

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



**ROCKY MOUNTAIN DEVELOPMENT
COUNCIL, INC.**

FINANCIAL REPORT

June 30, 2013



CONTENTS

PAGE

| | |
|------------------------------------|---------|
| INDEPENDENT AUDITOR’S REPORT | 1 and 2 |
|------------------------------------|---------|

CONSOLIDATED FINANCIAL STATEMENTS

| | |
|---|---------------|
| Consolidated Statement of Financial Position | 3 and 4 |
| Consolidated Statement of Activities | 5 and 6 |
| Consolidated Statement of Functional Expenses | 7 and 8 |
| Consolidated Statement of Cash Flows | 9 |
| Notes to Consolidated Financial Statements | 10 through 42 |

SINGLE AUDIT SECTION

| | |
|---|-----------|
| Schedule of Expenditures of Federal Awards..... | 43 and 44 |
| Notes to the Schedule of Expenditures of Federal Awards | 45 and 46 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 47 and 48 |
| Independent Auditor’s Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 | 49 and 50 |
| Schedule of Findings and Questioned Costs..... | 51 and 52 |
| Summary Schedule of Prior Audit Findings..... | 53 |
| Corrective Action Plan..... | 54 |

CONTENTS (CONTINUED)

| | <u>PAGE</u> |
|--|---------------|
| SUPPLEMENTARY INFORMATION | |
| Summary Programs by Grantor Agencies | 55 through 57 |
| Schedule of Indirect Cost Reconciliation | 58 |
| Schedule of Transfers | 59 |
| Consolidating Schedule of Financial Position | 60 and 61 |
| Consolidating Schedule of Activities | 62 and 63 |
| Schedule of Consolidating Eliminations..... | 64 and 65 |

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rocky Mountain Development Council, Inc. (RMDC) (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 consolidated financial position of RMDC as of June 30, 2013, 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

Supplemental 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedules of programs by grantor agencies, indirect cost reconciliation and transfers and consolidating schedules of financial position, statement of activities and consolidating eliminations on pages 55 to 65 are presented for purposes of additional analysis and are 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 audits 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014, 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
March 27, 2014

CONSOLIDATED FINANCIAL STATEMENTS

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2013

ASSETS

CURRENT ASSETS

| | |
|--|------------------|
| Cash and cash equivalents | \$ 1,477,023 |
| Accounts receivable | 215,432 |
| Related party receivable | 41,863 |
| Grants receivable | 270,760 |
| Current portion of notes and interest receivable | 46,342 |
| Prepaid deposits and expenses | 71,726 |
| Inventory | 47,376 |
| Assets held for sale, at fair value | <u>265,613</u> |
| Total current assets | <u>2,436,135</u> |

FIXED ASSETS

| | |
|-----------------------------|-------------------|
| Land | 1,725,615 |
| Land improvements, net | 107,483 |
| Leasehold improvements, net | 74,109 |
| Buildings, net | 16,522,102 |
| Equipment, net | <u>498,201</u> |
| Total fixed assets | <u>18,927,510</u> |

OTHER ASSETS

| | |
|---|----------------------|
| Investments | 1,000 |
| Construction in progress | 3,873,550 |
| Long-term related party receivable | 18,036 |
| Long-term notes and interest receivable | 5,013,829 |
| Long-term accounts receivable | 10,636 |
| Deferred costs, net | <u>64,984</u> |
| Total other assets | <u>8,982,035</u> |
| Total assets | <u>\$ 30,345,680</u> |

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

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|--------------------------------------|------------------|
| Accounts payable | \$ 1,308,022 |
| Compensated absences | 360,553 |
| Refundable advances/Deferred Revenue | 138,008 |
| Current portion of long-term debt | 638,404 |
| Line of credit advances | <u>2,082,742</u> |
| Total current liabilities | <u>4,527,729</u> |

LONG-TERM DEBT

| | |
|-----------------------------|------------------|
| Notes and interest payable | 1,845,553 |
| Other liabilities | <u>315,486</u> |
| Total long term liabilities | <u>2,161,039</u> |
| Total liabilities | <u>6,688,768</u> |

NET ASSETS

Unrestricted net assets:

| | |
|--|-------------------|
| Unrestricted net assets and controlling interests in partnerships | 13,592,766 |
| Noncontrolling interests in partnerships | <u>10,016,451</u> |
| Total unrestricted net assets | 23,609,217 |

| | |
|-----------------------------------|-------------------|
| Temporarily restricted net assets | <u>47,695</u> |
| Total net assets | <u>23,656,912</u> |

| | |
|----------------------------------|-----------------------------|
| Total liabilities and net assets | <u><u>\$ 30,345,680</u></u> |
|----------------------------------|-----------------------------|

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

CHANGE IN UNRESTRICTED NET ASSETS

REVENUES AND GAINS

| | |
|---------------------------------------|-------------------|
| Grants - federal | \$ 6,459,342 |
| Grants - other | 664,255 |
| County tax | 600,515 |
| Local support | 96,320 |
| Fundraising & donations | 287,472 |
| Program service | 2,524,590 |
| Other | 170,917 |
| In-kind | <u>626,390</u> |
| Total unrestricted revenues and gains | <u>11,429,801</u> |

NET ASSETS RELEASED FROM RESTRICTIONS

| | |
|--|-------------------|
| Satisfaction of restrictions | <u>11,177</u> |
| Total unrestricted revenues, gains and other support | <u>11,440,978</u> |

EXPENSES AND LOSSES

| | |
|---|-------------------|
| Aging & Nutrition | 1,811,480 |
| Corporation for National Service | 1,198,627 |
| Emergency & Youth Shelter | 988,019 |
| Housing - General | 2,444,368 |
| Other Programs | 326,193 |
| Preschool/Childcare | 3,217,831 |
| Senior Activities | 118,780 |
| Transportation | 33,825 |
| Weatherization | <u>715,414</u> |
| Total program expenses and losses | <u>10,854,537</u> |
| General and administrative, net of recoveries | 44,467 |
| Fundraising | <u>6,417</u> |
| Total unrestricted expenses and losses | <u>10,905,421</u> |

| | |
|-----------------------------------|----------------|
| CHANGE IN UNRESTRICTED NET ASSETS | <u>535,557</u> |
|-----------------------------------|----------------|

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

CHANGE IN TEMPORARILY RESTRICTED
NET ASSETS

| | |
|---|----------------------|
| Contributions | 46,553 |
| Net assets released from restrictions | <u>(11,177)</u> |
| Change in temporarily restricted net assets | <u>35,376</u> |
| Change in net assets | 570,933 |
| Partnership contributions received | 1,434,581 |
| Consolidated net assets, beginning of year | <u>21,651,398</u> |
| Consolidated net assets, end of year | <u>\$ 23,656,912</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

| | General and Administrative | | | Program Expenses | | | |
|--------------------------------------|----------------------------|---------------------------|------------------|---------------------|-----------------------|-----------------------------|---------------------|
| | General and Administrative | Other Supporting Services | Total | Aging and Nutrition | Corp for Natl Service | Emergency and Youth Shelter | Housing |
| Advertising | \$ 757 | \$ - | \$ 757 | \$ 40 | \$ 378 | \$ - | \$ 2,033 |
| Assistance payments | - | - | - | - | - | 13,795 | - |
| Communications | 36,887 | 27,067 | 63,954 | 20,202 | 14,020 | 14,749 | 40,125 |
| Consultant/contract | 7,227 | 7,187 | 14,414 | 10,740 | 7,069 | 7,146 | 95,999 |
| Equipment rent/maintenance | 8,494 | 22,173 | 30,667 | 955 | - | 300 | - |
| In-kind | - | - | - | - | 75,163 | - | - |
| Insurance | 13,040 | 8,916 | 21,956 | 6,997 | - | 8,216 | 61,653 |
| Materials and supplies | 1,616 | 6,199 | 7,815 | 22,534 | 762 | 4,297 | 52,438 |
| Meal costs | 8 | 101,286 | 101,294 | 367,457 | - | 26,115 | 182,972 |
| Occupancy | 38,209 | 229,993 | 268,202 | 43,523 | 7,283 | 22,180 | 271,874 |
| Office supplies | 14,213 | 2,286 | 16,499 | 3,438 | 2,903 | 3,401 | 6,906 |
| Other | 4,879 | 487 | 5,366 | 11,405 | 3,179 | 6,504 | 66,555 |
| Pass-through grants | - | - | - | 516,497 | - | - | - |
| Photocopies/printing | 2,539 | 115 | 2,654 | 1,386 | 3,252 | 2,201 | 829 |
| Salaries and related expenses | 888,837 | 247,224 | 1,136,061 | 666,047 | 256,218 | 732,182 | 818,847 |
| Stipends | - | - | - | - | 498,449 | - | - |
| Travel/training | 900 | 332 | 1,232 | 45,513 | 9,533 | 2,729 | 4,602 |
| Vehicle maintenance/repair | - | 872 | 872 | 10,885 | 2,904 | 14,193 | - |
| Volunteer participant expense | - | - | - | - | 191,047 | - | - |
| Interest expense | 207 | 34,039 | 34,246 | - | - | - | 102,408 |
| Depreciation and amortization | 1,120 | 26,650 | 27,770 | 2,222 | - | 20,185 | 649,041 |
| Indirect costs allocated to programs | - | 86,777 | 86,777 | 112,359 | 126,467 | 109,826 | 88,086 |
| Recovery of indirect costs | (895,360) | - | (895,360) | - | - | - | - |
| Recovery of other allocated costs | - | (880,709) | (880,709) | (30,720) | - | - | - |
| | <u>\$ 123,573</u> | <u>\$ (79,106)</u> | <u>\$ 44,467</u> | <u>\$ 1,811,480</u> | <u>\$ 1,198,627</u> | <u>\$ 988,019</u> | <u>\$ 2,444,368</u> |

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

| Program Expenses | | | | | | | |
|-------------------|------------------------|-------------------|------------------|-------------------|----------------------|-----------------|----------------------|
| Other | Preschool Childcare | Senior Activities | Transportation | Weatherization | Total Program | Fundraising | Total |
| \$ 740 | \$ 1,205 | \$ - | \$ - | \$ 1,191 | \$ 5,587 | \$ 2,048 | \$ 8,392 |
| 24,982 | - | - | - | 105,487 | 144,264 | - | 144,264 |
| 9,623 | 39,224 | 3,356 | 87 | 15,896 | 157,282 | 373 | 221,609 |
| 475 | 151,300 | 316 | 214 | 45,302 | 318,561 | 579 | 333,554 |
| 32 | 4,321 | 210 | - | 470 | 6,288 | - | 36,955 |
| - | 543,842 | - | - | - | 619,005 | 1,189 | 620,194 |
| 12 | 17,105 | 1,469 | 3,631 | 12,510 | 111,593 | - | 133,549 |
| 1,535 | 148,523 | 250 | 47 | 38,973 | 269,359 | - | 277,174 |
| 2,671 | 174,165 | 3,117 | - | - | 756,497 | - | 857,791 |
| 55,097 | 200,995 | 61,721 | - | 45,203 | 707,876 | - | 976,078 |
| 611 | 6,218 | 6 | - | 2,519 | 26,002 | - | 42,501 |
| 1,658 | 7,017 | 130 | 195 | 14,123 | 110,766 | 155 | 116,287 |
| 10,000 | - | - | - | - | 526,497 | - | 526,497 |
| 518 | 1,831 | 6,892 | 37 | 2,111 | 19,057 | 55 | 21,766 |
| 188,516 | 1,573,878 | 17,031 | 33,573 | 338,819 | 4,625,111 | 1,180 | 5,762,352 |
| - | - | - | - | - | 498,449 | - | 498,449 |
| 2,142 | 32,113 | 19,347 | 271 | 1,830 | 118,080 | - | 119,312 |
| 94 | 2,630 | 22 | 15,995 | 5,931 | 52,654 | - | 53,526 |
| 456 | - | - | - | - | 191,503 | 239 | 191,742 |
| - | 1,513 | - | - | - | 103,921 | - | 138,167 |
| - | 39,739 | 628 | 24,268 | 24,407 | 760,490 | - | 788,260 |
| 27,031 | 272,212 | 4,285 | 7,076 | 60,642 | 807,984 | 599 | 895,360 |
| - | - | - | - | - | - | - | (895,360) |
| - | - | - | (51,569) | - | (82,289) | - | (962,998) |
| <u>\$ 326,193</u> | <u>\$ 3,217,831</u> | <u>\$ 118,780</u> | <u>\$ 33,825</u> | <u>\$ 715,414</u> | <u>\$ 10,854,537</u> | <u>\$ 6,417</u> | <u>\$ 10,905,421</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Change in net assets | \$ 570,933 |
| Adjustments to reconcile the change in net assets to net cash provided by operating activities: | |
| Depreciation | 782,747 |
| Amortization expense | 5,513 |
| Loss on sale of assets | 10,454 |
| Change in assets and liabilities: | |
| Increase in current receivables | (3,727) |
| Increase in grant receivables | (51,434) |
| Increase in prepaid expenses | (18,771) |
| Decrease in inventory | 2,030 |
| Increase in long-term interest receivable | (185,775) |
| Increase in accounts payable & accrued expenses | 411,918 |
| Decrease in compensated absences | (94,918) |
| Decrease in refundable advances | (147,719) |
| Increase in deferred interest payable | 110,565 |
| Decrease in other liabilities | <u>(38,142)</u> |
| Net cash provided by operating activities | <u>1,353,674</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|--------------------|
| Purchase of property and equipment | (314,069) |
| Construction in progress and completed | (3,547,574) |
| Increase in asset held for sale | (207,113) |
| Proceeds from the sale of property | 9,000 |
| Decrease in long-term related party receivables | 84,612 |
| Increase in long-term notes receivable | (17,119) |
| Principal payments received on long-term notes receivable | 14,787 |
| Increase in organization and financing costs | (2,257) |
| Paid-in capital on partnership investments | <u>1,433,990</u> |
| Net cash used in investing activities | <u>(2,545,743)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|--|----------------------------|
| Net changes in line of credit and short-term notes | 196,759 |
| Proceeds from long-term debt | 1,719,718 |
| Principal payments on long-term debt | <u>(31,485)</u> |
| Net cash provided by financing activities | <u>1,884,992</u> |
| Net change in cash and cash equivalents | 692,923 |
| Cash and cash equivalents, beginning of year | <u>784,100</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 1,477,023</u></u> |

