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.

anderson
ZURMUEHLEN

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.

FINANCIAL REPORT

June 30, 2016

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SUPPLEMENTARY INFORMATION

anderson ZURMUEHLEN

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rocky Mountain Development Council, Inc. (RMDC) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RMDC as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of RMDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RMDC's internal control over financial reporting and compliance.

Anderson ZurMuehlen & Co., P.C.

Helena, Montana
January 31, 2017

CONSOLIDATED FINANCIAL STATEMENTS

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents, operations	$ 807,897
Cash and cash equivalents, custodial	131,025
Accounts receivable	140,504
Related party receivable	28,734
Grants receivable	666,882
Current portion of notes and interest receivable	12,593
Prepaid deposits and expenses	54,856
Inventory	38,880
Assets held for sale	174,439
Total current assets	2,055,810
FIXED ASSETS	
Land	1,922,166
Land improvements, net	197,750
Leasehold improvements, net	96,597
Buildings, net	19,291,418
Equipment, net	396,444
Total fixed assets	21,904,375
OTHER ASSETS	
Investments in partnerships	1,000
Cash restricted for security deposits and reserves	829,440
Long-term related party receivable	12,138
Long-term notes and interest receivable	4,422,699
Long-term accounts receivable	6,310
Deferred costs, net	43,231
Total other assets	5,314,818
Total assets	$ 29,275,003

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

LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 532,240
Cash and cash equivalents held for others	131,025
Compensated absences	268,619
Refundable advances and deferred revenue	156,351
Current portion of long-term debt	207,650
Lines of credit advances	116,668
Total current liabilities	1,412,553
LONG-TERM DEBT	
Notes and interest payable	1,705,841
Other liabilities	191,846
Total long term liabilities	1,897,687
Total liabilities	3,310,240
NET ASSETS	
Unrestricted net assets	
Unrestricted net assets and controlling interests in partnerships	13,901,931
Noncontrolling interests in partnerships	11,790,412
Total unrestricted net assets	25,692,343
Temporarily restricted net assets	272,420
Total net assets	25,964,763
Total liabilities and net assets	$ 29,275,003

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

CHANGE IN UNRESTRICTED NET ASSETS	
REVENUES AND GAINS	
Grants - federal	$ 6,115,706
Grants - other	973,852
County tax	380,332
Local support	37,353
Fundraising & donations	290,972
Program service	1,849,446
Other	191,090
In-kind	674,184
Total unrestricted revenues and gains	10,512,935
NET ASSETS RELEASED FROM RESTRICTIONS	
Satisfaction of restrictions	309
Total unrestricted revenues, gains and other support	10,513,244
EXPENSES AND LOSSES	
Aging & Nutrition	2,181,366
Senior Volunteer	1,070,147
Housing - General	2,501,569
Other	177,781
Preschool/Childcare	3,853,498
Senior Activities	122,557
Transportation	27,381
Weatherization	860,737
Total program expenses and losses	10,795,036
General and administrative	1,848,514
Recovery of indirect costs from programs	(848,043)
Recovery of other allocated costs from programs	(949,284)
	51,187
Fundraising	6,989
Total unrestricted expenses and losses	10,853,212
Change in unrestricted net assets	(339,968)

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
For the Year Ended June 30, 2016

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Contributions	37,249
Net assets released from restrictions	(309)
Changes in temporarily restricted net assets	36,940
Change in net assets	(303,028)
Partnership distributions	(4,018)
Consolidated net assets, beginning of year	26,271,809
Consolidated net assets, end of year	$ 25,964,763

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	General and Administrative			Program Expenses									Fundraising	
	Indirect Costs	Other Supporting Services	Total General and Administrative	Aging and Nutrition	Senior Volunteer	Housing	Other	Preschool Childcare	Senior Activities	Transportation	Weatherization	Total Program	Toal Fundraising	Total
Advertising/recruitment	$ 825	$ -	$ 825	$ 421	$ 17,088	$ 3,083	$ 882	$ 1,111	$ -	$ -	$ 393	$ 22,978	$ -	$ 23,803
Assistance payments	-	-	-	-	-	-	-	-	-	-	158,549	158,549	-	158,549
Communications	27,309	40,850	68,159	25,973	18,001	38,669	3,375	45,862	4,291	276	14,221	150,668	673	219,500
Consultant/contract	7,853	14,771	22,624	11,567	4,315	116,870	309	189,203	202	154	347,545	670,165	3,118	695,907
Equipment rent/maintenance	10,985	33,781	44,766	1,652	300	-	432	860	568	-	-	3,812	-	48,578
In-kind	-	-	-	313	28,192	-	-	636,987	-	-	-	665,492	-	665,492
Insurance	16,504	9,800	26,304	7,857	-	84,927	842	22,287	1,989	3,192	7,801	128,895	-	155,199
Legal fees	-	-	-	7,236	-	-	544	-	-	-	-	7,780	-	7,780
Materials and supplies	8,213	28,704	36,917	33,445	1,322	45,430	4,111	163,148	703	231	9,800	258,190	-	295,107
Meal costs	-	150,954	150,954	428,011	9	175,234	227	216,191	3,000	-	-	822,672	5	973,631
Occupancy	39,240	178,685	217,925	47,086	16,105	341,639	29,624	200,193	62,207	-	22,953	719,807	-	937,732
Office supplies	10,296	2,123	12,419	4,928	2,880	9,344	83	5,372	35	-	4,922	27,564	443	40,426
Other	4,207	1,094	5,301	17,602	3,012	13,119	5,031	5,870	31	150	1,339	46,154	981	52,436
Pass-through grants	-	-	-	645,148	-	-	48,615	-	-	-	-	693,763	-	693,763
Photocopies/printing	5,159	213	5,372	1,560	6,979	674	926	2,703	4,236	46	77	17,201	456	23,029
Salaries and related expenses	715,788	369,799	1,085,587	770,110	250,123	724,507	59,518	1,967,871	24,662	30,756	198,156	4,025,703	531	5,111,821
Stipends	-	-	-	-	407,738	-	-	-	-	-	-	407,738	-	407,738
Travel/training	10,343	1,409	11,752	59,203	16,494	14,450	3,036	29,802	14,910	320	13,024	151,239	-	162,991
Vehicle maintenance/repair	-	1,600	1,600	9,723	-	-	-	143	-	8,788	3,609	22,263	-	23,863
Volunteer participant expense	-	-	-	20	182,253	-	-	-	-	-	-	182,273	-	182,273
Interest expense	107	20,848	20,955	-	-	70,822	-	365	-	-	-	71,187	-	92,142
Depreciation and amortization	4,911	27,310	32,221	-	-	797,973	10,231	32,840	628	13,801	1,656	857,129	-	889,350
Indirect costs allocated to programs	-	104,833	104,833	132,089	115,336	64,828	9,995	332,690	5,095	5,703	76,692	742,428	782	848,043
Recovery of indirect costs	(848,043)	-	(848,043)	-	-	-	-	-	-	-	-	-	-	(848,043)
Recovery of other allocated costs	-	(949,284)	(949,284)	(22,578)	-	-	-	-	-	(36,036)	-	(58,614)	-	(1,007,898)
	$ 13,697	$ 37,490	$ 51,187	$ 2,181,366	$ 1,070,147	$ 2,501,569	$ 177,781	$ 3,853,498	$ 122,557	$ 27,381	$ 860,737	$ 10,795,036	$ 6,989	$ 10,853,212

