development Grant (OPI)	August 31, 2017	106,996
Community Services Block Grant	August 31, 2017	28,201
Community Services Block Grant	August 31, 2018	220,508
Commodities Supplemental Food	September 30, 2017	11,119
Missoula Aging Services (SMP)	May 31, 2018	10,000
Northwestern Energy Weatherization	December 14, 2017	232,580
LIEAP Weatherization	August 31, 2018	44,650
LIEAP Administration	August 31, 2018	26,379
LIEAP Outreach	August 31, 2018	22,569
LIEAP Client Ed	August 31, 2018	<u>11,695</u>
Total conditional promises to give		<u>\$ 2,802,266</u>

NOTE 15. RECOVERY OF GENERAL AND ADMINISTRATIVE EXPENSES

As described in Note 1, RMDC recovers shared general and administrative expenses through an approved indirect cost rate and various allocation plans. Following is a summary of the general and administrative costs recovered from programs during fiscal year ended June 30, 2017:

General and administrative expenses	
Indirect cost pool	\$ 851,003
Supporting services	<u>1,038,155</u>
Total general and administrative expenses	1,889,158
Less:	
Indirect costs recovered at approved provisional rate (12.8%)	(846,064)
Supporting services expenses recovered from programs	<u>(977,150)</u>
Net unrecovered general and administrative expenses	<u>\$ 65,944</u>

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 16. LINE OF CREDIT

RMDC has a \$300,000 unsecured revolving line of credit at Valley Bank of Helena (Valley Bank) available through February 3, 2018. The line of credit is designated to fund RMDC's cash needs due to timing differences between program expenditures and their reimbursements. Amounts borrowed under the line of credit bear interest at a rate based on the Wall Street Journal prime rate plus an additional 0.50 percentage points with a rate floor of 5.5% and a rate ceiling of 9.0%, adjustable quarterly. There is no outstanding balance at June 30, 2017.

On December 5, 2016, RMDC paid off the \$116,668 balance due on the line of credit with First Interstate Bank that was established to finance construction of a home through the High School House Program operated in conjunction with the Helena School District.

NOTE 17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2017, the date which the consolidated financial statements were available for issue.

On October 12, 2017, RMDC purchased property located at 1275 Fern Road in Helena, Montana (the Valley Center) for its Head Start program. The property was purchased for \$273,900 with a combined down payment from Pennies for Progress and Friends of Head Start, as well as financing from a note payable to Valley Bank. Pennies for Progress contributed \$37,832 and Friends of Head Start contributed \$16,148, for a total down payment of \$53,980. Friends of Head Start also contributed \$1,000 toward additional renovation costs. The \$219,920 note payable to Valley Bank was financed on October 11, 2017, and is a 20-year unsecured note with fixed 10-year interest intervals. The interest rate for the first 10 years is 4.89%. After the first 10 years, the interest rate will adjust to the Federal Home Loan Bank 10-Year Variable Interest Rate Index plus a margin of 2.25%, with an interest rate floor of 4.89% and ceiling of 7.89%. Monthly mortgage payments of \$1,438 are due beginning November 11, 2017, and have been approved by Head Start to be paid with federal grant funds. In addition to Head Start funding awarded for mortgage payments and operating costs, the grant includes one-time funding for the Valley Center renovations that are expected to start in December 2017.