SUPPLEMENTAL INFORMATION

| | |
|---------------|--------------------------|
| Interest Paid | <u><u>\$ 124,231</u></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, 2013

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

Reporting Entity

Rocky Mountain Development Council, Inc. (RMDC) is a non-profit 501(c)(3) agency created and operated for the purpose of (in a broad definition) serving low income families and individuals of all ages primarily in Lewis and Clark, Broadwater and Jefferson Counties of the State of Montana, to achieve economic betterment and relief of poverty. RMDC is designated as a Community Action Agency as defined in 42 U.S. Code, Sections 2781 and 2837, and as such aids in the delivery of social services and stimulation of county development through its own activities or through collaboration with other appropriate agencies. RMDC is directed by an 18 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 22 community service programs funded by various federal, state and local government agencies. The programs of RMDC are organized and operated on the basis of activity types. Program activity separation is used to aid management in demonstrating compliance with finance-related, legal and contractual provisions. The minimum number of programs is maintained consistent with legal and managerial requirements.

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

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

Augusta

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

Eagles Manor Complex

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Eagles Manor Complex (Continued)

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

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

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

Big Boulder

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

River Rock

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

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Eagle Rock, Inc.

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

Other Related Party Entities

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

Basis of Accounting

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

Cash and Cash Equivalents

RMDC maintains pooled petty cash and deposit accounts that are used by all programs. For purposes of the statement of cash flows all checking accounts, savings accounts, and overnight repurchase agreements are considered cash equivalents. Deposits are carried at cost, which approximates market value.

Federal Deposit Insurance Corporation (FDIC) coverage is available to each entity with separate tax identification numbers. Non-interest bearing accounts were subject to unlimited FDIC during 2012. Effective January 1, 2013, the coverage for non-interest bearing accounts reverted to \$250,000. From time to time, certain bank accounts that are subject to limited FDIC coverage may exceed their insured limits; however management believes it is not exposed to any significant credit risk. At June 30, 2013, RMDC and River Rock held deposits in excess of insured limits in the amounts of \$182,429 and \$33,393, respectively.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Accounts Receivable

Accounts receivable primarily represent amounts due to RMDC and ERI. Amounts owed to RMDC are for various services including preschool and youth homes. Amounts owed to ERI are from tenants of the Eagle Manor complex who participate in the meals program, or from other housing entities described above to whom ERI provides maintenance services. No allowance for uncollectible accounts is established as management considers all balances materially collectible. Receivables are typically billed monthly unless contract provisions require a different cycle. Additional collection steps are taken once an account is 30 days past due. An account is written off as a bad debt expense if it is six-months past due and no payment terms are agreed upon.

Related Party Receivable

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

Grants Receivable

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

Current Portion of Notes and Interest Receivable

RMDC has made loans to provide funding for low-income and senior citizen housing projects and agreed to defer payments due for services rendered to other organizations. Information concerning these loans is provided in Note 5. The amount reported as current portion of notes and interest receivable represents the estimated loan principal and interest payments that RMDC will receive within one year of June 30, 2013.

Prepaid Deposits and Expenses

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

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market, and consists of administrative, food, weatherization, education, and kitchen supplies.

Asset Held for Sale

Long-lived assets that are to be sold within one year are classified as an asset held for sale. Assets held for sale are reported at either cost or fair value, depending on the nature of the asset.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Fixed Assets

RMDC, RMFP and ERI capitalize property and equipment with an original cost greater than \$5,000. EM II, EM III and Big Boulder capitalized property and equipment with an original cost greater than \$1,000 up to December 31, 2012. Effective January 1, 2013 the new capitalization policy was put in place for these three properties with capitalization threshold of original cost greater than \$2,500. All depreciable River Rock property and equipment was classified as construction in progress as of June 30, 2013. Donated fixed assets are recorded at their estimated fair value at the date of donation. The use and disposal of assets purchased with grant funds are restricted by the terms of the original grant and federal regulations. Depreciation expense reflected in the accompanying financial statements was computed using the straight-line method over an estimated useful life of 5 to 40 years.

Construction in Progress

Construction in progress represents costs incurred on the River Rock project. Included in these costs is \$78,571 of capitalized interest related to the construction of the project. Construction in progress was presented net of eliminations of \$351,608 in the accompanying consolidated statement of financial position. Eliminations consist of developer fees of \$279,288, intercompany labor of \$51,993 and interest expense of \$20,327 owed by River Rock to RMDC.

The River Rock project was substantially completed in August 2013. The estimated cost of the project at completion is \$6.1 million.

Deferred Costs

Deferred costs include financing charges and fees paid by EM II, EM III, Big Boulder and River Rock. They are reported net of accumulated amortization in the accompanying consolidated statement of financial position. Deferred costs related to financing activities are amortized on a straight-line basis over the term of the loan and period benefited. Amortization expense for these deferred costs has been included in depreciation and amortization expense in the accompanying consolidated statement of functional expenses and totaled \$5,514 for the fiscal year ended June 30, 2013. The components of deferred costs at June 30, 2013 were as follows:

| | Deferred Costs | Accumulated Amortization | Net |
|-------------|-------------------|-----------------------------|------------------|
| EMII | \$ 49,384 | \$ 31,788 | \$ 17,596 |
| EMIII | 23,071 | 12,211 | 10,860 |
| Big Boulder | 9,717 | 920 | 8,797 |
| River Rock | 27,731 | - | 27,731 |
| | | | <u>\$ 64,984</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Compensated Absences

RMDC permits employees to accumulate earned, unused annual and sick leave benefits. Nonunion full-time employees earn annual leave at a rate of 15 days per year for the first five years of employment. An additional three days per year are earned for each additional five years of employment. Part-time employees earn annual leave in proportion to hours worked. Employees are eligible to receive a maximum of 168 hours of annual leave time per year. There are no requirements that annual leave be taken. Supervisors work with their employees to maintain their accrued annual leave balance below 30 days. At termination, an employee is paid for any accumulated, unused annual leave multiplied by their current salary rate.

Full-time RMDC employees earn sick leave at a rate of 12 days per year. Part-time employees are entitled to pro-rated sick leave benefits. There is no limit on the accumulation of sick leave. At termination, an employee is paid 25% of their accumulated, unused sick leave multiplied by their current salary rate.

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

ERI employees are compensated for accumulated, unused annual and sick leave balances. Regular full-time employees earn annual leave at a rate of 10 days per year for the first five years of employment. An additional three days per year are earned for each additional five years of employment. Part-time employees earn annual leave in proportion to hours worked. Employees are eligible to receive a maximum of 168 hours of annual leave time per year. There is no requirement that annual leave be taken. At termination, an employee is paid for any accumulated, unused annual leave multiplied by their current salary rate.

Full-time ERI employees earn sick leave at a rate of six days per year. Part-time employees are entitled to pro-rated sick leave benefits. There is no limit on the accumulation of sick leave. At termination, an employee is paid 25% of their accumulated, unused sick leave multiplied by their current salary rate.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

The reported compensated absence liability, for both RMDC and ERI reflects the amount due employees for their annual leave balance and 25% of their sick leave balance at June 30, 2013, applying current pay rates and applicable benefits. The compensated absence expense is associated with RMDC or ERI program that pays the employees' salaries.

In-Kind Contributions

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

Indirect Costs and Other Supporting Services

Indirect costs that benefit all RMDC programs are allocated to each program using an approved indirect cost rate. The provisional approved rate for RMDC is 13.1% during fiscal year 2013.

RMDC maintains separate funds for activities that benefit all programs, but are not part of the indirect cost pool, including kitchen, copier and network costs, and building rent and maintenance. The cost of these activities is allocated to programs based on rates which are internally calculated on an annual basis. Because annual rates are approved in advance based on actual costs from a prior year, allocation may result in over- or under-recovery. Any over- or under-recovery is included in the calculation of the rate for the next fiscal year. The amount recovered in excess of costs incurred during the year ended June 30, 2013, was \$79,106.

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Material estimates that are particularly susceptible to significant change relate to RMDC's guaranty agreements and responsibilities as the organization responsible for managing a number of low-income housing properties in RMDC's service area. The above noted obligations and commitments are more fully described in Note 14. Management has calculated its estimated liability as required by U.S. GAAP and has determined it to be immaterial at June 30, 2013.

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.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Promises to Give (Continued)

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, 2013.

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

Net Assets and Noncontrolling Interest in Partnership Equity

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

The Big Boulder and River Rock partnership agreements also require monetary contributions required from the general and limited partners. The contributions received by each organization from their respective partners are reported as part of consolidated unrestricted net assets as these entities are directly controlled by RMDC.

Advertising and Promotional Costs

Advertising and promotional costs are expensed as incurred. For the year ended June 30, 2013 advertising and promotion costs total approximately \$8,392.

Tax Status

RMDC is a non-profit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). Affiliated 501(c)(3) non-profits included in these consolidated statements are RMDC Eagle Rock, Inc., Penkay Eagles Manor, Inc., Eagles Manor Project No. 2, Inc. With few exceptions, federal information returns for tax years prior to 2010 and state returns prior to 2008 are no longer subject to review by taxing authorities.

Rocky Mountain Front Properties, Inc. is subject to federal and state income tax as a C-Corporation. EM II, EM III, Big Boulder and River Rock are each organized as limited partnerships, with tax years ending each December 31. Tax years prior to 2010 and 2008 remain subject to review by federal and state taxing authorities for these entities, respectively.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Fair Value Measurements

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

Subsequent Events

Management has evaluated subsequent events through March 27, 2014, the date which the financial statements were available for issue. There were no events subsequent to this date that require disclosure in the financial statements.