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	(303,028)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation		882,370
Amortization		6,980
Change in assets and liabilities:		
Increase in current receivables		(6,424)
Increase in grant receivables		(350,814)
Decrease in prepaid expenses		6,423
Decrease in inventory		7,041
Decrease in High School House project		41,392
Increase in long-term interest receivable		(92,972)
Decrease in accounts payable & accrued expenses		(69,007)
Decrease in compensated absences		(6,713)
Increase in refundable advances		40,244
Increase in accrued interest payable		553
Decrease in other liabilities		(31,277)
Net cash from operating activities		124,768
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment		(259,073)
Construction in progress completed		36,598
Increase in asset held for sale		(174,439)
Increase in long-term related party receivables		(411)
Increase in long-term notes receivable		(50)
Principal payments received on long-term notes receivable		11,042
Paid-in capital received on partnership investments		(4,017)
Net cash from investing activities		(390,350)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from construction		116,668
Principal payments on long-term debt		(40,881)
Net cash from financing activities		75,787
Net change in cash and cash equivalents		(189,795)
Cash and cash equivalents, beginning of year		1,958,157
Cash and cash equivalents, end of year	$	1,768,362
SUPPLEMENTAL INFORMATION:		
Interest Paid	$	78,026
CASH AND CASH EQUIVALENTS PER THE STATEMENT OF FINANCIAL POSITION:		
Cash and cash equivalents, operations	$	807,897
Cash and cash equivalents, custodial		131,025
Cash restricted for security deposits and reserves		829,440
Total cash and cash equivalents, end of year	$	1,768,362

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

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

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

RMDC provides centralized administration and support for approximately 21 community service programs funded by various federal, state and local government agencies. The programs of RMDC are organized and operated on the basis of activity types. Program activity separation is used to aid management in demonstrating compliance with finance-related, legal and contractual provisions.

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), Eagles Manor II Residences, L.P. (EM II), Eagles Manor III Residences, L.P. (EM III), Penkay Eagles Manor, Inc., Eagles Manor Project No. 2, Inc., Big Boulder Residences, L.P. (Big Boulder), River Rock Residences, L.P. (River Rock), and Ptarmigan Residence, L.P. (Ptarmigan). All material transactions between these organizations are eliminated from the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

Ptarmigan (Continued)
At June 30, 2016, RMDC Ptarmigan, Inc. is the general partner and RMDC is the limited partner. For purposes of the Consolidated Statement of Activities and the Consolidated Statement of Functional Expenses, only activity between April 1, 2016, the date the interest was assigned to RMDC, and June 30, 2016 is included in these financial statements.

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

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

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

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

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

Cash and Cash Equivalents (Continued)
RMDC and its consolidated entities maintain cash accounts in multiple financial institutions. Accounts at the financial institutions (for each entity with separate tax identification numbers) are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. RMDC's main operating account has unlimited coverage through a repurchase agreement, under which all deposits are fully collateralized. At June 30, 2016, the uninsured cash balance was $2,574.

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

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

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

Notes and Interest Receivable
RMDC has made loans to provide funding for affordable housing projects and agreed to defer payments due for services rendered to other organizations. Information concerning these loans is provided in Note 4. The amount reported as current portion of notes and interest receivable represents the estimated loan principal and interest payments that RMDC will receive within one year of June 30, 2016. The remaining balances are due for various terms, as more fully disclosed in Note 4.

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

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

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

Assets Held for Sale
Long-lived assets that are not used in normal operations and will be sold within one year are classified as an asset held for sale. Assets held for sale are reported at the lower of cost or fair value. At June 30, 2016, assets held for sale is comprised of the cost of the 2016 High School House. See Note 17 regarding the subsequent sale of the house.

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

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

Construction In Progress
Construction in progress represents costs incurred for new construction and improvement projects for RMDC and its consolidated entities. There was no construction in progress at June 30, 2016.

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

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

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

In-Kind Contributions
Services or goods donated to RMDC are recorded as revenue and then expensed or capitalized in an amount equal to the estimated fair value of those services or goods received in accordance with 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. Although the provisional approved rate for RMDC is 13.5% for fiscal year 2016, the effective rate applied during fiscal year 2016 is 13%.

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

Accounting Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Material estimates that are particularly susceptible to significant change relate to RMDC's guaranty agreements and responsibilities as the organization responsible for managing a number of low-income housing properties in RMDC's service area. The above noted obligations and commitments are more fully described in Note 13. Management has calculated its estimated liability as required by U.S. GAAP and has determined it to be immaterial at June 30, 2016.

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

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires or is met through expenditure or lapse of time, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions restricted for the purchase of depreciable assets are released from restriction when the asset is acquired. Permanently restricted contributions are held for the specified purpose in perpetuity. No permanently restricted net assets existed at June 30, 2016.

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

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

Net Assets and Noncontrolling Interest in Partnership Equity

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

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

The interest in partnership equity held by the general partner of Ptarmigan is presented as noncontrolling interest. The limited partner interest is held by RMDC at June 30, 2016, and as such is presented as controlling interest.

Recruitment, Advertising and Promotional Costs

Recruitment, advertising, and promotional costs are expensed as incurred. For the year ended June 30, 2016, recruitment, advertising, and promotional costs totaled $23,803.

Tax Status

RMDC is a non-profit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). Affiliated 501(c)(3) non-profits included in these consolidated statements are RMDC Eagle Rock, Inc., Penkay Eagles Manor, Inc., and Eagle Manor Project No. 2, Inc.

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

Fair Value Measurements

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.

NOTE 2. CUSTODIAN OF CASH

RMDC is the custodian of cash for several groups/councils. Activities of the groups are related to programs that RMDC administers. RMDC does not control the activities or funds but receives and disburses funds on their behalf. The amounts represent deposit accounts held by RMDC as well as a corresponding current liability. Amounts held on behalf of these groups at June 30, 2016, are as follows:

Head Start Parent Fund	$ 22,130
Head Start Pennies for Progress	37,786
Friends of Head Start	64,810
Senior Bingo Fund	1,377
Employee Social Fund	2,702
Helena Senior Advisory Council	2,221
	$ 131,025

NOTE 3. RELATED PARTIES

Related Party Receivables

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

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

NOTE 3. RELATED PARTIES (CONTINUED)

	Stand Alone June 30, 2016	Consolidating Eliminations	Consolidated June 30, 2016
Current related party receivables			
RMDC			
Eagle Rock Residence LP	$ 16,725	$ -	$ 16,725
Eagle Manor II Residences LP	6,536	(6,536)	-
Eagle Manor III Residences LP	4,080	(4,080)	-
Ptarmigan Residence LP	3,103	(3,103)	-
Pheasant Glen LP	4,366	-	4,366
Big Boulder Residences LP	20,282	(20,282)	-
Rocky Mountain Front Properties Inc.	17,444	(17,444)	-
Townsend Housing Inc.	1,291	-	1,291
River Rock Residences LP	3,921	(3,921)	-
Total RMDC	77,748	(55,366)	22,382
RMDC EAGLE ROCK INC.	19,389	(15,275)	4,114
BIG BOULDER RESIDENCES LP	5	(5)	-
PTARMIGAN RESIDENCE LP	4,639	(2,401)	2,238
Total	$ 101,781	$ (73,047)	$ 28,734
Long-term related party receivables			
RMDC			
Eagle Manor Project No. 2 Inc.	$ 26,607	$ (26,607)	$ -
RMDC Ptarmigan Inc.	12,138	-	12,138
Total	$ 38,745	$ (26,607)	$ 12,138

Related Party Transactions

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

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

	RMDC	Eagle Rock, Inc.	Consolidating Eliminations	Total
RMDC Ptarmigan Inc.	$ 567	$ -	$ -	$ 567
Eagle Rock Residence LP	138,205	39,396	-	177,601
Pheasant Glen LP	49,854	15,586	-	65,440
Townsend Housing Inc.	15,710	-	-	15,710
Rocky Mountain Front Properties Inc.	18,765	-	(18,765)	-
RMDC Eagle Rock Inc.	13,044	-	(13,044)	-
Eagle Manor II Residences LP	75,305	35,200	(110,505)	-
Eagle Manor III Residences LP	43,215	17,582	(60,797)	-
Penkay Eagle Manor Inc.	380	-	(380)	-
Eagle Manor Project No. 2 Inc.	492	-	(492)	-
Big Boulder Residences LP	79,087	334	(79,421)	-
River Rock Residences LP	44,105	15,548	(59,653)	-
Ptarmigan Residence LP	35,447	5,661	(10,273)	30,835
	$ 514,176	$ 129,307	$ (353,330)	$ 290,153