SINGLE AUDIT SECTION

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Direct Programs				
Foster Grandparent/Senior Companion Cluster:				
Foster Grandparents	94.011	15SFPMT004	\$ -	\$ 323,963
Senior Companion	94.016	15SCPMT002	-	400,811
Total FosterGrandparent/Senior Companion Cluster			-	724,774
Retired Senior Volunteer	94.002	15SRPMT007	-	44,913
Total Corporation for National and Community Service			-	769,687
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct Programs				
Head Start Cluster:				
Head Start	93.600	08CH103503	-	1,896,203
		08CH103504	-	280,333
Total Head Start Cluster, Health and Human Services			-	2,176,536
Passed through State Department of Public Health and Human Services				
Community Services Block Grant Cluster:				
Community Services Block Grant	93.569	15-028-10006-0	-	25,829
		16-028-10006-0	-	201,054
		17-028-10006-0	-	4,076
Total Community Services Block Grant Cluster			-	230,959
Low-Income Home Energy	93.568	16-028-11006-0	-	19,919
		17-028-11006-0	-	300,391
		16-028-16006-0	-	174,550
		15-028-15056-0	-	1,500
		16-028-15056-0	-	17,403
		17-028-15056-0	-	6,121
		16-028-14020-0	-	12,258
		17-028-14020-0	-	31,563
Subtotal Low-Income Home Energy			-	563,705
Special Programs for the Aging				
Aging Cluster:				
Title III - Supportive Services and Senior Centers	93.044	16221101000004	50,152	154,772
Title III - Nutrition Services	93.045	16221101000004	188,197	417,042
Nutrition Services Incentive Program	93.053	16221101000004	57,861	176,284
Nutrition Services Incentive Program Noncash Commodities	93.053	16221101000004	-	26,988
			57,861	203,272
Total Aging Cluster			296,210	775,086
Title VII - Long Term Care Ombudsman Services for Older Individuals	93.042	16221101000004	-	12,444
Title III - Disease Prevention and Health Promotion Services	93.043	16221101000004	-	13,916
National Family Caregiver Support	93.052	16221101000004	23,347	98,836
Title IV and Title II Discretionary Projects - FFP	93.048	16221101000004	-	1,084
Medicare Enrollment Assistance Program	93.071	16221101000004	-	28,933
State Health Insurance Assistance Program	93.324	16221101000004	-	43,761
Total Aging Programs			319,557	974,060
Total Passed through State Department of Public Health and Human Services			319,557	1,768,724
Total U.S. Department of Health and Human Services			319,557	3,945,260

See Notes to the Schedule of Expenditures of Federal Awards.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed through State Department of Public Health and Human Services				
Child and Adult Care Food Program	10.558	12-02-CACFP-150	-	149,071
Child and Adult Care Food Program		12-02-CACFP-151	-	18,185
			-	167,256
Commodity Supplemental Food Program	10.565	16-027-21007-0	-	11,056
		17-027-21007-0	-	23,124
			-	34,180
Rural Rental Housing Loans	10.415	Agreement	-	26,813
Total U.S. Department of Agriculture			-	228,249
<u>U.S. DEPARTMENT OF ENERGY</u>				
Passed through State Department of Public Health and Human Services				
Weatherization Assistance for Low-Income Persons	81.042	16-028-30026-0	-	87,210
Total U.S. Department of Energy			-	87,210
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Passed through State Department of Commerce				
First Time Home Buyers & Dollars & Sense	14.169	Agreement	-	50,461
Subtotal DOC Pass Through			-	50,461
Passed through State Department of Public Health and Human Services				
Emergency Shelter Grant Program	14.231	16-028-51006-0	47,980	47,980
Total U.S. Department of Housing and Urban Development			47,980	98,441
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed through State Office of Public Instruction				
Striving Readers	84.371	Agreement	-	32,958
Montana Preschool Development Grant	84.419	025-6579-1615	-	178,317
		025-6579-1617	-	312,416
			-	490,733
Total U.S. Department of Education			-	523,691
Total expenditures of federal awards			<u>\$ 367,537</u>	<u>\$ 5,652,538</u>

See Notes to the Schedule of Expenditures of Federal Awards.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 NOTES TO THE SCHEDULE OF EXPENDITURES
 OF FEDERAL AWARDS
 June 30, 2017

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3. RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

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

Total expenditures of federal awards	\$ 5,652,538
Plus:	
Rent subsidy received by RMFP from Rural Development	34,927
Interest subsidy received by RMFP from Rural Development	8,034
Rent subsidy received by EMII from HUD	133,840
Rent subsidy received by EMIII from HUD	73,085
Rent subsidy received by Big Boulder from HUD	146,168
Rent subsidy received by River Rock from HUD	35,531
Rent subsidy received by Ptarmigan from HUD	36,919
Total federal grant revenue	<u>\$ 6,121,042</u>

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS (CONTINUED)
June 30, 2017

NOTE 4. HOME CHDO PROCEEDS

RMDC has loaned HOME grant funds to other organizations to support the development of low-income housing. Repayment received by RMDC on these loans represent CHDO proceeds. These CHDO proceeds must be used for HOME eligible activities that support housing for low-income persons. RMDC had available CHDO proceeds of \$134,872 of which \$6,217 was disbursed for HOME eligible activities leaving \$128,655 available at June 30, 2017.