NOTE 2. CUSTODIAN OF CASH

RMDC is the custodian of cash for several groups/councils. Activities of the groups are related to programs that RMDC administers. RMDC does not control the activities or funds but receives and disburse funds on their behalf. The amounts represent deposit accounts held by RMDC as well as a corresponding current liability. Amounts held on behalf of these groups at June 30, 2013, are as follows:

| | |
|--------------------------------|-------------------|
| Head Start Parent Fund | \$ 16,200 |
| Healthy Community | 315 |
| Helena Senior Advisory Council | 4,629 |
| Pennies for Progress | 37,672 |
| Friends of Headstart | <u>52,433</u> |
| | <u>\$ 111,249</u> |

NOTE 3. ASSETS HELD FOR SALE

At June 30, 2013, RMDC held two assets that were subsequently sold. One of these assets, the High School House, has been valued at \$207,113, based on this transaction using Level 3 inputs (market approach) as more fully described in Note 18. This asset while under construction was previously valued at cost. It is RMDC's policy to report these assets at cost until completed and sold. The second asset held for sale is a tract of land previously acquired for RMDC program use. It is reported at cost in the statement of financial position. The details of the subsequent sale are disclosed in Note 18.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

RMDC had temporarily restricted net assets of \$47,695 at June 30, 2013. Following is a summary of activity in temporarily restricted net assets during fiscal year 2013:

| | |
|---|------------------|
| Beginning Balance, July 1, 2012 | \$ 12,319 |
| Donor restricted contributions | 46,553 |
| Released through satisfaction of use restrictions | <u>(11,177)</u> |
| Temporarily restricted net assets, June 30, 2013 | <u>\$ 47,695</u> |

At June 30, 2013, temporarily restricted net assets were available for the follow programs:

| | |
|---------------------------|------------------|
| Senior services | \$ 41,820 |
| Spirit of Service program | 3,761 |
| Head Start program | 1,059 |
| Other | <u>1,055</u> |
| | <u>\$ 47,695</u> |

NOTE 5. RELATED PARTY RECEIVABLES

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

The following summarizes balances receivable from these external related parties and those which have been eliminated within the consolidated entity. Some entities owe balances to both consolidated entities, which are properly eliminated, and to external related parties, which are included in the consolidated financial statements.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 5. RELATED PARTY RECEIVABLES (CONTINUED)

| | <u>Balance</u> | <u>Eliminations</u> | <u>Consolidated Balance</u> |
|-------------------------------------|-------------------|---------------------|---------------------------------|
| Related party receivables - current | | | |
| RMDC | | | |
| RMDC EAGLE ROCK, INC. | \$ 17 | \$ (17) | \$ - |
| EAGLE ROCK RESIDENCE LP | 15,696 | - | 15,696 |
| EAGLE MANOR II LP | 3,570 | (3,570) | - |
| EAGLE MANOR III LP | 4,612 | (4,612) | - |
| PTARMIGAN RESIDENCES LP | 617 | - | 617 |
| PHEASANT GLEN LP | 1,190 | - | 1,190 |
| BIG BOULDER LP | 7,502 | (7,502) | - |
| RMFP | 10,308 | (10,308) | - |
| TOWNSEND HOUSE, INC. | 8,198 | - | 8,198 |
| RIVER ROCK | 29,928 | (29,928) | - |
| EAGLE MANOR PROJECT NO. 2 | 5,628 | (5,628) | - |
| RMDC PTARMIGAN, INC. | 11,128 | - | 11,128 |
| RMDC BIG BOULDER, LLC | 4,647 | (4,647) | - |
| PENKAY EAGLES MANOR, INC. | <u>40,898</u> | <u>(40,898)</u> | <u>-</u> |
| Total RMDC | 143,939 | (107,110) | 36,829 |
| RMFP | 2,550 | (2,550) | - |
| RMDC EAGLE ROCK, INC. | 35,336 | (31,019) | 4,317 |
| EAGLE MANOR II LP | 1,777 | (1,717) | 60 |
| EAGLE MANOR III LP | <u>708</u> | <u>(51)</u> | <u>657</u> |
| Total | <u>\$ 184,310</u> | <u>\$ (142,447)</u> | <u>\$ 41,863</u> |
| Long-term related party receivables | | | |
| RMDC | | | |
| RMDC PTARMIGAN, INC. | \$ 18,036 | \$ - | \$ 18,036 |
| PENKAY EAGLES MANOR, INC. | 3,509 | (3,509) | - |
| RMDC BIG BOULDER, LLC | 7,111 | (7,111) | - |
| RMDC RIVER ROCK, LLC | <u>1,834</u> | <u>(1,834)</u> | <u>-</u> |
| Total | <u>\$ 30,490</u> | <u>\$ (12,454)</u> | <u>\$ 18,036</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 6. LONG-TERM NOTES AND INTEREST RECEIVABLE

Long-term notes and interest receivable consist of the following:

| | <u>Note</u> | <u>Interest</u> | <u>Balance</u> | <u>Eliminations</u> | <u>Balance</u> |
|--|---------------------|---------------------|---------------------|-----------------------|---------------------|
| RMDC | | | | | |
| Roadrunner Residences | \$ 55,000 | \$ 7,837 | \$ 62,837 | \$ - | \$ 62,837 |
| Roadrunner Residences | 208,245 | - | 208,245 | - | 208,245 |
| Ptarmigan, Inc | 19,945 | 7,416 | 27,361 | - | 27,361 |
| Ptarmigan, Inc | 310,000 | 37,200 | 347,200 | - | 347,200 |
| Ptarmigan, Inc | 364,175 | 23,737 | 387,912 | - | 387,912 |
| Pheasant Glen, Inc | 411,856 | 173,694 | 585,550 | - | 585,550 |
| Pheasant Glen, Inc | 506,157 | 175,000 | 681,157 | - | 681,157 |
| Penkay Eagles Manor | 480,000 | 43,216 | 523,216 | - | 523,216 |
| Penkay Eagles Manor | 299,897 | 98,911 | 398,808 | - | 398,808 |
| Penkay Eagles Manor | 512,844 | 174,239 | 687,083 | - | 687,083 |
| Penkay Eagles Manor | 650,000 | | 650,000 | - | 650,000 |
| Penkay Eagles Manor | 346,500 | 107,960 | 454,460 | - | 454,460 |
| Eagles Manor II (HOME) | 500,000 | | 500,000 | (500,000) | - |
| Eagles Manor II (CDBG) | 366,658 | | 366,658 | (366,658) | - |
| Eagles Manor III (HOME) | 516,461 | 90,382 | 606,843 | (606,843) | - |
| Eagles Manor III (HUD grant) | 196,000 | 38,170 | 234,170 | (234,170) | - |
| Eagles Manor III (Developer Fee) | 111,775 | | 111,775 | (111,775) | - |
| Eagle Rock Inc. (Operating loan) | 212,968 | | 212,968 | (212,968) | - |
| River Rock Residences (HOME) | 661,742 | 13,876 | 675,618 | (675,618) | - |
| River Rock Residences (CDBG) | 419,751 | 6,450 | 426,201 | (426,201) | - |
| Big Boulder (HOME) | 500,000 | 6,836 | 506,836 | (506,836) | - |
| | <u>\$ 7,649,974</u> | <u>\$ 1,004,924</u> | 8,654,898 | (3,641,069) | 5,013,829 |
| EAGLE MANOR PROJECT NO. 2, INC. | | | <u>389,747</u> | <u>(389,747)</u> | - |
| Total | | | <u>\$ 9,044,645</u> | <u>\$ (4,030,816)</u> | <u>\$ 5,013,829</u> |

Roadrunner Residences

On April 1, 1999 RMDC executed a promissory note loaning \$55,000 to Roadrunner Residence LP for the purpose of constructing a low-income rental housing project. RMDC received the \$55,000 in a grant from U.S. Bank Corp. Interest accrues at 1% per annum. At June 30, 2013, the principal balance and accrued interest was \$62,837. The principal balance and accrued interest are due April 1, 2019.

On June 1, 1999 RMDC executed a loan agreement loaning \$340,000 to Roadrunner Residence LP for the purpose of constructing a low-income rental housing project. RMDC received the \$340,000 in a federal grant to be used for this project. Interest accrues at 3% per annum. The note is secured by the related property. The agreement called for 360 monthly installments of \$1,433 through May 2029. At June 30, 2013 the principal balance was \$219,020, of which \$10,775 is current and \$208,245 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, 2013

NOTE 6. LONG-TERM NOTES AND INTEREST RECEIVABLE (CONTINUED)

Ptarmigan

On November 20, 2000 RMDC executed a loan agreement with RMDC Ptarmigan, Inc. to fund an Operating Deficit Escrow account in the amount of \$40,000. RMDC Ptarmigan, Inc. was required, as the general partner of Ptarmigan Residence LP, to establish this escrow account for the Ptarmigan low-income housing project. RMDC made the loan from the developer fee it received for the project. The loan bears interest at 6.09% and is payable in full no later than June 30, 2016. The principal balance and accrued interest at June 30, 2013 was \$27,361.

On June 30, 2001 RMDC executed two amended loan agreements with Ptarmigan Residence LP for permanent financing for construction of the Ptarmigan low-income housing project. The funds loaned by RMDC were provided by two federal grants. Both notes are secured by the related property. One note in the amount of \$310,000 is payable in annual installments of \$8,534, including interest at 1.00% per annum, beginning December 31, 2009 through December 2058. The principal and accrued interest balance at June 30, 2013 was \$347,200. To the extent there is sufficient available cash (as defined in the Partnership Agreement) the second note in the amount of \$372,200 is payable in annual installments of \$9,554 including interest at 1.00% beginning December 31, 2002 through December 2051. The principal balance and accrued interest of the second note was \$387,912 at June 30, 2013.

Pheasant Glen

On August 15, 2003 RMDC executed three amended loan agreements with Pheasant Glen Limited Partnership for permanent financing for construction of the Pheasant Glen low-income housing project. The loans were funded by two federal grants received by RMDC and through Community Housing Development Organization (CHDO) funds. The CHDO funds were provided by the Roadrunner housing project's repayment of a HOME note. The three notes are secured by the related property.

The first note in the amount of \$59,167 was paid in full in 2012. The second note in the amount of \$506,157 is payable in monthly installments of \$800, including interest at 4.27%, beginning January 1, 2004 through September 1, 2019. The outstanding balance at June 30, 2013, was \$681,157, including accrued interest.

The third note in the amount of \$411,856 is payable in monthly installments of \$333, including interest at 4.27%, beginning January 1, 2004 through September 1, 2019. The principal balance and accrued interest of this note was \$585,550 at June 30, 2013. The second and third note payments are contingent on sufficient available cash (as defined in the Pheasant Glen Partnership Agreement).

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 6. LONG-TERM NOTES AND INTEREST RECEIVABLE (CONTINUED)

Penkay

Beginning in December 2003, RMDC loaned funds to Penkay to finance the acquisition and rehabilitation of Penkay Eagles Manor as provide 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 three agreements signed by both parties in February 2006 and one agreement signed by both parties in February 2007. The four notes are secured by the related property.

Under the RMDC CDBG Construction Loan Agreement, RMDC loaned \$480,000 to Penkay at 1.25% interest compounded annually. The principal and accrued interest on the loan is due in annual installments based on available cash from the operation of Penkay Eagles Manor. The first installment was due on December 31, 2006. The entire remaining balance of principal and accrued interest is due and payable on February 22, 2041. The principal balance and accrued interest was \$523,216 on June 30, 2013.

Under the RMDC Construction Loan Agreement, RMDC loaned \$299,897 to Penkay at 4.40% interest compounded annually. The principal and accrued interest on the loan is due in annual installments based on available cash from the operation of Penkay Eagles Manor. The first installment was due on December 31, 2006. Any remaining balance of principal and accrued interest on October 28, 2041 is subject to renegotiation. The principal balance and accrued interest was \$398,808 on June 30, 2013.

Under the RMDC HOME Construction Loan Agreement, RMDC loaned \$512,844 to Penkay at 4.61% interest compounded annually. The principal and accrued interest on the loan is due in annual installments based on available cash from the operation of Penkay Eagles Manor. The first installment was due on December 31, 2006. The entire remaining balance of principal and accrued interest is due and payable on February 16, 2041. The principal balance and accrued interest was \$687,083 on June 30, 2013.

Under the RMDC FHLB of Seattle Construction Loan, RMDC loaned \$650,000 to Penkay at 0% interest. The loan principal is due in annual installments based on available cash from the operation of Penkay Eagles Manor. The first installment was due on December 31, 2006. The entire remaining loan balance is due and payable on November 22, 2040. The principal balance of the loan on June 30, 2013 is \$650,000.

On February 1, 2007, RMDC executed a loan agreement with Penkay to provide funding of \$346,500 at 4.86% , compounded annually, using federal grant funds. The note is secured by the related property. The principal and accrued interest on the loan is due in annual installments based on available cash from the operation of Penkay Eagles Manor. The entire remaining balance of principal and accrued interest is due and payable on February 1, 2042. The principal balance and accrued interest was \$454,460 on June 30, 2013.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 6. LONG-TERM NOTES AND INTEREST RECEIVABLE (CONTINUED)

Consolidation Adjustments

In addition, RMDC has advanced funds to entities that are eliminated in consolidation. RMDC has advanced operating funds totaling \$212,968 to Eagle Rock, Inc. to support the entities service to Helena area housing facilities. In addition, RMDC has loaned grant funds (HOME, CDBG or HUD grants) or deferred developer fees obtained through RMDC's housing program that provided a portion of the financing for various housing projects. Terms of the loans vary, but repayment of loan principal and accrued interest are generally dependent upon available cash as defined by the partnership agreement governing each respective facility.