NOTE 4. LONG-TERM NOTES AND INTEREST RECEIVABLE

Long-term notes and interest receivable consist of the following at June 30, 2016:

	Note Principal June 30, 2016	Note Interest June 30, 2016	Total Stand Alone June 30, 2016	Consolidating Eliminations	Consolidated June 30, 2016
RMDC					
Roadrunner Residence (FHLB)	$ 55,000	$ 9,489	$ 64,489	$ -	$ 64,489
Roadrunner Residence (HOME)	173,841	-	173,841	-	173,841
Pheasant Glen LP (CDBG)	506,157	147,093	653,250	-	653,250
Pheasant Glen LP (HOME)	411,856	226,501	638,357	-	638,357
Eagle Rock Residence LP (CDBG)	480,000	61,233	541,233	-	541,233
Eagle Rock Residence LP (HUD)	299,896	138,534	438,430	-	438,430
Eagle Rock Residence LP (HOME)	512,843	245,230	758,073	-	758,073
Eagle Rock Residence LP (FHLB)	650,000		650,000	-	650,000
Eagle Rock Residence LP (HUD II)	346,500	158,526	505,026	-	505,026
Ptarmigan Residence LP (Operating Deficit)	5,943	876	6,819	(6,819)	-
Ptarmigan Residence LP (CDBG)	310,000	46,508	356,508	(356,508)	-
Ptarmigan Residence LP (HOME)	364,175	34,672	398,847	(398,847)	-
RMDC Eagle Rock Inc. (Operating loan)	212,968		212,968	(212,968)	-
Eagle Manor II Residences LP (HOME)	500,000	-	500,000	(500,000)	-
Eagle Manor II Residences LP (CDBG)	366,658	-	366,658	(366,658)	-
Eagle Manor III Residences LP (HOME)	516,461	157,376	673,837	(673,837)	-
Eagle Manor III Residences LP (HUD)	196,000	65,125	261,125	(261,125)	-
Eagle Manor III Residences LP (Developer Fee)	111,775	-	111,775	(111,775)	-
Big Boulder Residences LP (HOME)	420,999	10,493	431,492	(431,492)	-
River Rock Residences LP (HOME)	742,530	80,431	822,961	(822,961)	-
River Rock Residences LP (CDBG)	346,899	3,517	350,416	(350,416)	-
	7,530,501	1,385,604	8,916,105	(4,493,406)	4,422,699
EAGLE MANOR PROJECT NO. 2 INC.	373,859	16,839	390,698	(390,698)	-
Total	$ 7,904,360	$ 1,402,443	$ 9,306,803	$ (4,884,104)	$ 4,422,699

Roadrunner Residence LP

On April 1, 1999 RMDC executed a promissory note loaning $55,000 to Roadrunner Residence LP for the purpose of constructing a low-income rental housing project. RMDC received the $55,000 as a subsidy from Federal Loan Home Bank (FHLB) (through U.S. Bank). Interest accrues at 1% per annum. The principal balance and accrued interest are due April 1, 2019. At June 30, 2016, the principal and accrued interest balance was $64,489. See Note 7 for disclosure on RMDC's note payable to FHLB related to this note receivable.

On December 1, 1998 RMDC executed an agreement loaning $340,000 to Roadrunner Residence LP for the purpose of constructing a low-income rental housing project. RMDC received the $340,000 in a federal grant to be used for this project. Interest accrues at 3% per annum. The note is secured by the related property. The agreement called for 360 monthly installments of $1,433 through May 2029. At June 30, 2016 the principal balance was $186,022, of which $12,181 is current and $173,841 is classified as long-term in the consolidated statement of financial position.

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

Pheasant Glen LP

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

The CDBG note in the amount of $506,157 is payable in monthly installments of $800, including interest at 4.27% through September 1, 2019. The principal and accrued interest balance at June 30, 2016 was $653,250, after total payments received to date of $131,269. The HOME note in the amount of $411,856 is payable in monthly installments of $333, including interest at 4.27% through September 1, 2019. No payments have been received to date. The principal and accrued interest balance at June 30, 2016 was $638,357.

Eagle Rock Residence LP (Penkay)

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

Under the RMDC CDBG Construction Loan Agreement, RMDC loaned $480,000 to Penkay at 1.25% interest compounded annually. The principal and accrued interest on the loan is due in annual installments beginning December 31, 2006. No payments have been received to date. The entire remaining balance of principal and accrued interest is due and payable on February 22, 2041. The principal and accrued interest balance was $541,233 at June 30, 2016.

Under the RMDC HUD Construction Loan Agreement, RMDC loaned $299,896 to Penkay at 4.40% interest compounded annually. The principal and accrued interest on the loan is due in annual installments beginning December 31, 2006. No payments have been received to date. Any remaining balance of principal and accrued interest on October 28, 2041 is subject to renegotiation. The principal and accrued interest balance was $438,430 at June 30, 2016.

Under the RMDC HOME Construction Loan Agreement, RMDC loaned $512,843 to Penkay at 4.61% interest compounded annually. The principal and accrued interest on the loan is due in annual installments beginning December 31, 2006. No payments have been received to date. The entire remaining balance of principal and accrued interest is due and payable on February 16, 2041. The principal and accrued interest balance was $758,073 at June 30, 2016.

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

Eagle Rock Residence LP (Penkay) (Continued)
Under the RMDC FHLB of Seattle Construction Loan, RMDC loaned $650,000 to Penkay at 0% interest. The loan principal is due in annual installments beginning December 31, 2006. No payments have been received to date. The entire remaining loan balance is due and payable on November 22, 2040. The principal balance of the loan at June 30, 2016 was $650,000.

Under the RMDC HUD II Construction Loan, RMDC loaned $346,500 to Penkay at 4.86% interest compounded annually. The principal and accrued interest on the loan is due in annual installments beginning December 31, 2007. No payments have been received to date. The entire remaining balance of principal and accrued interest is due and payable on February 1, 2042. The principal and accrued interest balance was $505,026 at June 30, 2016.

Current Portion and Other Current Notes Receivable
As disclosed above, the current portion of the note receivable from Roadrunner Residence LP is $12,181. Accrued interest in the amount of $412 is also receivable on this note.

Consolidation Adjustments
In addition, RMDC has advanced funds to entities that are eliminated in consolidation. RMDC has advanced operating funds totaling $212,968 to Eagle Rock, Inc. to support the entity's service to Helena area housing facilities. RMDC has also loaned grant funds (HOME, CDBG or HUD grants) or deferred developer fees obtained through RMDC's housing program to Eagle Manor II Residences LP, Eagle Manor III Residences LP, Big Boulder Residences LP, River Rock Residences LP, and Ptarmigan Residence LP. Terms of the loans vary, but repayment of loan principal and accrued interest are generally dependent upon available cash as defined by the partnership agreement governing each respective facility.

NOTE 5. FIXED ASSETS

Depreciation expense for property and equipment totaled $882,372 and amortization expense is $6,978 which are included in depreciation and amortization expense in the accompanying consolidated statement of functional expenses for the fiscal year ended June 30, 2016.