NOTE 5. INDIRECT COST RATE

RMDC has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. RMDC received an approved provisional rate of 13.2% from its federal cognizant agency, the Department of Health and Human Services. The effective rate applied during fiscal year 2017 is 12.8%.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rocky Mountain Development Council, Inc. (RMDC), which comprise the consolidated statement of financial position as of June 30, 2017, and the consolidated related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Helena, Montana
November 30, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited Rocky Mountain Development Council, Inc.'s (RMDC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of RMDC's major federal programs for the year ended June 30, 2017. RMDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, RMDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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



Helena, Montana
November 30, 2017

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2017

SUMMARY OF AUDIT RESULTS

Financial Statements:

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

Federal Awards:

Internal Control over major programs:	
Material weaknesses identified?	No
Significant deficiencies not considered material weaknesses identified?	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? No

Identification of major programs:

Name of Federal Program or Cluster	<u>CFDA Number</u>
Foster Grandparent/Senior Companion Cluster:	94.011/94.016
Low-Income Home Energy	93.568

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

FINDINGS AND SIGNIFICANT DEFICIENCIES OR MATERIAL WEAKNESSES - FINANCIAL STATEMENT AUDIT

None reported.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

No prior year findings reported.

SUPPLEMENTARY INFORMATION

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY OF PROGRAMS BY GRANTOR AGENCIES
Year Ended June 30, 2017

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

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

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

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY OF PROGRAMS BY GRANTOR AGENCIES (CONTINUED)
Year Ended June 30, 2017

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: 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 in the tri-county area.

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 CDBG and the HOME Investments Partnerships Programs.

OFFICE OF PUBLIC INSTRUCTION:

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

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY OF PROGRAMS BY GRANTOR AGENCIES (CONTINUED)
Year Ended June 30, 2017

COUNTY FUNDING – Other Programs:

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

LOCAL FUNDING – Other Programs:

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

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF INDIRECT COST RECONCILIATION
June 30, 2017

Total expenditures for operations:	
Program services	\$ 11,353,471
General and administrative	1,889,158
Recovery of indirect costs - general and administrative	(846,064)
Recovery of other allocated costs - general and administrative	(977,150)
Fundraising	9,661
Total expenditures for operations	<u>11,429,076</u>
Less:	
Indirect costs, net of exclusions	(779,325)
Exclusions:	
Commodities	(26,988)
Depreciation	(119,346)
In-kind	(935,966)
Pass-through	(688,879)
Consolidated properties' expenses, net of eliminations	(1,986,971)
Assistance payments	(231,896)
Loss on sale of asset	(35,439)
Bad debt	(14,390)
Indirect cost base expenditures	<u>6,609,876</u>
Indirect cost rate	12.80%
Total indirect cost charges	<u>\$ 846,064</u>
Allocated indirect costs by program:	
Aging & Nutrition	\$ 127,159
Senior Volunteer	97,146
Housing - General	67,916
Other	16,232
Preschool/Childcare	342,431
Senior Activities	7,530
Transportation	5,768
Weatherization	72,974
General and administrative	107,844
Fundraising	1,064
Total indirect cost charges to programs	<u>\$ 846,064</u>

See Independent Auditor's Report.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
 SCHEDULE OF TRANSFERS
 June 30, 2017

County Mill Fund Transfers

Sources:

Carried Forward from Fiscal Year 2016	\$ 243,933
Lewis and Clark County	309,175
Jefferson County	53,836
Broadwater County	<u>33,281</u>
Total County Mill Funds Received	<u>\$ 640,225</u>

Program Recipients:

Congregate Meals	\$ 45,174
Home Delivered Meals	64,451
Area IV on Aging	29,697
Senior Companion Program	37,826
Foster Grandparent Program	7,949
Retired Senior Volunteer Program	17,227
Augusta Senior Center	13,001
Senior Services & Transportation	81,995
Senior Space	<u>55,404</u>
Total County Mill Funds Transferred	352,724
Carry Forward to Fiscal Year 2018	<u>287,501</u>
Total County Mill Funds	<u>\$ 640,225</u>

Community Service Block Grant Transfers

Program Recipients:

Commodities	\$ 5,415
Congregate Meals	27,514
Home Delivered Meals	41,765
Head Start	16
Foster Grandparents	8,594
Senior Companion Program	<u>5,176</u>
Total Community Service Block Grant Transfers	<u>\$ 88,480</u>