Current Portion and Other Current Notes Receivable

As disclosed above, the current portion of the note receivable from Roadrunner Residence LP is \$10,775. Other current notes receivable include a note from Caird Engineering Works (Caird) in the amount of \$29,000, due May 2014. This note accrues interest at the rate of 6% and is unsecured but subject to payment upon sale of the property. RMDC advance these funds while exploring the potential use of property owned by Caird for a low-income housing project. RMDC has also extended credit to the Montana Veterans' Foundation for a transitional housing project. The outstanding balance at June 30, 2013, was \$3,131 and was paid in full in November 2013.

NOTE 7. OTHER RELATED PARTY TRANSACTIONS

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

| | <u>RMDC</u> | <u>Eagle Rock, Inc.</u> | <u>Eliminations</u> | <u>Total</u> |
|---------------------------------|-------------------|-------------------------|---------------------|-------------------|
| RMDC Ptarmigan, Inc. | \$ 277 | \$ - | \$ - | \$ 277 |
| Eagle Rock Residences, LP | 127,192 | 43,297 | - | 170,489 |
| Ptarmigan, LP | 31,605 | 9,536 | - | 41,141 |
| Pheasant Glen, LP | 44,004 | 9,834 | - | 53,838 |
| Townsend Housing, Inc. | 24,029 | - | - | 24,029 |
| RMFP | 22,855 | - | (22,855) | - |
| RMDC Eagle Rock, Inc. | 8,340 | - | (8,340) | - |
| EM II | 62,727 | 31,827 | (94,554) | - |
| EM III | 51,980 | 17,349 | (69,329) | - |
| Penkay Eagle Manor Inc. | 183 | - | (183) | - |
| Eagle Manor Project No. 2, Inc. | 157 | - | (157) | - |
| Big Boulder | 68,541 | 12,663 | (81,204) | - |
| | <u>\$ 441,890</u> | <u>\$ 124,506</u> | <u>\$ (276,622)</u> | <u>\$ 289,774</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 8. FIXED ASSETS

Components of property, equipment, and land at June 30, 2013 were as follows:

| | |
|--------------------------------|---------------------|
| Land | <u>\$ 1,725,615</u> |
| Land improvements | \$ 125,727 |
| Less: accumulated depreciation | <u>(18,244)</u> |
| Land improvements, net | <u>\$ 107,483</u> |
| Leasehold improvements | \$ 237,510 |
| Less: accumulated depreciation | <u>(163,401)</u> |
| Leasehold improvements, net | <u>\$ 74,109</u> |
| Buildings | \$20,936,215 |
| Less: consolidation adjustment | <u>(2,295,998)</u> |
| Less: accumulated depreciation | <u>(2,118,115)</u> |
| Buildings, net | <u>\$16,522,102</u> |
| Equipment and vehicles | \$ 1,537,860 |
| Less: accumulated depreciation | <u>(1,039,659)</u> |
| Equipment, net | <u>\$ 498,201</u> |
| Total Fixed Assets | <u>\$18,927,510</u> |

Depreciation expense for property and equipment has been included in the accompanying consolidated statement of functional expenses in the amount of \$782,746 for the fiscal year ended June 30, 2013.

Mail equipment acquired through a capital lease is included in equipment in the accompanying consolidated statement of financial position. The gross amounts of the asset and its accumulated depreciation were \$5,843 and \$1,120, respectively at June 30, 2013. Depreciation expense on the equipment totaled \$1,120 for the fiscal year ended June 30, 2013.

The building consolidation adjustment of \$2,295,998 reflects fees paid by EM II, EM III and Big Boulder to RMDC and ERI for services provided in support of the EM II, EM III and Big Boulder building projects that were capitalized in previous years by the individual entities.

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 9. LINE OF CREDIT

Balances outstanding on lines of credit held by the consolidated entity include the following:

RMDC

| | | |
|---|---------|---|
| 5.5% (variable interest rate - see description below) line of credit at Valley Bank, due May 3, 2014. \$300,000 available; unsecured. | \$ - | Interest is paid monthly. Principal is payable upon maturity. |
| 4.0% Line of Credit at Mountain West Bank, due September 20, 2013. \$18,241 of \$215,000 available; secured by property. | 196,759 | Interest is paid monthly. Principal is payable upon maturity. |

River Rock

| | | |
|--|---------------------|---|
| 5.0% Line of Credit at Mountain West Bank, due June 30, 2014. \$2,614,017 of \$4,500,000 available; secured by property. | 1,885,983 | Interest is paid monthly. Principal is payable upon maturity. |
| | <u>\$ 2,082,742</u> | |

RMDC

RMDC has a \$300,000 unsecured revolving line of credit at Valley Bank of Helena (Valley Bank) available through May 3, 2014. 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.

On September 20, 2012 RMDC opened a construction line of credit at Mountain West Bank of Helena (Mountain West Bank) to finance construction of a home through the High School House Program operated in conjunction with the Helena School District. RMDC enters into construction

lines of credit for this program on a yearly basis. Construction lines of credit are secured by the related property and are paid off when completed houses are sold. The line of credit was paid off on August 22, 2013 upon sale of the home.

River Rock

On September 17, 2012 River Rock opened a construction line of credit at Mountain West Bank to finance the construction of the River Rock low-income housing project. Construction on the project began in August 2012 and was substantially completed in August 2013. The maturity date was extended to June 30, 2014 from the original maturity date of February 17, 2014. This line of credit will be paid off in full through the limited partner contributions anticipated in accordance with the terms of the partnership agreement. The construction line of credit is secured by the related property.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 10. LONG-TERM DEBT OBLIGATIONS

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

Notes and Interest Payable:

RMDC

| | | |
|--|-----------|---|
| 1% Note Payable to FHLB (Roadrunner Project), due April 1, 2019. Balance includes \$7,837 long-term interest. | \$ 62,836 | Principal and interest are payable upon maturity. |
| 6.5% Note Payable to Valley Bank (Head Start Copier), due September 1, 2014. | 2,047 | Payable in monthly installments of \$143, including interest. |
| 6.0% (variable interest rate - see description below) Note Payable to Valley Bank (Townsend House), due January 15, 2020. | 20,381 | Payable in monthly installments of \$515, including interest. |
| 6.5% (variable interest rate - see description below) Note Payable to Mountain West Bank (Jackson Street Building), due July 28, 2035. | 520,725 | Payable in monthly installments of \$3,716, including interest. |
| 4.25% Note Payable to USDA (Townsend Homestead Manor), due October 1, 2040. | 250,428 | Payable in monthly installments of \$1,024, including interest, of which \$485 is subsidized by USDA. |
| 5.5% Note Payable to NWM (Development of Affordable Housing), due June 1, 2015. | 375,000 | Interest is paid quarterly. Principal is payable upon maturity (see description of the note). |
| 5.5% Note Payable to Mountain West Bank (Fund Current Operations), due October 31, 2014. | 252,502 | Interest is paid monthly. Principal is payable upon maturity (see description of the note). |

RMFP

| | | |
|--|---------|--|
| 6.0% Note Payable to USDA (Elk Creek Lodge), due November 1, 2034. | 54,044 | 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. | 123,933 | Payable in monthly installments (calculated based on a 50 year amortization schedule) of \$676, including interest, of which \$401 is subsidized by USDA. Final installment is due 30 years from the date of the note. |
| 5.375% Note Payable to USDA (Elk Creek Lodge), due December 1, 2035. | 35,045 | Payable in monthly installments of \$224, including interest, of which \$95 is subsidized by USDA. |

EM III

| | | |
|---|---------|---|
| 6.0% Note Payable to Mountain West Bank (EM III Facility), due June 10, 2039. | 425,793 | Payable in monthly installments of \$2,699, including interest. |
|---|---------|---|

EM II

| | | |
|---|---------|---|
| 6.0% Note Payable to Mountain West Bank (EM II Facility), due March 10, 2040. | 109,966 | Payable in monthly installments of \$694, including interest. |
|---|---------|---|

Big Boulder

| | | |
|--|------------------|---|
| 5.95% (variable interest rate - see description) Note Payable to Valley Bank (Fund Reserves and Current Operations), due October 10, 2042. | 250,166 | Payable in monthly installments of \$1,505, including interest. |
| | <u>2,482,866</u> | |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 10. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Other Long-Term Debt:

RMDC

| | | |
|---|----------------------------|---|
| Non Interest Bearing Health Insurance Indebtness to L&C County, due Fiscal Year 2024. | 311,846 | Payable in annual installments of approximately \$30,000. |
| 5.25% Capital Lease Payable to Mail Finance (Mailing Equipment), expires July 2017. | <u>4,731</u> | Payable in quarterly installments of \$330, including interest. |
| | 316,577 | |
| Current maturities | <u>(638,404)</u> | |
| | <u><u>\$ 2,161,039</u></u> | |

Future maturities of long-term debt and related long-term interest accrued for each of the next five fiscal years and thereafter subsequent to June 30, 2013 are as follows:

| | Principal (net of capital lease) | Principal Capital Lease | Accrued Interest | Total |
|------------|-------------------------------------|----------------------------|------------------------|----------------------------|
| 2014 | \$ 637,312 | \$ 1,092 | \$ - | \$ 638,404 |
| 2015 | 89,528 | 1,150 | - | 90,678 |
| 2016 | 66,713 | 1,212 | - | 67,925 |
| 2017 | 67,172 | 1,277 | - | 68,449 |
| 2018 | 65,085 | - | - | 65,085 |
| Thereafter | <u>1,861,065</u> | <u>-</u> | <u>7,837</u> | <u>1,868,902</u> |
| | <u><u>\$ 2,786,875</u></u> | <u><u>\$ 4,731</u></u> | <u><u>\$ 7,837</u></u> | <u><u>\$ 2,799,443</u></u> |

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 stipulates any repayments of principal and payments of interest received by RMDC must be paid forthwith to the FHLB. On April 1, 1999 RMDC loaned these funds to the Roadrunner Residence Limited Partnership, thereby also creating a debt from RMDC to the FHLB. The agreement is unsecured.

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

On September 21, 2009, RMDC signed a \$7,285 note payable to Valley Bank to purchase a copier for the Head Start program. The note is secured by the related equipment.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 10. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Notes and Interest Payable (Continued)

RMDC (Continued)

On July 28, 2010, RMDC signed a \$550,000 note payable to Mountain West Bank to finance the purchase of a building located at 631 N Last Chance Gulch in Helena (Jackson Street Building). The building, formerly leased, was purchased for use by the Drop In Center, LIEAP and Weatherization program staff. The note bears interest at a rate based on the Wall Street Journal prime rate plus additional 1.50 percentage points with a rate floor of 6.5% and a rate ceiling of 10.0%, 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.

On May 9, 2012, RMDC signed a \$375,000 note payable to NeighborWorks Montana (NWM) to finance development of affordable housing in the service area of RMDC, including the River Rock Residences project. The note is secured by the future River Rock developer fees up to the amount of the loan. RMDC plans to pay off the debt in full with River Rock developer fees by the end of the fiscal year 2014.

On December 20, 2011, RMDC signed a \$252,502 unsecured note payable to Mountain West Bank to fund current operations. The principal balance of \$252,502 was originally due on November 30, 2012. The final amendment agreement effective November 7, 2013 extended the due date to October 31, 2014. RMDC made two principal payments of \$84,811 on October 30, 2013 and \$77,249 on December 30, 2013 with Big Boulder soft debt payment proceeds and sale of Winne lot proceeds. RMDC plans to pay additional principal of \$66,000 with the remainder of River Rock developer fees by the end of the fiscal year 2014.

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.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 10. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Notes and Interest Payable (Continued)

EM III

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

EM II

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

Big Boulder

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

Other Long-Term Obligations

RMDC

During the fiscal year 2012 RMDC entered into an agreement with Lewis & Clark County regarding unpaid insurance premiums of \$459,532. During the fiscal year 2013 RMDC paid off \$147,686 of the original indebtedness. RMDC plans to pay the remainder of the balance of \$311,846 in approximately \$30,000 annual installments over 10 year period starting in fiscal year 2015.