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

NOTE 5. FIXED ASSETS (CONTINUED)

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

Land	$ 1,922,166
Land improvements	$ 259,273
Less: Accumulated depreciation	(61,523)
Land improvements, net	$ 197,750
Leasehold improvements	$ 250,847
Less: Accumulated depreciation	(154,250)
Leasehold improvements, net	$ 96,597
Buildings	$ 27,496,684
Less: Consolidation adjustment	(3,087,398)
Less: Accumulated depreciation	(5,117,868)
Buildings, net	$ 19,291,418
Equipment and vehicles	$ 1,783,296
Less: Accumulated depreciation	(1,386,852)
Equipment, net	$ 396,444
Total Fixed Assets	$ 21,904,375

NOTE 6. DEFERRED COSTS

Amortization expense for deferred financing costs and fees paid by the housing entities has been included in depreciation and amortization expense in the accompanying consolidated statement of functional expenses and totaled $6,978 for the fiscal year ended June 30, 2016. The components of deferred costs at June 30, 2016 were as follows:

	Gross Costs June 30, 2016	Accumulated Amortization June 30, 2016	Net June 30, 2016
EMII	$ 49,384	$ 40,014	$ 9,369
EMIII	23,072	16,802	6,269
Big Boulder	12,717	6,384	6,333
River Rock	27,731	6,471	21,260
Ptarmigan	6,170	6,170	-
			$ 43,231

NOTE 6. DEFERRED COSTS (CONTINUED)

Expected amortization expense for each of the next five fiscal years and thereafter subsequent to June 30, 2016 is as follows:

2017	$ 6,943
2018	6,943
2019	6,943
2020	5,343
2021	2,654
Thereafter	14,405
	$ 43,231

NOTE 7. LONG-TERM DEBT OBLIGATIONS

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

	June 30, 2016	
Notes and Interest Payable		
RMDC		
1% Note Payable to FHLB (Roadrunner Project), due April 1, 2019. Balance includes $9489 long-term interest.	$ 64,489	Principal and interest are payable upon maturity.
6.0% (variable interest rate - see description below) Note Payable to Valley Bank (Townsend House), due January 15, 2020.	4,076	Payable in monthly installments of $515, including interest. Note will be paid in full January 2017.
4.25% (variable interest rate - see description below) Note Payable to First Interstate Bank (Jackson Street Building), due July 28, 2035.	481,074	Payable in monthly installments of $3,073, including interest
4.25% Note Payable to USDA (Townsend Homestead manor), due October 1, 2040.	245,158	including interest, of which $485 is subsidized by USDA.
	794,797	
RMFP		
6.0% Note Payable to USDA (Elk Creek Lodge), due November 1, 2034.	49,960	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.	121,702	Payable in monthly installments (calculated based on a 50 year amortization schedule) of $676, including interest, of which $401 is subsidized by USDA. Final installment is due 30 years from the
5.375% Note Payable to USDA (Elk Creek Lodge), due December 1, 2035.	32,433	Payable in monthly installments of $224, including interest, of which $95 is subsidized by USDA.

NOTE 7. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

EM II		
6.0% Note Payable to First Interstate Bank (EM II Facility), due March 10, 2040.	104,332	Payable in monthly installments of $694, including interest.
EM III		
6.0% Note Payable to First Interstate Bank (EM III Facility), due June 10, 2039.	403,446	Payable in monthly installments of $2,699, including interest.
Big Boulder		
5.95% (variable interest rate - see description below) Note Payable to Valley Bank (Fund Reserves and Current Operations), due October 10, 2042.	239,797	Payable in monthly installments of $1,505, including interest.
Ptarmigan		
7.1% Note Payable to U.S. Bank, due December 1, 2016.	135,746	Payable in monthly installments of $1,134 , including interest. Estimated payoff at December 1, 2016 is $135,286.
	1,882,213	
Other Long-Term Debt:		
RMDC		
Non Interest Bearing Health Insurance debt to L&C County, due Fiscal Year 2024.	221,847	Payable in annual installments of approximately $30,000.
5.25% Capital Lease Payable to MailFinance (Mailing Equipment), expires July 2017.	1,277	Payable in quarterly installments of $330, including interest.
	223,124	
Total notes and interest payable	2,105,337	
Current maturities	(207,650)	
Total notes and interest payable, net	$ 1,897,687	

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, 2016 are as follows:

	Principal (net of capital lease)	Principal Capital Lease	Accrued Interest	Total
2017	$ 206,373	$ 1,277	$ -	$ 207,650
2018	68,314	-	-	68,314
2019	125,313	-	9,489	134,802
2020	72,349	-	-	72,349
2021	74,658	-	-	74,658
Thereafter	1,547,564	-	-	1,547,564
	$ 2,094,571	$ 1,277	$ 9,489	$ 2,105,337

NOTE 7. LONG-TERM DEBT OBLIGATIONS (CONTINUED)

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. See Note 4 for disclosure on note receivable from Roadrunner under this agreement.

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

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

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

RMFP

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

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

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

EM II

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

NOTE 7. 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 First Interstate Bank to complete the financing of the cost of constructing the Eagle Manor III facility in Helena. The note is secured by the related property.

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.

Ptarmigan
On December 5, 2001, Ptarmigan signed a $170,000 note payable to US Bank to finance construction of Ptarmigan Residences. The fifteen-year note calculates principal and interest payments based on a twenty-five year amortization schedule. The note is secured by the related property. The balloon payment due at maturity was paid by refinancing with a new fifteen-year note payable to Valley Bank. See Note 17 for further explanation.

Other Long-Term Debt Obligations

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

In July 2012, RMDC entered into a five year capital lease agreement with MailFinance A Neopost USA Company (MailFinance) to lease a mailing machine with postage meter. At the end of five years RMDC will own the equipment, except the postage meter, per USPS regulations. The capital lease obligation was calculated using the net present value of quarterly payments over the term of the lease, net of maintenance fees and postage meter rent. RMDC used the Federal Reserve prime rate on July 25, 2012 of 3.25% plus additional 2% spread to determine nominal annual interest rate for the net present value calculation. The lease expires on April 25, 2017.

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

NOTE 8. LEASES

Operating Leases

RMDC has entered into a number of facility lease agreements. These leases provide space for Head Start classrooms, senior centers, RMDC administrative offices and other programs. These leases do not have elements of ownership and are therefore considered operating leases. Rental expense under these operating leases has been included in occupancy expense in the consolidated statement of functional expenses and totaled $71,332 for the fiscal year ended June 30, 2016.

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

2017	$ 30,820
2018	15,335
	$ 46,155

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016, temporarily restricted net assets were available for the follow programs:

Senior services	$ 247,887
Spirit of Service program	23,227
Other	1,306
	$ 272,420

NOTE 10. NONCONTROLLING INTEREST IN PARTNERSHIP EQUITY

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

	Controlling	Noncontrolling	Total
EMII	$ (119)	$ 3,922,839	$ 3,922,720
EMIII	(31)	3,471,908	3,471,877
Big Boulder	5,999,890	-	5,999,890
River Rock	(2,895)	4,395,755	4,392,860
Ptarmigan	95,549	(90)	95,459
	$ 6,092,394	$ 11,790,412	$ 17,882,806

NOTE 10. NONCONTROLLING INTEREST IN PARTNERSHIP EQUITY (CONTINUED)

The noncontrolling interest in EM II, EM III and River Rock is 99.99%, and profits and losses are allocated accordingly. The limited partner in Big Boulder also holds a 99.99% share of total partners' capital, but is controlled by RMDC, thus is included in the balance reported for controlling interests. Effective April 1, 2016, RMDC became the 99.99% limited partner of Ptarmigan and this is reflected in controlling interest. Though the noncontrolling interest in each entity is significant, the structure, role and responsibility of the general partner is such that these entities have been consolidated into the financial statements of RMDC.

NOTE 11. NON-MONETARY TRANSACTIONS

In-Kind Contributions

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

In-kind contributions consist of the following:

Contracted services	$ 537,829
Supplies and training materials	22,373
Space	85,477
Meals	18,864
Volunteer recognition	100
Physical examinations and lab work	9,229
Board Expenses	313
Total in-kind contributions	$ 674,184

Supplies include $8,692 of materials donated for the High School House program. These supplies were capitalized in accordance with U.S. GAAP. They are included in assets held for sale in the accompanying consolidated statement of financial position.

All in-kind contributions were expensed in accordance with U.S. GAAP for the fiscal year ended June 30, 2016.