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2017

ASSETS	<u>RMDC</u>	<u>RMFP</u>	<u>ERI</u>	<u>EMII</u>	<u>EMIII</u>	<u>Penkay Eagles Manor, Inc.</u>
CURRENT ASSETS						
Cash and cash equivalents, operations	\$ 447,906	\$ 1,598	\$ 121,436	\$ 45,888	\$ 23,989	\$ 77,229
Cash and cash equivalents, custodial	143,017	-	-	-	-	-
Accounts receivable	143,044	4,673	3,498	1,234	842	-
Related party receivables	88,380	-	18,992	-	-	-
Grants receivable	659,732	-	-	-	-	-
Current portion of notes and interest receivable	12,874	-	-	-	-	-
Prepaid deposits and expenses	73,304	3,982	1,277	2,571	1,653	929
Inventory	42,769	-	6,589	-	-	-
Total current assets	<u>1,611,026</u>	<u>10,253</u>	<u>151,792</u>	<u>49,693</u>	<u>26,484</u>	<u>78,158</u>
FIXED ASSETS						
Land	278,244	22,495	-	147,742	198,317	-
Land improvements, net	16,874	-	-	40,622	16,823	-
Leasehold improvements, net	88,865	-	-	-	-	-
Buildings, net	1,542,810	110,395	-	4,639,443	4,425,866	-
Equipment, net	227,418	-	9,246	-	-	-
Total fixed assets	<u>2,154,211</u>	<u>132,890</u>	<u>9,246</u>	<u>4,827,807</u>	<u>4,641,006</u>	<u>-</u>
OTHER ASSETS						
Investments in partnerships	6,010	-	-	-	-	(190)
Cash restricted for security deposits and reserves	54,108	22,251	-	213,821	162,831	-
Cash restricted for housing projects	367,935	-	-	-	-	-
Long-term related party receivable	31,267	-	-	-	-	-
Long-term notes and interest receivable	9,012,272	-	-	-	-	-
Long-term accounts receivable	-	-	5,710	-	-	-
Deferred costs, net	-	-	-	6,620	4,569	-
Total other assets	<u>9,471,592</u>	<u>22,251</u>	<u>5,710</u>	<u>220,441</u>	<u>167,400</u>	<u>(190)</u>
Total assets	<u>\$ 13,236,829</u>	<u>\$ 165,394</u>	<u>\$ 166,748</u>	<u>\$ 5,097,941</u>	<u>\$ 4,834,890</u>	<u>\$ 77,968</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 421,194	\$ 23,881	\$ 22,051	\$ 20,551	\$ 29,413	\$ -
Cash and cash equivalents held for others	143,017	-	-	-	-	-
Compensated absences	260,350	-	17,614	-	-	-
Refundable advances and deferred revenue	114,576	1,471	2,868	15,772	11,488	-
Current portion of long-term debt	49,557	3,537	-	2,253	8,944	-
Total current liabilities	<u>988,694</u>	<u>28,889</u>	<u>42,533</u>	<u>38,576</u>	<u>49,845</u>	<u>-</u>
LONG TERM DEBT						
Notes and interest payable	687,953	197,220	206,399	1,360,100	1,464,162	-
Other liabilities	161,846	-	-	-	-	-
Total long term liabilities	<u>849,799</u>	<u>197,220</u>	<u>206,399</u>	<u>1,360,100</u>	<u>1,464,162</u>	<u>-</u>
Total liabilities	1,838,493	226,109	248,932	1,398,676	1,514,007	-
NET ASSETS						
Unrestricted net assets and controlling interests in partnerships	11,079,046	(65,715)	(82,184)	(142)	(47)	77,968
Noncontrolling interests in partnerships	-	-	-	3,699,407	3,320,930	-
Common Stock	-	5,000	-	-	-	-
Temporarily restricted net assets	319,290	-	-	-	-	-
Total net assets	<u>11,398,336</u>	<u>(60,715)</u>	<u>(82,184)</u>	<u>3,699,265</u>	<u>3,320,883</u>	<u>77,968</u>
Total liabilities and net assets	<u>\$ 13,236,829</u>	<u>\$ 165,394</u>	<u>\$ 166,748</u>	<u>\$ 5,097,941</u>	<u>\$ 4,834,890</u>	<u>\$ 77,968</u>