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

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 11. LEASES

Operating Leases

RMDC has entered into a number of facility lease agreements. These leases provide space for Head Start classrooms, senior centers, RMDC administrative offices and other programs. These leases do not have elements of ownership and 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 \$80,654 for the fiscal year ended June 30, 2013.

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 for each of the next five fiscal years and thereafter subsequent to June 30, 2013 are as follows:

| | |
|------------|------------------|
| 2014 | \$ 27,600 |
| 2015 | 18,000 |
| 2016 | 18,000 |
| 2017 | 18,000 |
| 2018 | 15,000 |
| Thereafter | - |
| | <u>\$ 96,600</u> |

NOTE 12. NON-MONETARY TRANSACTIONS

In-Kind Contributions

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

In-kind contributions consist of the following:

| | |
|--------------------------------|-------------------|
| Contracted Services | \$ 488,290 |
| Transportation services | 3,185 |
| Supplies/training materials | 8,568 |
| Space | 58,969 |
| Meals | 47,015 |
| Volunteer recognition | 8,100 |
| Physical examinations/lab work | <u>12,263</u> |
| Total in-kind contributions | <u>\$ 626,390</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 12. NON-MONETARY TRANSACTIONS (CONTINUED)

Architect services valued at \$6,196 were donated for the High School House project. These services were capitalized in accordance with U.S. GAAP and are included in assets held for sale in the accompanying consolidated statement of financial position.

In-kind contributions were received for the following programs:

| | |
|-----------------------------|-------------------|
| Head Start | \$ 543,842 |
| Senior Companions Program | 36,987 |
| Foster Grandparents Program | 39,365 |
| Housing | <u>6,196</u> |
| Total in-kind contributions | <u>\$ 626,390</u> |

In addition to the contributions reported in the tables above, the Head Start program received services valued at \$42,110 that did not meet the guidelines for recognition under U.S. GAAP. The value of these services is therefore not reported in the accompanying financial statements. However, the regulations for these programs allow the value of these services to be reported as matching funds for grant purposes.

NOTE 13. EMPLOYEE BENEFITS

Retirement Benefits

RMDC has a defined contribution profit sharing retirement plan based on a calendar year (changed to a fiscal year beginning July 1, 2014) managed by a third party administrator. An employee must be at least 20 (changed to 21 beginning January 1, 2014) years of age and complete six (changed to 12 months beginning January 1, 2014) 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. A preliminary contribution rate is approved by the Board of Directors for each fiscal year at the beginning of the fiscal year. The effective contribution rate is calculated for the calendar year based on the actual amount contributed to the plan by RMDC and total eligible employees compensation for the applicable calendar year. Total RMDC contribution to the plan during the calendar year is allocated to the individual participants' accounts based on their eligible compensation during the calendar year multiplied by the effective contribution rate. Preliminary contribution rates for fiscal years 2012 and 2013 were set at 7.0% and 5.0%, respectively. The effective contribution rate for calendar year ended December 31, 2012 was 6.23%. The preliminary contribution rate approved for fiscal year 2014 is 3.0%. Retirement plan contribution expense was \$176,314 for fiscal year 2013.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 13. EMPLOYEE BENEFITS (CONTINUED)

The retirement plan also includes a 401(k) option. To participate in salary deferrals, employees must meet age eligibility standards as described and must have completed six months of service (this condition was eliminated beginning January 1, 2014). The deferred contributions are not available to participants until they terminate, retire, upon death, or for an eligible emergency. Participants who reach normal retirement age are eligible for in-service distributions.

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

Cafeteria Plan

RMDC has a cafeteria plan in which employees may elect to participate. Participating employees elect to have monies withheld pre-tax from their paychecks and contributed to the plan for use in paying health care, day care and insurance premium expenses, in accordance with federal regulations. If the final plan balance has a deficit, RMDC must make an additional contribution to the plan to cover the deficit. If the final plan balance is a surplus, RMDC receives a cash distribution from the plan. The expense or revenue is recorded in the following fiscal year of the plan to reflect the difference between employee's contributions to the plan and eligible claims paid by the plan. RMDC recorded revenue in the amount of \$3,213 in fiscal year 2014 for the plan ended June 30, 2013.

NOTE 14. NONCONTROLLING INTEREST IN PARTNERSHIP EQUITY

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

| | <u>Controlling</u> | <u>Non-Controlling</u> | <u>Total</u> |
|-------------|---------------------|------------------------|----------------------|
| EMII | \$ 462 | \$ 4,622,704 | \$ 4,623,166 |
| EMIII | 396 | 3,957,008 | 3,957,404 |
| River Rock | (607) | 1,436,739 | 1,436,132 |
| Big Boulder | <u>6,577,346</u> | <u>-</u> | <u>6,577,346</u> |
| | <u>\$ 6,577,597</u> | <u>\$ 10,016,451</u> | <u>\$ 16,594,048</u> |

The non-controlling interest in EM II, EM III and River Rock is 99.99%. 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. The non-controlling interest in each entity is significant, the structure, role and responsibility of the general partner is such that these entities have been consolidated into the financial statements of RMDC.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 15. COMMITMENTS AND CONTINGENCIES

RMDC is a certified Community Housing Development Organization (CHDO). As a CHDO, RMDC has loaned HOME grant funds to other organizations to support the development of low-income housing. Repayment received by RMDC on these loans represents CHDO Proceeds. These CHDO Proceeds must be used for HOME eligible activities that support housing for low-income persons. RMDC held \$0 CHDO proceeds as of June 30, 2013.

Housing Commitments

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

Roadrunner Low-Income Housing Project

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

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

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

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 15. COMMITMENTS AND CONTINGENCIES

Ptarmigan

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

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

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

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

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

Pheasant Glen

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Pheasant Glen (Continued)

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,
- 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.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Penkay (Continued)

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, 2013 the limited partners' capital contribution was \$1,587,232. At June 30, 2013 the book value of the partnership's capital assets totaled approximately \$4.2 million.

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

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

The guaranty also applies to Penkay's mortgage and replacement reserve requirements. The mortgage balance was \$307,240 at June 30, 2013. Beginning January 2007, the general partner, or RMDC as the guarantor, was required to ensure that \$250 per unit is contributed annually to the replacement reserve, resulting in an initial contribution of \$16,500. This required contribution increases 3% each succeeding year. If the partnership's available cash is not sufficient to fund this contribution, the general partner or the guarantor are required to make an operating deficit loan to cover the deficiency.

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

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

As of June 30, 2013, the Operating Deficit Reserve Account balance was \$109,901. 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.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Penkay (Continued)

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, 2013 the limited partners' capital contribution was \$4,044,475. At June 30, 2013, the book value of the partnership's capital assets totaled approximately \$5.2 million. These assets serve as collateral in the event the limited partners exercise the repurchase option. The limited partners may exercise this option if the partnership fails to meet the Minimum Set-Aside Test.

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

EM II

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

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

EM II

- In the event a repurchase occurs, the limited partners must transfer their partnership interest to the general partner. As of June 30, 2013, the limited partners' capital contribution was \$4,725,469. As of June 30, 2013, the book value of the partnership's capital assets totaled approximately \$5.8 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, Wincopin Circle LLLP.

The partnership agreement contains the following obligations:

The general partner is obligated to purchase the limited partner's interest for the total capital contributions made to date by the limited partner plus interest at the prime rate plus 2% if:

- The project expenditures have not been placed in service in accordance with the requirements of Section 42 of the Code by December 31, 2013 or the partnership does not receive IRS Form 8609 by September 1 of the calendar year following the first year of the tax credit period; or,
- At any time before the Project has operated at break-even for a period of 3 consecutive calendar months, any loan is in default, or an action is commenced and successfully executed to foreclose, abandon, or permanently enjoin the construction of the project; or,
- The failure of the project to achieve the minimum set-aside test or the rent restriction test under Section 42 of the Code prior to the end of the first year of the tax credit period; or,
- Loan conversion is not achieved within 12 months following the target completion date; or,
- The project has not operated at break-even of a period of 3 consecutive calendar months within 18 months of the project completion date; or,
- The credit reflected on IRS Form 8609 is less than 70% of the annual tax credit allocation

The partnership agreement calls for continuation in perpetuity, unless terminated sooner by the partners.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

RMDC and Affiliates

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

NOTE 16. CONDITIONAL PROMISES 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, 2013:

| Program/Contract | Grant/Contract Period Ends | Amount |
|---|-------------------------------|---------------------|
| Head Start | April 30, 2014 | \$ 1,664,599 |
| Striving Readers (OPI) | September 30, 2013 | 40,852 |
| Retired Senior Volunteer Program (CNS) | March 31, 2014 | 119,175 |
| Community Services Block Grant | August 31, 2013 | 1,464 |
| Community Services Block Grant | June 30, 2014 | 157,794 |
| Commodities Supplemental Food | September 30, 2013 | 8,008 |
| Missoula Aging Services (SMP) | May 31, 2014 | 12,473 |
| HOME (River Rock) | December 31, 2013 | 31,988 |
| Northwestern Energy Weatherization | December 31, 2013 | 155,752 |
| Northwestern Energy Penalty Weatherization | December 31, 2014 | 73,694 |
| DOE Weatherization | August 31, 2013 | 17,964 |
| LIEAP Weatherization | August 31, 2013 | 4,698 |
| LIEAP Weatherization | June 30, 2014 | 209,507 |
| LIEAP Outreach | September 30, 2013 | 2,305 |
| Emergency Solutions (Homelessness Prevention) | November 30, 2013 | 12,703 |
| Emergency Solutions (Homelessness Prevention) | March 31, 2014 | 32,249 |
| Total conditional promises to give | | <u>\$ 2,545,225</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 17. RECOVERY OF GENERAL AND ADMINISTRATIVE COSTS

As described in Note 1, RMDC recovers shared general and administrative expenses through an approved indirect cost rate and through an allocation plan. Following is a summary of the general and administrative costs recovered in the year ended June 30, 2013:

| | |
|--|-------------------------|
| General and administrative expenses: | |
| Indirect cost pool | \$ 1,018,933 |
| Supporting services | <u>801,603</u> |
| Total general and administrative | 1,820,536 |
| Less: | |
| Indirect costs recovered at approved rate (13.1%) | (895,360) |
| Supporting service expense recovered from programs | <u>(880,709)</u> |
| | <u><u>\$ 44,467</u></u> |

NOTE 18. SUBSEQUENT EVENTS

Following are descriptions of subsequent events requiring disclosure:

On September 17, 2012 River Rock Residences opened a construction line of credit at 5% at Mountain West Bank. The purpose of the line of credit is to finance costs associated with the construction of the River Rock low-income housing project. Construction on the project began in August 2012 and was substantially completed in August 2013. The loan matures on June 30, 2014. RMDC anticipates that the construction line for River Rock will be paid off in full through the limited partner contributions anticipated in accordance with the terms of the partnership agreement.

On December 19, 2013, RMDC sold the property located at Lot 3 Block 3 East Park #1 Addition, in Helena for a contract price of \$85,000. This property had been previously acquired for future program use. RMDC incurred closing and related costs totaling \$6,613. The property was reported as an asset held for sale on the statement of financial position, with a value of \$58,500. RMDC will report a gain of \$19,887 in the statement of activities for the year ending June 30 2014 on the sale of this property.

On August 21, 2013, RMDC sold the property located at 725 Jade Street, Helena, known as the High School House for a contract price of \$221,500. RMDC incurred closing and related costs totaling \$14,387 and paid the principal and interest balance of \$197,493 due on a revolving construction line of credit. The property was reported as an asset held for sale on the statement of financial position, with a value of \$207,113. RMDC incurred a loss of \$17,024 on the sale of this transaction.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 18. SUBSEQUENT EVENTS (CONTINUED)

On November 21, 2013, RMDC's Board of Directors approved a motion to enter into negotiations to transfer ownership of Rocky Mountain Youth Resources. The financial impact of the transfer is unknown at this time as negotiations are continuing. The transfer is expected to be completed before June 30, 2014.

On November 5, 2013, RMDC received official notice from the Department of Health and Human Services, Administration for Children & Families related to the findings contained in the A-133 Single Audit for the period July 1, 2011 to June 30, 2012. The notice stated that RMDC's resolution of the findings was considered satisfactory.