In-kind contributions were received for the following programs:

Head Start	$ 636,987
Senior Companion Program	7,533
Foster Grandparent Program	20,660
High School House	8,692
Area IV Agency on Aging	313
Total in-kind contributions	$ 674,184

NOTE 11. NON-MONETARY TRANSACTIONS (CONTINUED)

In-Kind Contributions (Continued)
In addition to the contributions reported in the tables above, the Head Start program received services valued at $32,249 that did not meet the guidelines for revenue and recognition under U.S. GAAP. The value of these services is therefore not reported in the accompanying financial statements. However, the regulations for this program allows the value of these services to be reported as matching funds for grant purposes.

NOTE 12. EMPLOYEE BENEFITS

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

The employer’s contribution to the plan is discretionary. Preliminary and effective contribution rates are approved by the Board of Directors. The effective contribution rates on employees' compensation were calculated for the fiscal year 2016 based on the actual amount contributed to the plan by RMDC and total eligible employees compensation for the applicable fiscal year. Total RMDC contributions to the plan during the fiscal year 2016 were allocated to the individual participants' accounts based on their eligible compensation during the applicable fiscal year 2016 multiplied by the effective contribution rate. The preliminary contribution rate on employees' compensation for fiscal year 2016 was set at 3.0% and the effective contribution rate on eligible employees’ compensation for the fiscal year ended June 30, 2016 was 2.975%. The preliminary approved contribution rate for fiscal year 2017 remains at 3.0%. Retirement plan expense was $85,434 for fiscal year 2016.

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

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

NOTE 12. EMPLOYEE BENEFITS (CONTINUED)

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 $1,852 in fiscal year 2016 for the plan ended June 30, 2015. Beginning June 2016, the monies withheld were moved from the Plan Administrator's bank account to a designated RMDC bank account.

NOTE 13. COMMITMENTS AND CONTINGENCIES

RMDC is a certified Community Housing Development Organization (CHDO). As a CHDO, RMDC has loaned HOME grant funds to other organizations to support the development of low-income housing. Repayment received by RMDC on these loans represents CHDO Proceeds. These CHDO proceeds must be used for HOME eligible activities that support housing for low-income persons. RMDC held $75,119 CHDO proceeds as of June 30, 2016.

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:

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Roadrunner Low-Income Housing Project (Continued)

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

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

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

Ptarmigan

On November 20, 2000, RMDC executed a guaranty agreement for Ptarmigan. The agreement provides that RMDC unconditionally guarantees due payment, performance, and fulfillment of all liabilities, obligations and undertakings of Ptarmigan's general partner, RMDC Ptarmigan, Inc., arising under the Amended and Restated Partnership Agreement. The guaranty also applied to Ptarmigan's investor limited partner, Countryside Corporate Tax Credits VIII, LP. December 31, 2015 marked the end of Ptarmigan's fifteen-year tax compliance period. On March 31, 2016, Countryside Corporate Tax Credits VIII, LP assigned its 99.99% limited partner interest to RMDC. At June 30, 2016, RMDC is the 99.99% limited partner and RMDC Ptarmigan, Inc. is the .01% general partner. Although RMDC is still obligated under the guaranty agreement, the general partner continues to be responsible for administrative and financial matters related to the partnership.

Pheasant Glen

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

NOTE 13. 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.

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.

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Penkay (Continued)
In the event a repurchase occurs, the limited partners must transfer their partnership interest to the general partner. As of June 30, 2016 the partnership interest of the limited partner was $880,071. At June 30, 2016 the book value of the partnership's capital assets totaled approximately $3.5 million.

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

- the partnership'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 $286,814 at June 30, 2016. 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, 2016, the Operating Deficit Reserve Account balance was $110,232. The funds in this account can be used with the general and limited partners' approval to cover operating expenses, debt service obligations or other partnership expenses when cash is insufficient.

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

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

EM III

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

The amended agreement places the following significant obligations upon Penkay Eagles Manor, Inc., the general partner:

- The partnership agreement calls for continuation of the partnership until July 6, 2011, and thereafter as renewed under Montana law, except that the partnership may be dissolved prior to such date upon a sale or other disposition of the partnership's assets, or a consensual termination. Under certain circumstances, the general partner is obligated to repurchase the interest of the limited partners for a purchase price equal to the sum of the total capital contributions made by the limited partners, plus interest at the rate of 7% per annum from the date of such capital contribution. In the event a repurchase occurs, the limited partners must transfer their partnership interest to the general partner. As of June 30, 2016 the partnership interest of the limited partner was $3,471,908. At June 30, 2016, the book value of the partnership's capital assets totaled approximately $4.7 million. These assets serve as collateral in the event the limited partners exercise the repurchase option. The limited partners may exercise this option if the partnership 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).

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

EM II (Continued)

- In the event a repurchase occurs, the limited partners must transfer their partnership interest to the general partner. As of June 30, 2016, the partnership interest of the limited partner was $3,922,839. As of June 30, 2016, the book value of the partnership's capital assets totaled approximately $5 million. These assets serve as collateral in the event the limited partners exercise the repurchase option. The limited partners may exercise this option if the complex is not constructed in accordance with the construction plans or the Fair Housing Act of 1988 as amended. If at any time after construction is complete an operating deficit exits, the general partner must lend funds to the partnership in an amount equal to the deficit. The loan shall bear interest at a rate of 4% per annum and shall be repayable from cash flow.

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

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

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

NOTE 14. CONDITIONAL PROMISES TO GIVE

Conditional promises to give arise from grant/contract activities that are underway at fiscal year-end, but which are not complete. The following schedule reflects the value of conditional promises to give received by RMDC that are outstanding at June 30, 2016:

Program/Contract	Period Ends	Amount
Head Start	April 30, 2017	$ 1,813,602
Striving Readers (OPI)	September 30, 2016	32,958
Montana Preschool Development Grant (OPI)	August 31, 2016	178,316
Community Services Block Grant	September 30, 2016	25,829
Community Services Block Grant	August 31, 2017	229,255
Commodities Supplemental Food	September 30, 2016	11,056
Missoula Aging Services (SMP)	May 31, 2017	10,000
Northwestern Energy Weatherization	December 9, 2016	291,872
LIEAP Administration	August 31, 2017	19,919
LIEAP Outreach	August 31, 2017	17,403
LIEAP Client Ed	August 31, 2017	12,258
Total conditional promises to give		$ 2,642,468

NOTE 15. RECOVERY OF GENERAL AND ADMINISTRATIVE COSTS

As described in Note 1, RMDC recovers shared general and administrative expenses through an approved indirect cost rate and various allocation plans. Following is a summary of the general and administrative costs recovered from programs in fiscal year ended June 30, 2016:

General and administrative expenses	
Indirect cost pool	$ 861,740
Supporting services	986,774
Total general and administrative	1,848,514
Less:	
Indirect costs recovered at approved provisional rate (13%)	(848,043)
Supporting services expenses recovered from programs	(949,284)
Net unrecovered general and administrative expenses	$ 51,187

NOTE 16. LINE OF CREDIT

RMDC has a $300,000 unsecured revolving line of credit at Valley Bank of Helena (Valley Bank) available through February 3, 2017. The line of credit is designated to fund RMDC's cash needs due to timing differences between program expenditures and their reimbursements. Amounts borrowed under the line of credit bear interest at a rate based on the Wall Street Journal prime rate plus an additional 0.50 percentage points with a rate floor of 5.5% and a rate ceiling of 9.0%, adjustable quarterly. There is no outstanding balance at June 30, 2016.

NOTE 16. LINE OF CREDIT (CONTINUED)

On October 23, 2015, RMDC signed a $150,000 construction line of credit with First Interstate Bank to finance construction of a home through the High School House Program operated in conjunction with the Helena School District. This note is secured by the related property and is paid off when the completed home is sold. The balance at June 30, 2016 was $116,668.The line of credit was paid off on December 5, 2016.

NOTE 17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 31, 2017, the date which the financial statements were available for issue.