See Independent Auditor's Report.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
June 30, 2017

ASSETS	Eagle Manor					Consolidated
	<u>Project No. 2, Inc.</u>	<u>Big Boulder</u>	<u>River Rock</u>	<u>Ptarmigan</u>	<u>Eliminations</u>	
CURRENT ASSETS						
Cash and cash equivalents, operations	\$ -	\$ 14,288	\$ 31,611	\$ 14,839	\$ -	\$ 778,784
Cash and cash equivalents, custodial	-	-	-	-	-	143,017
Accounts receivable	-	17,057	2,445	3,628	-	176,421
Related party receivables	-	-	-	2,563	(72,892)	37,043
Grants receivable	-	-	-	-	-	659,732
Current portion of notes and interest receivable	-	-	-	-	-	12,874
Prepaid deposits and expenses	952	4,869	-	2,024	-	91,561
Inventory	-	-	-	-	-	49,358
Total current assets	<u>952</u>	<u>36,214</u>	<u>34,056</u>	<u>23,054</u>	<u>(72,892)</u>	<u>1,948,790</u>
FIXED ASSETS						
Land	-	503,335	575,332	196,701	-	1,922,166
Land improvements, net	-	46,589	72,811	387	-	194,106
Leasehold improvements, net	-	-	-	-	-	88,865
Buildings, net	-	5,759,978	4,509,884	640,910	(3,087,398)	18,541,888
Equipment, net	-	64,107	47,974	412	-	349,157
Total fixed assets	<u>-</u>	<u>6,374,009</u>	<u>5,206,001</u>	<u>838,410</u>	<u>(3,087,398)</u>	<u>21,096,182</u>
OTHER ASSETS						
Investments in partnerships	(2,218)	-	-	-	(2,602)	1,000
Cash restricted for security deposits and reserves	-	130,297	166,717	99,366	-	849,391
Cash restricted for housing projects	-	-	-	-	-	367,935
Long-term related party receivable	-	-	-	-	(26,717)	4,550
Long-term notes and interest receivable	392,739	-	-	-	(4,910,461)	4,494,550
Long-term accounts receivable	-	-	-	-	-	5,710
Deferred costs, net	-	3,611	19,412	-	-	34,212
Total other assets	<u>390,521</u>	<u>133,908</u>	<u>186,129</u>	<u>99,366</u>	<u>(4,939,780)</u>	<u>5,757,348</u>
Total assets	<u>\$ 391,473</u>	<u>\$ 6,544,131</u>	<u>\$ 5,426,186</u>	<u>\$ 960,830</u>	<u>\$ (8,100,070)</u>	<u>\$ 28,802,320</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 26,717	\$ 25,334	\$ 16,546	\$ 11,874	\$ (99,609)	\$ 497,952
Cash and cash equivalents held for others	-	-	-	-	-	143,017
Compensated absences	-	-	-	-	-	277,964
Refundable advances and deferred revenue	-	11,400	13,090	5,475	-	176,140
Current portion of long-term debt	-	4,134	-	6,864	-	75,289
Total current liabilities	<u>26,717</u>	<u>40,868</u>	<u>29,636</u>	<u>24,213</u>	<u>(99,609)</u>	<u>1,170,362</u>
LONG TERM DEBT						
Notes and interest payable	-	667,436	1,165,005	892,464	(4,910,461)	1,730,278
Other liabilities	-	-	-	-	-	161,846
Total long term liabilities	<u>-</u>	<u>667,436</u>	<u>1,165,005</u>	<u>892,464</u>	<u>(4,910,461)</u>	<u>1,892,124</u>
Total liabilities	26,717	708,304	1,194,641	916,677	(5,010,070)	3,062,486
NET ASSETS						
Unrestricted net assets and controlling interests in partnerships	364,756	5,835,827	(2,912)	44,248	(3,085,000)	14,165,845
Noncontrolling interests in partnerships	-	-	4,234,457	(95)	-	11,254,699
Common Stock	-	-	-	-	(5,000)	-
Temporarily restricted net assets	-	-	-	-	-	319,290
Total net assets	<u>364,756</u>	<u>5,835,827</u>	<u>4,231,545</u>	<u>44,153</u>	<u>(3,090,000)</u>	<u>25,739,834</u>
Total liabilities and net assets	<u>\$ 391,473</u>	<u>\$ 6,544,131</u>	<u>\$ 5,426,186</u>	<u>\$ 960,830</u>	<u>\$ (8,100,070)</u>	<u>\$ 28,802,320</u>