SINGLE AUDIT SECTION

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
June 30, 2013

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant Number | Expenditures |
|--|---------------------------|----------------|------------------|
| <u>Corporation for National and Community Service</u> | | | |
| Direct Programs | | | |
| Foster Grandparent/Senior Companion Cluster: | | | |
| Foster Grandparents | 94.011 | 12SFPMT003 | \$ 374,423 |
| Senior Companion | 94.016 | 12SCPMT003 | <u>506,323</u> |
| Total FosterGrandparent/Senior Companion Cluster | | | 880,746 |
| Retired Senior Volunteer | 94.002 | 12SRPMT008 | <u>37,609</u> |
| Total Corporation for National and Community Service | | | <u>918,355</u> |
| <u>Department of Transportation</u> | | | |
| Passed through State Department of Transportation | | | |
| Capital Assistance Program for Elderly Persons and Persons with Disabilities | 20.513 | MT-16-X006-00 | <u>59,744</u> |
| Total Passed through State Department of Transportation | | | <u>59,744</u> |
| <u>Department of Health and Human Services</u> | | | |
| Direct Programs | | | |
| Head Start Cluster: | | | |
| Head Start | 93.600 | 08CH0035/47 | 1,758,198 |
| | | 08CH0035/48 | <u>219,831</u> |
| Total Head Start Cluster, Health and Human Services | | | 1,978,029 |
| Passed through State Department of Public Health and Human Services | | | |
| Community Services Block Grant Cluster: | | | |
| Community Services Block Grant | 93.569 | 12-028-10006-0 | 93,258 |
| | | 13-028-10006-0 | <u>47,765</u> |
| Total Community Services Block Grant Cluster | | | <u>141,023</u> |
| Low-Income Home Energy Assistance | 93.568 | 12-028-11006-0 | 31,436 |
| | | 13-028-11006-0 | 142,965 |
| | | 12-028-16006-0 | 272,243 |
| | | 12-028-11056-0 | 17,602 |
| | | 13-028-11056-0 | 23,197 |
| | | 12-028-11020-0 | 18,746 |
| | | 13-028-11020-0 | <u>30,000</u> |
| Subtotal Low-Income Home Energy Assistance | | | <u>536,189</u> |
| Montana Arthritis Program | 93.945 | Agreement | <u>5,000</u> |
| Special Programs for the Aging | | | |
| Aging Cluster: | | | |
| Title III - Supportive Services and Senior Centers | 93.044 | | 157,258 |
| Title III - Nutrition Services | 93.045 | | 324,638 |
| Nutrition Services Incentive Program | 93.053 | | <u>157,318</u> |
| Total Aging Cluster | | | <u>639,214</u> |
| Health Care Financing Research, Demonstrations and Evaluations | 93.779 | | 7,934 |
| Center for Medicare/Medicaid Services Research, Demonstrations & Evaluations | 93.779 | | <u>28,051</u> |
| Total, CFDA #97.779 | | | <u>35,985</u> |
| Training, Research and Discretionary Projects and Programs | 93.048 | | 29,292 |
| Title VII - Long Term Care Ombudsman Services for Older Individuals | 93.042 | | 55,694 |
| Title III - Disease Prevention and Health Promotion Services | 93.043 | | 13,428 |
| National Family Caregiver Support | 93.052 | | <u>101,977</u> |
| Total Aging Programs | | | <u>875,590</u> |
| Total Passed through State Department of Public Health and Human Services | | | <u>1,557,802</u> |
| Total U.S. Department of Health and Human Services | | | <u>3,535,831</u> |

See Notes to the Schedule of Expenditures of Federal Awards

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant Number | Expenditures |
|---|---------------------------|------------------|---------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| Passed through State Department of Public Health and Human Services | | | |
| Child and Adult Care Food Program | 10.558 | 12-02-CACFP-150 | 115,200 |
| Child and Adult Care Food Program | 10.558 | 12-02-CACFP-151 | <u>4,023</u> |
| | | | <u>119,223</u> |
| Commodity Supplemental Food Program | 10.565 | 12-027-21007-0 | 7,308 |
| | 10.565 | 13-027-21007-0 | <u>21,224</u> |
| | | | 28,532 |
| Rural Rental Housing Loans | 10.415 | Agreement | <u>30,988</u> |
| Subtotal DPHHS Pass Through | | | <u>178,743</u> |
| Passed through State Office of Public Instruction | | | |
| Summer Food Program for Children | 10.559 | OPI 25-6579 | 6,265 |
| National School Lunch Program | 10.555 | OPI 25-6579 | 9,860 |
| School Breakfast Program | 10.553 | OPI 25-6579 | <u>7,511</u> |
| Subtotal OPI Pass Through | | | <u>23,636</u> |
| Total U.S. Department of Agriculture | | | <u>202,379</u> |
| <u>U.S. Department of Energy</u> | | | |
| Passed through State Department of Public Health and Human Services | | | |
| Weatherization Assistance for Low-Income Persons | 81.042 | 12-028-30026-0 | 43,868 |
| Exxon Corporation and Stripper Well | 81.042 | 12-028-41006-0 | <u>10,275</u> |
| Total U.S. Department of Energy | | | <u>54,143</u> |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Passed through State Department of Commerce | | | |
| HOME Grant | 14.239 | M08T-SG300100-18 | 35,417 |
| | | M11-SG300100-18 | <u>566,592</u> |
| | | | 602,009 |
| CDBG Grant | 14.228 | MT-CDBG-11HR-01 | 332,220 |
| First Time Home Buyers & Dollars & Sense | 14.169 | Agreement | <u>43,920</u> |
| Subtotal State Department of Commerce | | | 978,149 |
| Passed through State Department of Public Health and Human Services | | | |
| Emergency Shelter Grant Program | 14.231 | 11-028-51006-0 | 13,388 |
| | | 12-028-51006-0 | <u>59,785</u> |
| Subtotal | | | <u>73,173</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>1,051,322</u> |
| <u>U.S. Department of Education</u> | | | |
| Passed through State Office of Public Instruction | | | |
| Striving Readers | 84.371 | Agreement | <u>246,978</u> |
| Total U.S. Department of Education | | | <u>246,978</u> |
| <u>U.S. Department of Transportation</u> | | | |
| Passed through State Department of Transportation | | | |
| New Freedom Program | 20.521 | Contract 106475 | <u>48,920</u> |
| <u>U.S. Department of Homeland Security</u> | | | |
| Direct Programs | | | |
| Emergency Food and Shelter Program Cluster: | | | |
| Emergency Food and Shelter National Board Program | 97.024 | 557800-014 | <u>2,000</u> |
| Total Emergency Food and Shelter Program Cluster | | | <u>2,000</u> |
| Total expenditures of federal awards | | | <u>\$ 6,119,672</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES
AND FEDERAL AWARDS
June 30, 2013

NOTE 1. BASIS OF PRESENTATION

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

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

NOTE 2. SUBRECIPIENTS

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

| Program Title | Federal CFDA Number | Amount Provided to Subrecipient |
|--|---------------------------|---------------------------------------|
| Special Programs for the Aging: | | |
| Supportive Services & Senior Centers | 93.044 | \$ 62,650 |
| Nutrition Services | 93.045 | 152,076 |
| Training, Research & Discretionary Projects & Programs | 93.048 | 2,800 |
| National Family Caregiver Support | 93.052 | 13,546 |
| Nutrition Services Incentive Program | 93.053 | 102,860 |
| Emergency Shelter Grant Program | 14.231 | 10,000 |
| HOME Grant, River Rock | 14.239 | <u>566,592</u> |
| | | <u>\$ 910,524</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES
AND FEDERAL AWARDS (CONTINUED)
June 30, 2013

NOTE 3. RECONCILIATION TO FINANCIAL STATEMENTS

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

| | |
|--|---------------------|
| Total expenditures of federal awards | \$ 6,119,672 |
| Plus: | |
| Rent subsidy received by RMFP from Rural Development | 33,707 |
| Interest subsidy received by RMFP from Rural Development | 8,034 |
| Rent subsidy received by EMII from HUD | 115,537 |
| Rent subsidy received by EMIII from HUD | 92,396 |
| Rent subsidy received by Big Boulder from HUD | <u>89,996</u> |
| Total federal grant revenue | <u>\$ 6,459,342</u> |

NOTE 4. HOME CHDO PROCEEDS

RMDC is a certified Community Housing Development Organization (CHDO). As a CHDO, RMDC has loaned HOME grant funds to other organizations to support the development of low-income housing. Repayments 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 \$31,265 of which \$31,265 was disbursed on HOME eligible activities leaving \$0 available at June 30, 2013.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rocky Mountain Development Council, Inc. (RMDC), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Helena, Montana
March 27, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Rocky Mountain Development Council's (RMDC) s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of RMDC's major federal programs for the year ended June 30, 2013. RMDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of RMDC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RMDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Report on Internal Control Over Compliance

Management of RMDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RMDC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the

purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RMDC's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items #2013-01, that we consider to be a significant deficiency.

RMDC's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. RMDC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Helena, Montana
March 27, 2014

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

SUMMARY OF AUDIT RESULTS

Financial Statements:

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

Federal Awards:

| | |
|---|-----|
| Internal Control over major programs: | |
| Material weakness identified? | No |
| Significant deficiency not considered material weakness identified? | Yes |

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

| | |
|--|-----|
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? | Yes |
|--|-----|

Identification of major programs:

| Name of Federal Program or Cluster | CFDA Number |
|--|-------------|
| Head Start | 93.600 |
| Aging Cluster: | |
| Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | 93.044 |
| Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 |
| Nutrition Services Incentive Program | 93.053 |
| Community Services Block Grant | 93.569 |
| Community Development Block Grant | 14.228 |
| HOME Investment Partnerships Program | 14.239 |
| Low-Income Home Energy Assistance | 93.568 |

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

| | |
|--|----|
| Auditee qualified as low-risk auditee? | No |
|--|----|

FINDINGS AND SIGNIFICANT DEFICIENCIES OR MATERIAL WEAKNESSES - FINANCIAL STATEMENT AUDIT

None reported.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

See Schedule of Findings and Questioned Costs, #2013-1.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013

#2013-01. Low Income Home Energy Assistance Program, CFDA No. 93.568

Compliance Requirement: Reporting

| | |
|-----------------------------|--|
| <i>Condition:</i> | We noted there was no system in place for the program manager to monitor program expenses compared to approved grantor budgets consistently during the fiscal year. |
| <i>Criteria:</i> | Controls should be in place to allow for consistent and timely monitoring of program expenses. |
| <i>Effect:</i> | Approved budgets could be exceeded for specific line items or in total. |
| <i>Perspective:</i> | During the fiscal year ended June 30, 2013, RMDC's fiscal staff worked to keep current with accounting processes, and budgets were not entered into the software until the latter part of the year. No noncompliance resulted, as the budgets were informally monitored with the assistance of the fiscal staff as reports were prepared. This lapse in controls is considered to be a significant deficiency in internal control over compliance. |
| <i>Cause:</i> | Management was focused on dealing with cashflow issues, and experienced a turnover in fiscal department management. |
| <i>Recommendation:</i> | We recommend RMDC input budget information into the accounting software so program managers and fiscal staff can readily monitor program budgets and fiscal status throughout the grant period. |
| <i>Management Response:</i> | Contact: Curt Chisholm, Interim Executive Director Concur. See corrective action plan. |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

#2012-01. Head Start Program, CFDA No. 90.600

Cash Management

Last year it was reported that RMDC did not comply with cash management requirements in drawing funds for program use but expending them for non-program purposes. This finding was resolved during the year ended June 30, 2013 and was not observed during the 2013 audit of the Head Start Program.

#2012-02. Head Start Program CFDA No. 90.600

Reporting

Last year it was reported that three of four financial reports tested were inaccurate. This finding was resolved during the year ended June 30, 2013 and was not observed during the 2013 audit of the Head Start Program.



improving lives, strengthening communities

Housing

Homelessness Assistance

Head Start

Rocky Mountain Preschool Center

Rocky Mountain Youth Resources

LIEAP

Weatherization

Energy Share

Area IV Agency on Aging

Daily Dinner Clubs

Senior Centers

Meals on Wheels

Foster Grandparent Program

RSVP

Senior Companion Program

Senior Transportation

To: Anderson ZurMuehlen & Co., P.C.