On December 1, 2016, Ptarmigan refinanced its $135,286 U.S. Bank mortgage balloon payment by signing a 15-year note payable to Valley Bank. The $136,634 note payable includes loan fees of $1,348. The note bears interest at a 4.12% fixed rate, requires monthly payments of $1,019 and is secured by the related property.

On December 5, 2016, RMDC sold the property located at 1821 Butte Avenue, Helena, known as the 2016 High School House (the Veterans House) for a contract price of $139,000. The property is reported as an asset held for sale on the Consolidated Statement of Financial Position, with a value of $174,439. RMDC incurred closing costs totaling $892 and paid the principal and interest balance of $117,483 due on the First Interstate Bank construction line of credit. Donations totaling $58,394 (including in-kind supplies) were received for construction costs related to the 2016 house. After additional construction costs of $7,537, incurred after June 30, 2016, the net gain on sale was $14,526. During RMDC's fiscal year-ended 2014, RMDC received a $50,000 Washington Foundation grant to be used as project seed money, specifically for purchase of lots for high school house projects. After the gain on the sale of the 2016 house, the $50,000 seed money was made whole and will be set aside for future projects.

SINGLE AUDIT SECTION

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Passed Through to Subrecipients	Expenditures
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Programs				
Foster Grandparent/Senior Companion Cluster:				
Foster Grandparents	94.011	15SFPMT004		$ 359,537
Senior Companion	94.016	15SCPMT002		436,515
Total FosterGrandparent/Senior Companion Cluster				796,052
Retired Senior Volunteer	94.002	15SRPMT007		44,413
Total Corporation for National and Community Service				840,465
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs				
Head Start Cluster:				
Head Start	93.600	08CH103502		1,779,170
		08CH103503		235,582
Total Head Start Cluster, Health and Human Services				2,014,752
Passed through State Department of Public Health and Human Services				
Community Services Block Grant Cluster:				
Community Services Block Grant	93.569	14-028-10006-0		34,022
		15-028-10006-0		193,605
Total Community Services Block Grant Cluster				227,627
Low-Income Home Energy	93.568	15-028-11006-0		21,090
		16-028-11006-0		228,526
		15-028-16006-0		276,475
		15-028-15056-0		10,366
		16-028-15056-0		11,287
		15-028-14020-0		9,328
		16-028-14020-0		27,539
Subtotal Low-Income Home Energy				584,611
Montana Arthritis Program	93.945	Agreement		1,500
Special Programs for the Aging				
Aging Cluster:				
Title III - Supportive Services and Senior Centers	93.044	16221101000004	50,302	187,606
Title III - Nutrition Services	93.045	16221101000004	197,552	440,341
Nutrition Services Incentive Program	93.053	16221101000004	54,392	160,702
Nutrition Services Incentive Program Noncash Commodities	93.053	16221101000004	-	10,962
			54,392	171,664
Total Aging Cluster			302,246	799,611
Health Care Financing Research, Demonstrations and Evaluations	93.779	16221101000004	-	2,239
Title VII - Long Term Care Ombudsman Services for Older Individuals	93.042	16221101000004	-	12,415
Title III - Disease Prevention and Health Promotion Services	93.043	16221101000004	-	15,921
National Family Caregiver Support	93.052	16221101000004	30,584	89,630
Title IV and Title II Discretionary Projects - FFP	93.048	16221101000004	-	1,879
Medicare Enrollment Assistance Program	93.071	16221101000004	-	11,984
State Health Insurance Assistance Program	93.324	16221101000004	-	55,022
Total Aging Programs			332,830	988,701
Total Passed through State Department of Public Health and Human Services			332,830	1,802,439
Total U.S. Department of Health and Human Services			332,830	3,817,191

See Notes to the Schedule of Expenditures of Federal Awards.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed through State Department of Public Health and Human Services				
Child and Adult Care Food Program	10.558	12-02-CACFP-150		144,558
Child and Adult Care Food Program	10.558	12-02-CACFP-151		14,867
				159,425
Commodity Supplemental Food Program	10.565	15-027-21007-0		9,504
	10.565	16-027-21007-0		23,187
				32,691
Rural Rental Housing Loans	10.415	Agreement		28,765
Total U.S. Department of Agriculture				220,881
U.S. DEPARTMENT OF ENERGY				
Passed through State Department of Public Health and Human Services				
Weatherization Assistance for Low-Income Persons	81.042	15-028-30026-0		75,284
Total U.S. Department of Energy				75,284
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through State Department of Commerce				
First Time Home Buyers & Dollars & Sense	14.169	Agreement		34,915
Subtotal DOC Pass Through				34,915
Passed through State Department of Public Health and Human Services				
Emergency Shelter Grant Program	14.231	15-028-51006-0	48,615	48,615
Total U.S. Department of Housing and Urban Development			48,615	83,530
U.S. DEPARTMENT OF EDUCATION				
Passed through State Office of Public Instruction				
Striving Readers	84.371	Agreement		93,244
Montana Preschool Development Grant	84.419	Agreement		570,114
Total U.S. Department of Education				663,358
Total expenditures of federal awards			$ 381,445	$ 5,700,709

See Notes to the Schedule of Expenditures of Federal Awards.

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note 1 of the accompanying Notes to Consolidated Financial Statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

NOTE 3. RECONCILIATION TO FINANCIAL STATEMENTS

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

Total expenditures of federal awards	$ 5,700,709
Plus:	
Rent subsidy received by RMFP from Rural Development	40,584
Interest subsidy received by RMFP from Rural Development	8,034
Rent subsidy received by EMII from HUD	125,542
Rent subsidy received by EMIII from HUD	75,432
Rent subsidy received by Big Boulder from HUD	120,547
Rent subsidy received by River Rock from HUD	35,071
Rent subsidy received by Ptarmigan from HUD	9,787
Total federal grant revenue	$ 6,115,706

NOTE 4. HOME CHDO PROCEEDS

RMDC is a certified Community Housing Development Organization (CHDO). As a CHDO, RMDC has loaned HOME grant funds to other organizations to support the development of low-income housing. Repayment received by RMDC on these loans represent CHDO proceeds. These CHDO proceeds must be used for HOME eligible activities that support housing for low-income persons. RMDC had available CHDO proceeds of $81,416 of which $6,297 was disbursed for HOME eligible activities leaving $75,119 available at June 30, 2016.

NOTE 5. INDIRECT COST RATE

RMDC has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. RMDC received an approved provisional rate of 13.5% from its federal cognizant agency, the Department of Health and Human Services. The effective rate applied during fiscal year 2016 is 13%.

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

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

We have audited, 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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2017.

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

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

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

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

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

Anderson ZurMuehlen + Co., P.C.

Helena, Montana
January 31, 2017

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

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

Report on Compliance for Each Major Federal Program
We have audited Rocky Mountain Development Council, Inc.'s (RMDC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of RMDC's major federal programs for the year ended June 30, 2016. RMDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, RMDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Anderson ZurMuehlen & Co., P.C.

Helena, Montana
January 31, 2017

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?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Aging Cluster:	
Special Programs for the Aging_Title III, Part B_Grants for Supportive and Senior Centers	93.044
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045
Nutrition Services Incentive Program	93.053
Preschool Development Grants	84.419

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

FINDINGS AND SIGNIFICANT DEFICIENCIES OR MATERIAL WEAKNESSES - FINANCIAL STATEMENT AUDIT

None reported.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2016

No prior year findings reported.