See Independent Auditor's Report.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
June 30, 2017

	<u>RMDC</u>	<u>RMFP</u>	<u>ERI</u>	<u>EMII</u>	<u>EMIII</u>	<u>Penkay Eagles Manor, Inc.</u>
CHANGE IN UNRESTRICTED NET ASSETS						
Revenues, Gains, and Other Support						
Grants - federal	\$ 5,652,538	\$ 42,961	\$ 71,293	\$ 133,840	\$ 73,085	\$ -
Grants - other	1,111,998	-	-	-	-	-
County tax	375,631	-	-	-	-	-
Local support	39,274	-	-	-	-	-
Fundraising & donations	311,104	-	-	-	-	-
Program service	1,140,733	19,068	531,106	186,267	148,699	-
Other	361,834	66	10,313	289	165	38,378
In-kind	<u>935,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total unrestricted revenues, gains, and other support	<u>9,929,078</u>	<u>62,095</u>	<u>612,712</u>	<u>320,396</u>	<u>221,949</u>	<u>38,378</u>
Net Assets Released from Restrictions						
Satisfaction of restrictions	<u>333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total unrestricted revenues, gains and other support	<u>9,929,411</u>	<u>62,095</u>	<u>612,712</u>	<u>320,396</u>	<u>221,949</u>	<u>38,378</u>
Expenses						
Program						
Aging & Nutrition	2,234,665	-	-	-	-	-
Senior Volunteer	918,524	-	-	-	-	-
Housing - General	678,672	72,361	571,340	539,504	372,943	8,134
Other	233,828	-	-	-	-	-
Preschool/Childcare	4,285,083	-	-	-	-	-
Senior Activities	147,906	-	-	-	-	-
Transportation	28,095	-	-	-	-	-
Weatherization	<u>911,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total program expenses	9,437,793	72,361	571,340	539,504	372,943	8,134
General and Administrative						
Recovery of indirect costs from programs	(846,064)	-	-	-	-	-
Recovery of other allocated costs from programs	<u>(977,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	65,944	-	-	-	-	-
Fundraising	<u>9,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total unrestricted expenses	<u>9,513,398</u>	<u>72,361</u>	<u>571,340</u>	<u>539,504</u>	<u>372,943</u>	<u>8,134</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>416,013</u>	<u>(10,266)</u>	<u>41,372</u>	<u>(219,108)</u>	<u>(150,994)</u>	<u>30,244</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS						
Contributions	47,203	-	-	-	-	-
Net assets released from restrictions	<u>(333)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in temporarily restricted net assets	<u>46,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	462,883	(10,266)	41,372	(219,108)	(150,994)	30,244
Partnership contributions/(distributions)	-	-	-	(4,347)	-	-
Consolidated net assets, beginning of year	<u>10,935,453</u>	<u>(50,449)</u>	<u>(123,556)</u>	<u>3,922,720</u>	<u>3,471,877</u>	<u>47,724</u>
Consolidated net assets, end of year	<u>\$ 11,398,336</u>	<u>\$ (60,715)</u>	<u>\$ (82,184)</u>	<u>\$ 3,699,265</u>	<u>\$ 3,320,883</u>	<u>\$ 77,968</u>

See Independent Auditor's Report.