From: Curt Chisholm, Interim Executive Director

Date: March 25, 2014

Re: RMDC Corrective Action Plan for compliance issue #2013-01

During the fiscal year ending June 30, 2014, RMDC has taken the following steps to remedy the reporting deficiency noted in finding #2013-01 related to the Low Income Home Energy Assistance Program:

- Accounting duties were reviewed and re-assigned and an additional staff person was hired to support the overall financial reporting operations.
- Accounting processes were reviewed and many were streamlined and automated through greater use of electronic tools as part of that process.
- Budgets were entered into the accounting software so that program managers and fiscal staff can monitor program budgets during the grant period.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL

www.rmdc.net

P.O. Box 1717 200 South Cruise Ave. Helena, MT 59624-1717 phone 406-447-1680 800-356-6544 fax 406-447-1629

SUPPLEMENTARY INFORMATION

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY OF PROGRAMS BY GRANTOR AGENCIES
Year Ended June 30, 2013

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

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:

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

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

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

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES – Other:

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

Emergency Shelter Grant Program funds are used to provide shelter and medical services to eligible homeless individuals.

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

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

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY OF PROGRAMS BY GRANTOR AGENCIES (CONTINUED)
Year Ended June 30, 2013

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

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

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

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

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

DEPARTMENT OF COMMERCE - Montana Board of Housing:

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

DEPARTMENT OF COMMERCE – Other:

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

OFFICE OF PUBLIC INSTRUCTION:

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

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SUMMARY OF PROGRAMS BY GRANTOR AGENCIES (CONTINUED)
Year Ended June 30, 2013

OFFICE OF PUBLIC INSTRUCTION (CONTINUED):

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

DEPARTMENT OF TRANSPORTATION:

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

COUNTY FUNDING – Other Programs:

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

LOCAL FUNDING – Other Programs:

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

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF INDIRECT COST RECONCILIATION
June 30, 2013

Total agency-wide expenditures:

| | |
|--|--------------------------|
| Program services | \$ 10,854,537 |
| General and administrative: | |
| Total general and administrative before allocations | 1,820,536 |
| Recovery of indirect costs | (895,360) |
| Recovery of other allocated costs | <u>(880,709)</u> |
| General and administrative per statement of activities | 44,467 |
| Fundraising | <u>6,417</u> |
| Total expenditures on Statement of Activities | <u>10,905,421</u> |

Less:

| | |
|--|-----------------|
| Indirect costs | (956,180) |
| Exclusions: | |
| Commodities | (21,844) |
| Depreciation | (160,715) |
| In-kind | (620,194) |
| Pass-through | (526,493) |
| Consolidated properties' expenses, net of eliminations | (1,611,285) |
| Assistance payments | (138,405) |
| Bad debt | (4,561) |
| Inventory adjustment | 326 |
| Impairment loss | (17,024) |
| Loss on sale of assets | <u>(14,237)</u> |

Indirect cost base expenditures **\$ 6,834,809**

Indirect cost rate 13.10%

Total indirect cost charges **\$ 895,360**

Allocated indirect costs by program:

| | |
|--|--------------------------|
| Aging & Nutrition | \$ 112,359 |
| Corporation for National Service | 126,467 |
| Emergency Shelter & Runaway Youth | 109,826 |
| Housing | 88,086 |
| Other | 27,031 |
| Preschool/Childcare | 272,212 |
| Senior Activities | 4,285 |
| Transportation | 7,076 |
| Weatherization | 60,642 |
| General and administrative | 86,777 |
| Fundraising | <u>599</u> |
| Total indirect cost charges to programs | <u>\$ 895,360</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF TRANSFERS
June 30, 2013

County Mill Fund Transfers

Sources:

| | |
|---|--------------------------|
| Carried forward from Fiscal Year 2012 | \$ 4,928 |
| Lewis and Clark County | 531,857 |
| Jefferson County | 53,929 |
| Broadwater County | <u>33,289</u> |
| Total County Mill Funds Received | <u>\$ 624,003</u> |

Program Recipients:

| | |
|-------------------------------------|--------------------------|
| Congregate Meals | \$ 78,612 |
| Home Delivered Meals | 94,320 |
| Area IV on Aging | 21,755 |
| Senior Companion Program | 27,496 |
| Foster Grandparent Program | 35,253 |
| Retired Senior Volunteer Program | 19,747 |
| Augusta Senior Center | 10,462 |
| Senior Services & Transportation | 46,696 |
| Senior Space | 101,675 |
| Montana Youth Homes | 109,691 |
| Mental Health Programs | <u>31,902</u> |
| Total County Mill Funds Transferred | 577,609 |
| Carry Forward to Fiscal Year 2014 | <u>46,394</u> |
| Total County Mill Funds | <u>\$ 624,003</u> |

Community Service Block Grant Transfers

Program Recipients:

| | |
|--|-------------------------|
| Transportation | \$ 9,259 |
| Children's Summer Feeding Program | 978 |
| Commodities | 6,911 |
| Head Start | 133 |
| Montana Youth Homes | 524 |
| Mental Health Programs | 28,401 |
| Indirect Cost Pool | 23,011 |
| Weatherization/Energy Assistance | 14,470 |
| Emergency Shelter/Homelessness | <u>1,347</u> |
| Total Community Service Block Grant Transfers | <u>\$ 85,034</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2013

| ASSETS | <u>RMDC</u> | <u>RMFP</u> | <u>ERI</u> | <u>EMII</u> | <u>EMIII</u> |
|---|----------------------|-------------------|------------------|---------------------|---------------------|
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 507,288 | \$ 26,279 | \$ 17,858 | \$ 239,740 | \$ 160,173 |
| Accounts receivable | 204,285 | 4,712 | 4,856 | 512 | 625 |
| Related party receivable | 143,939 | 2,550 | 35,336 | 1,777 | 708 |
| Grants receivable | 270,760 | - | - | - | - |
| Current portion of notes and interest receivable | 46,342 | - | - | - | - |
| Prepaid deposits and expenses | 38,965 | 1,148 | 943 | 2,840 | 2,577 |
| Inventory | 42,257 | - | 5,119 | - | - |
| Assets held for sale, at fair value | <u>265,613</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total current assets | <u>1,519,449</u> | <u>34,689</u> | <u>64,112</u> | <u>244,869</u> | <u>164,083</u> |
| FIXED ASSETS | | | | | |
| Land | 278,244 | 22,495 | - | 147,742 | 198,317 |
| Land improvements, net | 22,995 | - | - | 17,587 | 7,142 |
| Leasehold improvements, net | 74,109 | - | - | - | - |
| Buildings, net | 1,702,212 | 127,568 | - | 5,572,556 | 4,991,497 |
| Equipment, net | <u>305,989</u> | <u>560</u> | <u>24,455</u> | <u>24,339</u> | <u>11,750</u> |
| Total fixed assets | <u>2,383,549</u> | <u>150,623</u> | <u>24,455</u> | <u>5,762,224</u> | <u>5,208,706</u> |
| OTHER ASSETS | | | | | |
| Investments | 6,020 | - | - | - | - |
| Construction in progress | - | - | - | - | - |
| Long-term related party receivable | 30,490 | - | - | - | - |
| Long-term notes and interest receivable | 8,654,898 | - | - | - | - |
| Long-term accounts receivable | - | - | 10,636 | - | - |
| Deferred costs, net | <u>-</u> | <u>-</u> | <u>-</u> | <u>17,596</u> | <u>10,860</u> |
| Total other assets | <u>8,691,408</u> | <u>-</u> | <u>10,636</u> | <u>17,596</u> | <u>10,860</u> |
| Total assets | <u>\$ 12,594,406</u> | <u>\$ 185,312</u> | <u>\$ 99,203</u> | <u>\$ 6,024,689</u> | <u>\$ 5,383,649</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | \$ 580,525 | \$ 12,116 | \$ 10,519 | \$ 19,837 | \$ 38,139 |
| Compensated absences | 345,516 | - | 15,037 | - | - |
| Refundable advances/Deferred Revenue | 99,500 | 1,434 | 2,093 | 15,315 | 9,525 |
| Current portion of long-term debt | 623,526 | 2,804 | - | 1,773 | 7,040 |
| Line of credit advances | <u>196,759</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total current liabilities | <u>1,845,826</u> | <u>16,354</u> | <u>27,649</u> | <u>36,925</u> | <u>54,704</u> |
| LONG TERM DEBT | | | | | |
| Notes and interest payable | 861,486 | 210,217 | 212,968 | 1,364,598 | 1,371,541 |
| Other liabilities | <u>315,486</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total long term liabilities | <u>1,176,972</u> | <u>210,217</u> | <u>212,968</u> | <u>1,364,598</u> | <u>1,371,541</u> |
| Total liabilities | 3,022,798 | 226,571 | 240,617 | 1,401,523 | 1,426,245 |
| NET ASSETS | | | | | |
| Unrestricted net assets and controlling interests in partnerships | 9,523,913 | (46,259) | (141,414) | 462 | 396 |
| Noncontrolling interests in partnerships | - | - | - | 4,622,704 | 3,957,008 |
| Common Stock | - | 5,000 | - | - | - |
| Temporarily restricted net assets | <u>47,695</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total net assets | <u>9,571,608</u> | <u>(41,259)</u> | <u>(141,414)</u> | <u>4,623,166</u> | <u>3,957,404</u> |
| Total liabilities and net assets | <u>\$ 12,594,406</u> | <u>\$ 185,312</u> | <u>\$ 99,203</u> | <u>\$ 6,024,689</u> | <u>\$ 5,383,649</u> |

| Penkay Eagles Manor, Inc. | Eagle Manor Project No. 2, Inc. | Big Boulder | River Rock | Eliminations | Consolidated |
|------------------------------|------------------------------------|---------------------|---------------------|-----------------------|----------------------|
| \$ - | \$ - | \$ 242,292 | \$ 283,393 | \$ - | \$ 1,477,023 |
| - | - | 442 | - | - | 215,432 |
| - | - | - | - | (142,447) | 41,863 |
| - | - | - | - | - | 270,760 |
| - | - | - | - | - | 46,342 |
| 932 | 893 | 4,411 | 19,017 | - | 71,726 |
| - | - | - | - | - | 47,376 |
| - | - | - | - | - | 265,613 |
| <u>932</u> | <u>893</u> | <u>247,145</u> | <u>302,410</u> | <u>(142,447)</u> | <u>2,436,135</u> |
| - | - | 503,335 | 575,482 | - | 1,725,615 |
| - | - | 59,759 | - | - | 107,483 |
| - | - | - | - | - | 74,109 |
| - | - | 6,424,267 | - | (2,295,998) | 16,522,102 |
| - | - | 131,108 | - | - | 498,201 |
| - | - | 7,118,469 | 575,482 | (2,295,998) | 18,927,510 |
| 10 | 891 | - | - | (5,921) | 1,000 |
| - | - | - | 4,225,158 | (351,608) | 3,873,550 |
| - | - | - | - | (12,454) | 18,036 |
| - | 389,747 | - | - | (4,030,816) | 5,013,829 |
| - | - | - | - | - | 10,636 |
| - | - | 8,797 | 27,731 | - | 64,984 |
| <u>10</u> | <u>390,638</u> | <u>8,797</u> | <u>4,252,889</u> | <u>(4,400,799)</u> | <u>8,982,035</u> |
| <u>\$ 942</u> | <u>\$ 391,531</u> | <u>\$ 7,374,411</u> | <u>\$ 5,130,781</u> | <u>\$ (6,839,244)</u> | <u>\$ 30,345,680</u> |
| \$ 45,102 | \$ 19,915 | \$ 29,923 | \$ 706,847 | \$ (154,901) | \$ 1,308,022 |
| - | - | - | - | - | 360,553 |
| - | - | 10,141 | - | - | 138,008 |
| - | - | 3,261 | - | - | 638,404 |
| - | - | - | 1,885,983 | - | 2,082,742 |
| <u>45,102</u> | <u>19,915</u> | <u>43,325</u> | <u>2,592,830</u> | <u>(154,901)</u> | <u>4,527,729</u> |
| - | - | 753,740 | 1,101,819 | (4,030,816) | 1,845,553 |
| - | - | - | - | - | 315,486 |
| - | - | 753,740 | 1,101,819 | (4,030,816) | 2,161,039 |
| 45,102 | 19,915 | 797,065 | 3,694,649 | (4,185,717) | 6,688,768 |
| (44,160) | 371,616 | 6,577,346 | (607) | (2,648,527) | 13,592,766 |
| - | - | - | 1,436,739 | - | 10,016,451 |
| - | - | - | - | (5,000) | - |
| - | - | - | - | - | 47,695 |
| <u>(44,160)</u> | <u>371,616</u> | <u>6,577,346</u> | <u>1,436,132</u> | <u>(2,653,527)</u> | <u>23,656,912</u> |
| <u>\$ 942</u> | <u>\$ 391,531</u> | <u>\$ 7,374,411</u> | <u>\$ 5,130,781</u> | <u>\$ (6,839,244)</u> | <u>\$ 30,345,680</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
June 30, 2013