SUPPLEMENTARY INFORMATION

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

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:

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

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

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

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES – Other:

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

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

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

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

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

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

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

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

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

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

DEPARTMENT OF COMMERCE - Montana Board of Housing:

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

OFFICE OF PUBLIC INSTRUCTION:

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

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

COUNTY FUNDING – Other Programs:

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

LOCAL FUNDING – Other Programs:

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

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

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF INDIRECT COST RECONCILIATION
June 30, 2016

Total expenditures from continuing operations:	
Program services	$ 10,795,036
General and administrative	1,848,514
Recovery of indirect costs from continuing operations - general and administrative	(848,043)
Recovery of other allocated costs from continuing operations - general and administrative	(949,284)
Fundraising	6,989
Total expenditures from continuing operations	10,853,212
Less:	
Indirect costs	(791,710)
Exclusions:	
Commodities	(10,962)
Depreciation	(111,244)
In-kind	(665,492)
Pass-through	(693,763)
Consolidated properties' expenses, net of eliminations	(1,892,835)
Assistance payments	(159,229)
Bad debt	(4,573)
Indirect cost base expenditures	6,523,404
Indirect cost rate	13.00%
Total indirect cost charges	$ 848,043
Allocated indirect costs by program:	
Aging & Nutrition	$ 132,089
Senior Volunteer Services	115,336
Housing	64,828
Other	9,995
Preschool/Childcare	332,690
Senior Activities	5,095
Transportation	5,703
Weatherization	76,692
General and administrative	104,833
Fundraising	782
Total indirect cost charges to programs	$ 848,043

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF TRANSFERS
June 30, 2016

County Mill Fund Transfers

Sources:	
Carried Forward from Fiscal Year 2015	$ 210,946
Lewis and Clark County	304,584
Jefferson County	53,040
Broadwater County	32,788
Total County Mill Funds Received	$ 601,358
Program Recipients:	
Congregate Meals	$ 50,037
Home Delivered Meals	68,713
Area IV on Aging	30,000
Senior Companion Program	30,214
Foster Grandparent Program	8,513
Retired Senior Volunteer Program	46,996
Augusta Senior Center	12,484
Senior Services & Transportation	54,932
Senior Space	55,536
Total County Mill Funds Transferred	357,425
Carry Forward to Fiscal Year 2017	243,933
Total County Mill Funds	$ 601,358

Community Service Block Grant Transfers

Program Recipients:	
Commodities	$ 2,388
Congregate Meals	31,765
Home Delivered Meals	41,155
Head Start	590
IDC	9,871
Foster Grandparents	11,626
Senior Companion Program	38,496
Total Community Service Block Grant Transfers	$ 135,891

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2016

ASSETS	RMDC	RMFP	ERI	EMII	EMIII	Penkay Eagles Manor, Inc.
CURRENT ASSETS						
Cash and cash equivalents, operations	$ 574,201	$ 1,383	$ 76,304	$ 40,825	$ 15,489	$ 46,946
Cash and cash equivalents, custodial	131,025	-	-	-	-	-
Accounts receivable	102,567	4,688	9,339	642	1,757	-
Related party receivable	77,748	-	19,389	-	-	-
Grants receivable	666,882	-	-	-	-	-
Current portion of notes and interest receivable	12,593	-	-	-	-	-
Prepaid deposits and expenses	38,812	3,951	1,217	563	1,694	929
Inventory	34,594	-	4,286	-	-	-
Assets held for sale	174,439	-	-	-	-	-
Total current assets	1,812,861	10,022	110,535	42,030	18,940	47,875
FIXED ASSETS						
Land	278,244	22,495	-	147,742	198,317	-
Land improvements, net	18,405	-	-	44,401	5,194	-
Leasehold improvements, net	96,597	-	-	-	-	-
Buildings, net	1,567,801	117,729	-	4,865,781	4,567,273	-
Equipment, net	210,049	-	13,049	-	-	-
Total fixed assets	2,171,096	140,224	13,049	5,057,924	4,770,784	-
OTHER ASSETS						
Investments in partnerships	6,010	-	-	-	-	(151)
Cash restricted for security deposits and reserves	59,667	23,598	-	209,608	165,330	-
Construction in progress	-	-	-	-	-	-
Long-term related party receivable	38,745	-	-	-	-	-
Long-term notes and interest receivable	8,916,105	-	-	-	-	-
Long-term accounts receivable	-	-	6,310	-	-	-
Deferred costs, net	-	-	-	9,369	6,269	-
Total other assets	9,020,527	23,598	6,310	218,977	171,599	(151)
Total assets	$ 13,004,484	$ 173,844	$ 129,894	$ 5,318,931	$ 4,961,323	$ 47,724
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	$ 452,224	$ 18,674	$ 22,706	$ 20,370	$ 28,466	$ -
Cash and cash equivalents held for others	131,025	-	-	-	-	-
Compensated absences	251,979	-	16,640	-	-	-
Refundable advances and deferred revenue	99,217	1,523	1,136	14,153	10,797	-
Current portion of long-term debt	54,101	3,338	-	2,122	8,425	-
Line of credit advances	116,668	-	-	-	-	-
Total current liabilities	1,105,214	23,535	40,482	36,645	47,688	-
LONG TERM DEBT						
Notes and interest payable	771,971	200,758	212,968	1,359,566	1,441,758	-
Other liabilities	191,846	-	-	-	-	-
Total long term liabilities	963,817	200,758	212,968	1,359,566	1,441,758	-
Total liabilities	2,069,031	224,293	253,450	1,396,211	1,489,446	-
NET ASSETS						
Unrestricted net assets and controlling interests in partnerships	10,663,033	(55,449)	(123,556)	(119)	(31)	47,724
Noncontrolling interests in partnerships	-	-	-	3,922,839	3,471,908	-
Common Stock	-	5,000	-	-	-	-
Temporarily restricted net assets	272,420	-	-	-	-	-
Total net assets	10,935,453	(50,449)	(123,556)	3,922,720	3,471,877	47,724
Total liabilities and net assets	$ 13,004,484	$ 173,844	$ 129,894	$ 5,318,931	$ 4,961,323	$ 47,724

See Independent Auditor's Report.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
June 30, 2016

ASSETS	Eagle Manor Project No. 2, Inc.	Big Boulder	River Rock	Ptarmigan	Eliminations	Consolidated
CURRENT ASSETS						
Cash and cash equivalents, operations	$ -	$ 2,837	$ 36,417	$ 13,495	$ -	$ 807,897
Cash and cash equivalents, custodial	-	-	-	-	-	131,025
Accounts receivable	-	16,772	881	3,858	-	140,504
Related party receivable	-	5	-	4,639	(73,047)	28,734
Grants receivable	-	-	-	-	-	666,882
Current portion of notes and interest receivable	-	-	-		-	12,593
Prepaid deposits and expenses	952	4,756	-	1,982	-	54,856
Inventory	-	-	-	-	-	38,880
Assets held for sale	-	-	-	-	-	174,439
Total current assets	952	24,370	37,298	23,974	(73,047)	2,055,810
FIXED ASSETS						
Land	-	503,335	575,332	196,701	-	1,922,166
Land improvements, net	-	49,882	79,288	580	-	197,750
Leasehold improvements, net	-	-	-	-	-	96,597
Buildings, net	-	5,930,074	4,633,435	696,723	(3,087,398)	19,291,418
Equipment, net	-	80,857	91,872	617	-	396,444
Total fixed assets	-	6,564,148	5,379,927	894,621	(3,087,398)	21,904,375
OTHER ASSETS						
Investments in partnerships	(2,183)		-	-	(2,676)	1,000
Cash restricted for security deposits and reserves	-	119,467	156,965	94,805	-	829,440
Construction in progress	-	-	-	-	-	-
Long-term related party receivable	-	-	-	-	(26,607)	12,138
Long-term notes and interest receivable	390,698	-	-	-	(4,884,104)	4,422,699
Long-term accounts receivable	-	-	-	-	-	6,310
Deferred costs, net	-	6,333	21,260	-	-	43,231
Total other assets	388,515	125,800	178,225	94,805	(4,913,387)	5,314,818
Total assets	$ 389,467	$ 6,714,318	$ 5,595,450	$ 1,013,400	$ (8,073,832)	$ 29,275,003
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	$ 26,608	$ 31,054	$ 16,865	$ 14,927	$ (99,654)	$ 532,240
Cash and cash equivalents held for others	-	-	-	-	-	131,025
Compensated absences	-	-	-	-	-	268,619
Refundable advances and deferred revenue	-	12,085	12,347	5,093	-	156,351
Current portion of long-term debt	-	3,918	-	135,746	-	207,650
Line of credit advances	-	-	-	-	-	116,668
Total current liabilities	26,608	47,057	29,212	155,766	(99,654)	1,412,553
LONG TERM DEBT						
Notes and interest payable	-	667,371	1,173,378	762,175	(4,884,104)	1,705,841
Other liabilities	-	-	-	-	-	191,846
Total long term liabilities	-	667,371	1,173,378	762,175	(4,884,104)	1,897,687
Total liabilities	26,608	714,428	1,202,590	917,941	(4,983,758)	3,310,240
NET ASSETS						
Unrestricted net assets and controlling interests in partnerships	362,859	5,999,890	(2,895)	95,549	(3,085,074)	13,901,931
Noncontrolling interests in partnerships	-	-	4,395,755	(90)	-	11,790,412
Common Stock	-	-	-	-	(5,000)	-
Temporarily restricted net assets	-	-	-	-	-	272,420
Total net assets	362,859	5,999,890	4,392,860	95,459	(3,090,074)	25,964,763
Total liabilities and net assets	$ 389,467	$ 6,714,318	$ 5,595,450	$ 1,013,400	$ (8,073,832)	$ 29,275,003