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

June 30, 2017

	Eagle Manor					Consolidated
	Project No. 2, Inc.	Big Boulder	River Rock	Ptarmigan	Eliminations	
CHANGE IN UNRESTRICTED NET ASSETS						
Revenues, Gains, and Other Support						
Grants - federal	\$ -	\$ 146,168	\$ 35,531	\$ 36,919	\$ (71,293)	\$ 6,121,042
Grants - other	-	-	-	-	-	1,111,998
County tax	-	-	-	-	-	375,631
Local support	-	-	-	-	-	39,274
Fundraising & donations	-	-	-	-	-	311,104
Program service	-	111,975	143,248	80,163	(397,434)	1,963,825
Other	9,192	211	941	58	(118,996)	302,451
In-kind	-	-	-	-	-	935,966
Total unrestricted revenues, gains, and other support	9,192	258,354	179,720	117,140	(587,723)	11,161,291
Net Assets Released from Restrictions						
Satisfaction of restrictions	-	-	-	-	-	333
Total unrestricted revenues, gains and other support	9,192	258,354	179,720	117,140	(587,723)	11,161,624
Expenses						
Program						
Aging & Nutrition	-	-	-	-	(71,293)	2,163,372
Senior Volunteer	-	-	-	-	-	918,524
Housing - General	7,295	422,417	341,035	168,446	(516,504)	2,665,643
Other	-	-	-	-	-	233,828
Preschool/Childcare	-	-	-	-	-	4,285,083
Senior Activities	-	-	-	-	-	147,906
Transportation	-	-	-	-	-	28,095
Weatherization	-	-	-	-	-	911,020
Total program expenses	7,295	422,417	341,035	168,446	(587,797)	11,353,471
General and Administrative						
Recovery of indirect costs from programs	-	-	-	-	-	1,889,158
Recovery of other allocated costs from programs	-	-	-	-	-	(846,064)
	-	-	-	-	-	(977,150)
	-	-	-	-	-	65,944
Fundraising	-	-	-	-	-	9,661
Total unrestricted expenses	7,295	422,417	341,035	168,446	(587,797)	11,429,076
CHANGE IN UNRESTRICTED NET ASSETS	1,897	(164,063)	(161,315)	(51,306)	74	(267,452)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS						
Contributions	-	-	-	-	-	47,203
Net assets released from restrictions	-	-	-	-	-	(333)
Change in temporarily restricted net assets	-	-	-	-	-	46,870
Change in net assets	1,897	(164,063)	(161,315)	(51,306)	74	(220,582)
Partnership contributions/(distributions)	-	-	-	-	-	(4,347)
Consolidated net assets, beginning of year	362,859	5,999,890	4,392,860	95,459	(3,090,074)	25,964,763
Consolidated net assets, end of year	\$ 364,756	\$ 5,835,827	\$ 4,231,545	\$ 44,153	\$ (3,090,000)	\$ 25,739,834

See Independent Auditor's Report.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF CONSOLIDATING ELIMINATIONS
June 30, 2017

	<u>RMDC</u>	<u>RMFP</u>	<u>ERI</u>	<u>EM II</u>	<u>EM III</u>	<u>Penkay Eagles Manor, Inc.</u>
ASSETS						
Related party receivables	\$ 82,090	\$ -	\$ 15,766	\$ -	\$ -	\$ -
Buildings	-	-	-	656,109	727,539	-
Investment in housing	5,010	-	-	-	-	(190)
Long-term notes and interest receivable	<u>4,517,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 4,604,822</u>	<u>\$ -</u>	<u>\$ 15,766</u>	<u>\$ 656,109</u>	<u>\$ 727,539</u>	<u>\$ (190)</u>
LIABILITIES						
Accounts payable to RMDC	\$ -	\$ 22,719	\$ -	\$ 6,706	\$ 4,547	\$ -
Accounts payable to RMDC Eagle Rock	10,826	-	-	2,599	1,648	-
Accounts payable to Ptarmigan	-	87	-	358	273	-
Notes and interest payable to RMDC	-	-	206,399	866,658	1,077,939	-
Notes and interest payable to EM Project No. 2	<u>-</u>	<u>-</u>	<u>-</u>	<u>392,739</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 10,826</u>	<u>\$ 22,806</u>	<u>\$ 206,399</u>	<u>\$ 1,269,060</u>	<u>\$ 1,084,407</u>	<u>\$ -</u>
NET ASSETS						
Unrestricted net assets	\$ -	\$ -	\$ -	\$ 656,109	\$ 727,539	\$ -
Paid-in capital	-	-	-	-	-	(190)
Common Stock	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 10,826</u>	<u>\$ 27,806</u>	<u>\$ 206,399</u>	<u>\$ 1,925,169</u>	<u>\$ 1,811,946</u>	<u>\$ (190)</u>
REVENUE						
RMDC service fees	\$ 326,597	\$ -	\$ -	\$ -	\$ -	\$ -
Eagle Rock service fees	-	-	70,837	-	-	-
Partnership fees	-	-	-	-	-	38,378
Commodities from RMDC	-	-	71,293	-	-	-
Interest on note due from EM II	-	-	-	-	-	-
Interest on notes due from related organizations	<u>71,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>\$ 398,023</u>	<u>\$ -</u>	<u>\$ 142,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,378</u>
EXPENSES						
Expenses from RMDC service fees	\$ -	\$ 18,665	\$ 13,113	\$ 77,179	\$ 46,746	\$ 1,265
Expenses from Eagle Rock service fees	-	-	-	33,559	17,353	-
Partnership fees	-	-	-	37,432	946	39
Commodities from RMDC to Eagle Rock	71,293	-	-	-	-	-
Interest on note due to EM Proj No. 2	-	-	-	3,728	-	-
Interest on notes due to RMDC	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,202</u>	<u>-</u>
Total Expenses	<u>71,293</u>	<u>18,665</u>	<u>13,113</u>	<u>151,898</u>	<u>96,247</u>	<u>1,304</u>
Change in Net Assets Due to Eliminations	<u>\$ 326,730</u>	<u>\$ (18,665)</u>	<u>\$ 129,017</u>	<u>\$ (151,898)</u>	<u>\$ (96,247)</u>	<u>\$ 37,074</u>