| | <u>RMDC</u> | <u>RMFP</u> | <u>RMDC Eagle Rock Inc.</u> | <u>EMII</u> | <u>EMIII</u> |
|--|---------------------|--------------------|---------------------------------|---------------------|---------------------|
| CHANGE IN UNRESRICTED NET ASSETS | | | | | |
| Revenues and Gains | | | | | |
| Grants - federal | \$ 6,119,672 | \$ 41,741 | \$ 46,693 | \$ 115,537 | \$ 92,396 |
| Grants - other | 664,255 | - | - | - | - |
| County tax | 600,515 | - | - | - | - |
| Local support | 81,320 | - | 15,000 | - | - |
| Fundraising & donations | 284,379 | - | 3,093 | - | - |
| Program service | 2,098,252 | 18,803 | 499,932 | 179,993 | 121,587 |
| Other | 206,972 | 2,601 | - | 182 | 13,188 |
| In-kind | <u>626,390</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total unrestricted revenues and gains | <u>10,681,755</u> | <u>63,145</u> | <u>564,718</u> | <u>295,712</u> | <u>227,171</u> |
| Net assets released from restrictions | | | | | |
| Satisfaction of donor restrictions | <u>11,177</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total unrestricted revenues, gains and other support | <u>10,692,932</u> | <u>63,145</u> | <u>564,718</u> | <u>295,712</u> | <u>227,171</u> |
| Expenses and Losses | | | | | |
| Aging & Nutrition | 1,858,173 | - | - | - | - |
| Corporation for National Service | 1,198,627 | - | - | - | - |
| Emergency & Youth Shelter | 988,019 | - | - | - | - |
| Housing - General | 831,513 | 67,409 | 543,654 | 522,516 | 400,089 |
| Other Programs | 326,193 | - | - | - | - |
| Preschool/Childcare | 3,217,831 | - | - | - | - |
| Senior Activities | 118,780 | - | - | - | - |
| Transportation | 33,825 | - | - | - | - |
| Weatherization | <u>715,414</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total program expenses and losses | 9,288,375 | 67,409 | 543,654 | 522,516 | 400,089 |
| General and administrative, net of recoveries | 44,467 | - | - | - | - |
| Fundraising | <u>6,417</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total unrestricted expenses and losses | <u>9,339,259</u> | <u>67,409</u> | <u>543,654</u> | <u>522,516</u> | <u>400,089</u> |
| CHANGE IN UNRESTRICTED NET ASSETS | <u>1,353,673</u> | <u>(4,264)</u> | <u>21,064</u> | <u>(226,804)</u> | <u>(172,918)</u> |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | | | | |
| Contributions | 46,553 | - | - | - | - |
| Net assets released from restrictions | <u>(11,177)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in temporarily restricted net assets | <u>35,376</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net assets | 1,389,049 | (4,264) | 21,064 | (226,804) | (172,918) |
| Partnership contributions received | - | - | - | (4,387) | - |
| Common stock | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Consolidated net assets, beginning of year | <u>8,182,559</u> | <u>(36,995)</u> | <u>(162,478)</u> | <u>4,854,357</u> | <u>4,130,322</u> |
| Consolidated net assets, end of year | <u>\$ 9,571,608</u> | <u>\$ (41,259)</u> | <u>\$ (141,414)</u> | <u>\$ 4,623,166</u> | <u>\$ 3,957,404</u> |

| Penkay Eagles Manor, Inc. | Eagle Manor Project No. 2, Inc. | Big Boulder | River Rock | Eliminations | Consolidated |
|---------------------------------|------------------------------------|---------------------|---------------------|-----------------------|----------------------|
| \$ - | \$ - | \$ 89,996 | \$ - | \$ (46,693) | \$ 6,459,342 |
| - | - | - | - | - | 664,255 |
| - | - | - | - | - | 600,515 |
| - | - | - | - | - | 96,320 |
| - | - | - | - | - | 287,472 |
| - | - | 114,307 | - | (508,284) | 2,524,590 |
| 35,142 | 4,430 | 1,684 | - | (93,282) | 170,917 |
| - | - | - | - | - | 626,390 |
| <u>35,142</u> | <u>4,430</u> | <u>205,987</u> | <u>-</u> | <u>(648,259)</u> | <u>11,429,801</u> |
| - | - | - | - | - | 11,177 |
| <u>35,142</u> | <u>4,430</u> | <u>205,987</u> | <u>-</u> | <u>(648,259)</u> | <u>11,440,978</u> |
| - | - | - | - | (46,693) | 1,811,480 |
| - | - | - | - | - | 1,198,627 |
| - | - | - | - | - | 988,019 |
| 10,182 | 5,615 | 413,051 | 2,229 | (351,890) | 2,444,368 |
| - | - | - | - | - | 326,193 |
| - | - | - | - | - | 3,217,831 |
| - | - | - | - | - | 118,780 |
| - | - | - | - | - | 33,825 |
| - | - | - | - | - | 715,414 |
| 10,182 | 5,615 | 413,051 | 2,229 | (398,583) | 10,854,537 |
| - | - | - | - | - | 44,467 |
| - | - | - | - | - | 6,417 |
| <u>10,182</u> | <u>5,615</u> | <u>413,051</u> | <u>2,229</u> | <u>(398,583)</u> | <u>10,905,421</u> |
| <u>24,960</u> | <u>(1,185)</u> | <u>(207,064)</u> | <u>(2,229)</u> | <u>(249,676)</u> | <u>535,557</u> |
| - | - | - | - | - | 46,553 |
| - | - | - | - | - | (11,177) |
| - | - | - | - | - | 35,376 |
| 24,960 | (1,185) | (207,064) | (2,229) | (249,676) | 570,933 |
| - | - | - | 1,438,968 | - | 1,434,581 |
| - | - | - | - | - | - |
| <u>(69,120)</u> | <u>372,801</u> | <u>6,784,410</u> | <u>(607)</u> | <u>(2,403,851)</u> | <u>21,651,398</u> |
| <u>\$ (44,160)</u> | <u>\$ 371,616</u> | <u>\$ 6,577,346</u> | <u>\$ 1,436,132</u> | <u>\$ (2,653,527)</u> | <u>\$ 23,656,912</u> |

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF CONSOLIDATING ELIMINATIONS
June 30, 2013

| | <u>RMDC</u> | <u>RMFP</u> | <u>ERI</u> | <u>EM II</u> | <u>EM III</u> |
|--|---------------------|--------------------|-------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Related party receivables | \$ 119,564 | \$ 2,550 | \$ 31,019 | \$ 1,717 | \$ 51 |
| Buildings | - | - | - | 656,109 | 727,539 |
| Investment in housing | 5,020 | - | - | - | - |
| Construction in progress RMDC developer fee | - | - | - | - | - |
| Long-term notes and interest receivable | <u>3,641,069</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 3,765,653</u> | <u>\$ 2,550</u> | <u>\$ 31,019</u> | <u>\$ 657,826</u> | <u>\$ 727,590</u> |
| LIABILITIES | | | | | |
| Accounts payable to RMDC | \$ - | \$ 10,308 | \$ 17 | \$ 3,570 | \$ 4,612 |
| Accounts payable to RMDC Eagle Rock | 23,746 | - | - | 3,750 | 1,959 |
| Accounts payable to Eagle Manor II | - | - | - | - | 458 |
| Accounts payable to Eagle Manor III | - | - | - | - | - |
| Accounts payable to RMFP | 2,550 | - | - | - | - |
| Notes and interest payable to RMDC | - | - | 212,968 | 866,658 | 952,788 |
| Notes and interest payable to EM Project No. 2 | - | - | - | <u>389,747</u> | <u>-</u> |
| Total liabilities | <u>\$ 26,296</u> | <u>\$ 10,308</u> | <u>\$ 212,985</u> | <u>\$ 1,263,725</u> | <u>\$ 959,817</u> |
| NET ASSETS | | | | | |
| Unrestricted net assets | \$ - | \$ - | \$ - | \$ 656,109 | \$ 727,539 |
| Paid-in capital | - | - | - | - | - |
| Common Stock | <u>-</u> | <u>5,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities and net assets | <u>\$ 26,296</u> | <u>\$ 10,308</u> | <u>\$ 212,985</u> | <u>\$ 1,919,834</u> | <u>\$ 1,687,356</u> |
| REVENUE | | | | | |
| RMDC service fees | \$ 247,157 | \$ - | \$ - | \$ - | \$ - |
| RMDC developer fee EM II and Big Boulder | 199,288 | - | - | - | - |
| Eagle Rock service fees | - | - | 61,839 | - | - |
| Partnership fees | - | - | - | - | - |
| Commodities from RMDC | - | - | 46,693 | - | - |
| Interest on note due from EM II | - | - | - | - | - |
| Interest on notes due from related organizations | <u>53,710</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenue | <u>\$ 500,155</u> | <u>\$ -</u> | <u>\$ 108,532</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXPENSES | | | | | |
| Expenses from RMDC service fees | \$ - | \$ 22,855 | \$ 8,340 | \$ 62,727 | \$ 51,980 |
| Expenses from Eagle Rock service fees | - | - | - | 31,827 | 17,349 |
| Partnership fees | - | - | - | 35,141 | - |
| Commodities from RMDC to Eagle Rock | 46,693 | - | - | - | - |
| Interest on note due to EM Proj No. 2 | - | - | - | 3,739 | - |
| Interest on notes due to RMDC | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,288</u> |
| Total expenses | <u>46,693</u> | <u>22,855</u> | <u>8,340</u> | <u>133,434</u> | <u>100,617</u> |
| Change in net assets due to eliminations | <u>\$ 453,462</u> | <u>\$ (22,855)</u> | <u>\$ 100,192</u> | <u>\$ (133,434)</u> | <u>\$ (100,617)</u> |

| <u>Penkay Eagles Manor, Inc.</u> | <u>Eagle Manor Project No. 2, Inc.</u> | <u>Big Boulder</u> | <u>River Rock</u> | <u>Total</u> |
|--|--|---------------------|---------------------|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 154,901 |
| - | - | 912,350 | - | 2,295,998 |
| 10 | 891 | - | - | 5,921 |
| - | - | - | 351,608 | 351,608 |
| - | 389,747 | - | - | 4,030,816 |
| <u>\$ 10</u> | <u>\$ 390,638</u> | <u>\$ 912,350</u> | <u>\$ 351,608</u> | <u>\$ 6,839,244</u> |
| \$ 44,407 | \$ 19,220 | \$ 7,502 | \$ 29,928 | \$ 119,564 |
| - | - | 1,564 | - | 31,019 |
| - | - | 1,259 | - | 1,717 |
| - | - | 51 | - | 51 |
| - | - | - | - | 2,550 |
| - | - | 506,836 | 1,101,819 | 3,641,069 |
| - | - | - | - | 389,747 |
| <u>\$ 44,407</u> | <u>\$ 19,220</u> | <u>\$ 517,212</u> | <u>\$ 1,131,747</u> | <u>\$ 4,185,717</u> |
| \$ - | \$ - | \$ 912,350 | \$ 102,524 | \$ 2,398,522 |
| 10 | - | 110 | 110 | 230 |
| - | - | - | - | 5,000 |
| <u>\$ 44,417</u> | <u>\$ 19,220</u> | <u>\$ 1,429,672</u> | <u>\$ 1,234,381</u> | <u>\$ 6,589,469</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 247,157 |
| - | - | - | - | 199,288 |
| - | - | - | - | 61,839 |
| 35,142 | 691 | - | - | 35,833 |
| - | - | - | - | 46,693 |
| - | 3,739 | - | - | 3,739 |
| - | - | - | - | 53,710 |
| <u>\$ 35,142</u> | <u>\$ 4,430</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 648,259</u> |
| \$ 183 | \$ 157 | \$ 68,541 | \$ - | \$ 214,783 |
| - | - | 12,663 | - | 61,839 |
| 100 | - | - | - | 35,241 |
| - | - | - | - | 46,693 |
| - | - | - | - | 3,739 |
| - | - | 5,000 | - | 36,288 |
| <u>283</u> | <u>157</u> | <u>86,204</u> | <u>-</u> | <u>398,583</u> |
| <u>\$ 34,859</u> | <u>\$ 4,273</u> | <u>\$ (86,204)</u> | <u>\$ -</u> | <u>\$ 249,676</u> |



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

www.azworld.com

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • MSI GLOBAL ALLIANCE INDEPENDENT MEMBER FIRM