See Independent Auditor's Report.

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

June 30, 2017

	Eagle Manor				
	<u>Project No. 2, Inc.</u>	<u>Big Boulder</u>	<u>River Rock</u>	<u>Ptarmigan</u>	<u>Total</u>
ASSETS					
Related party receivables	\$ -	\$ -	\$ -	\$ 1,753	\$ 99,609
Buildings	-	912,340	791,410	-	3,087,398
Investment in housing	(2,218)	-	-	-	2,602
Long-term notes and interest receivable	<u>392,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,910,461</u>
Total Assets	<u>\$ 390,521</u>	<u>\$ 912,340</u>	<u>\$ 791,410</u>	<u>\$ 1,753</u>	<u>\$ 8,100,070</u>
LIABILITIES					
Accounts payable to RMDC	\$ 26,717	\$ 14,098	\$ 4,083	\$ 3,220	\$ 82,090
Accounts payable to RMDC Eagle Rock	-	156	46	491	15,766
Accounts payable to Ptarmigan	-	664	371	-	1,753
Notes and interest payable to RMDC	-	435,690	1,165,006	766,030	4,517,722
Notes and interest payable to EM Project No. 2	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>392,739</u>
Total Liabilities	<u>\$ 26,717</u>	<u>\$ 450,608</u>	<u>\$ 1,169,506</u>	<u>\$ 769,741</u>	<u>\$ 5,010,070</u>
NET ASSETS					
Unrestricted net assets	\$ -	\$ 912,340	\$ 791,410	\$ -	\$ 3,087,398
Paid-in capital	(2,218)	10	-	-	(2,398)
Common Stock	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total Liabilities and Net Assets	<u>\$ 24,499</u>	<u>\$ 1,362,958</u>	<u>\$ 1,960,916</u>	<u>\$ 769,741</u>	<u>\$ 8,100,070</u>
REVENUE					
RMDC service fees	\$ -	\$ -	\$ -	\$ -	\$ 326,597
Eagle Rock service fees	-	-	-	-	70,837
Partnership fees	5,464	-	-	-	43,842
Commodities from RMDC	-	-	-	-	71,293
Interest on note due from EM II	3,728	-	-	-	3,728
Interest on notes due from related organizations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,426</u>
Total Revenue	<u>\$ 9,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 587,723</u>
EXPENSES					
Expenses from RMDC service fees	\$ 687	\$ 83,755	\$ 47,812	\$ 37,375	\$ 326,597
Expenses from Eagle Rock service fees	-	744	12,942	6,239	70,837
Partnership fees	35	-	5,464	-	43,916
Commodities from RMDC to Eagle Rock	-	-	-	-	71,293
Interest on note due to EM Proj No. 2	-	-	-	-	3,728
Interest on notes due to RMDC	<u>-</u>	<u>4,198</u>	<u>28,976</u>	<u>7,050</u>	<u>71,426</u>
Total Expenses	<u>722</u>	<u>88,697</u>	<u>95,194</u>	<u>50,664</u>	<u>587,797</u>
Change in Net Assets Due to Eliminations	<u>\$ 8,470</u>	<u>\$ (88,697)</u>	<u>\$ (95,194)</u>	<u>\$ (50,664)</u>	<u>\$ (74)</u>

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