See Independent Auditor’s Report.

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
June 30, 2016

	RMDC	RMFP	RMDC Eagle Rock Inc.	EMII	EMIII	Penkay Eagles Manor, Inc.
CHANGE IN UNRESTRICTED NET ASSETS						
Revenues and Gains						
Grants - federal	$ 5,700,709	$ 48,618	$ 67,950	$ 125,542	$ 75,432	$ -
Grants - other	973,852	-	-	-	-	-
County tax	380,332	-	-	-	-	-
Local support	37,353	-	-	-	-	-
Fundraising & donations	290,972	-	-	-	-	-
Program service	1,062,909	20,075	508,632	183,125	140,319	-
Other	249,477		7,701	191	249	37,089
In-kind	674,184	-	-	-	-	-
Total unrestricted revenues and gains	9,369,788	68,693	584,283	308,858	216,000	37,089
Net Assets Released from Restrictions						
Satisfaction of restrictions	309	-	-	-	-	-
Total unrestricted revenues, gains and other support	9,370,097	68,693	584,283	308,858	216,000	37,089
Expenses and Losses						
Aging & Nutrition	2,249,316	-	-	-	-	-
Senior Volunteer	1,070,147	-	-	-	-	-
Housing - General	608,734	66,548	568,750	524,630	376,245	8,725
Other	177,781	-	-	-	-	-
Preschool/Childcare	3,853,498	-	-	-	-	-
Senior Activities	122,557	-	-	-	-	-
Transportation	27,381	-	-	-	-	-
Weatherization	860,737	-	-	-	-	-
Total program expenses and losses	8,970,151	66,548	568,750	524,630	376,245	8,725
General and Administrative	1,848,514	-	-	-	-	-
Recovery of indirect costs from programs	(848,043)	-	-	-	-	-
Recovery of other allocated costs from programs	(949,284)	-	-	-	-	-
	51,187	-	-	-	-	-
Fundraising	6,989	-	-	-	-	-
Total unrestricted expenses and losses	9,028,327	66,548	568,750	524,630	376,245	8,725
CHANGE IN UNRESTRICTED NET ASSETS	341,770	2,145	15,533	(215,772)	(160,245)	28,364
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS						
Contributions	37,249	-	-	-	-	-
Net assets released from restrictions	(309)	-	-	-	-	-
Changes in temporarily restricted net assets	36,940	-	-	-	-	-
Change in net assets	378,710	2,145	15,533	(215,772)	(160,245)	28,364
Partnership contributions/(distributions)	-	-	-	(4,018)	-	-
Common stock	-	-	-	-	-	-
Consolidated net assets, beginning of year	10,556,743	(52,594)	(139,089)	4,142,510	3,632,122	19,360
Consolidated net assets, end of year	$ 10,935,453	$ (50,449)	$ (123,556)	$ 3,922,720	$ 3,471,877	$ 47,724

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES (CONTINUED)
June 30, 2016

	Eagle Manor Project No. 2, Inc.	Big Boulder	River Rock	Ptarmigan	Eliminations	Consolidated
CHANGE IN UNRESTRICTED NET ASSETS						
Revenues and Gains						
Grants - federal	$ -	$ 120,547	$ 35,071	$ 9,787	$ (67,950)	$ 6,115,706
Grants - other	-	-	-	-	-	973,852
County tax	-	-	-	-	-	380,332
Local support	-	-	-	-	-	37,353
Fundraising & donations	-	-	-	-	-	290,972
Program service	-	124,238	143,297	20,181	(353,330)	1,849,446
Other	9,053	129	165	23	(112,987)	191,090
In-kind	-	-	-	-	-	674,184
Total unrestricted revenues and gains	9,053	244,914	178,533	29,991	(534,267)	10,512,935
Net Assets Released from Restrictions						
Satisfaction of restrictions	-	-	-	-	-	309
Total unrestricted revenues, gains and other support	9,053	244,914	178,533	29,991	(534,267)	10,513,244
Expenses and Losses						
Aging & Nutrition	-	-	-	-	(67,950)	2,181,366
Senior Volunteer	-	-	-	-	-	1,070,147
Housing - General	9,492	424,998	339,013	40,821	(466,387)	2,501,569
Other	-	-	-	-	-	177,781
Preschool/Childcare	-	-	-	-	-	3,853,498
Senior Activities	-	-	-	-	-	122,557
Transportation	-	-	-	-	-	27,381
Weatherization	-	-	-	-	-	860,737
Total program expenses and losses	9,492	424,998	339,013	40,821	(534,337)	10,795,036
General and Administrative	-	-	-	-	-	1,848,514
Recovery of indirect costs from programs	-	-	-	-	-	(848,043)
Recovery of other allocated costs from programs	-	-	-	-	-	(949,284)
	-	-	-	-	-	51,187
Fundraising	-	-	-	-	-	6,989
Total unrestricted expenses and losses	9,492	424,998	339,013	40,821	(534,337)	10,853,212
CHANGE IN UNRESTRICTED NET ASSETS	(439)	(180,084)	(160,480)	(10,830)	70	(339,968)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS						
Contributions	-	-	-	-	-	37,249
Net assets released from restrictions	-	-	-	-	-	(309)
Changes in temporarily restricted net assets	-	-	-	-	-	36,940
Change in net assets	(439)	(180,084)	(160,480)	(10,830)	70	(303,028)
Partnership contributions/(distributions)	-		-	-	-	(4,018)
Common stock	-	-	-	-	-	-
Consolidated net assets, beginning of year	363,298	6,179,974	4,553,340	106,289	(3,090,144)	26,271,809
Consolidated net assets, end of year	$ 362,859	$ 5,999,890	$ 4,392,860	$ 95,459	$ (3,090,074)	$ 25,964,763

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF CONSOLIDATING ELIMINATIONS
June 30, 2016

	RMDC	RMFP	ERI	EM II	EM III	Penkay Eagles
ASSETS						
Related party receivables	$ 81,973	$ -	$ 15,275	$ -	$ -	$ -
Buildings	-	-	-	656,109	727,539	-
Investment in housing	5,010	-	-	-	-	(151)
Long-term notes and interest receivable	4,493,406	-	-	-	-	-
Total Assets	$ 4,580,389	$ -	$ 15,275	$ 656,109	$ 727,539	$ (151)
LIABILITIES						
Accounts payable to RMDC	$ -	$ 17,444	$ -	$ 6,536	$ 4,080	$ -
Accounts payable to RMDC Eagle Rock	8,827	-	-	3,182	1,466	-
Accounts payable to Big Boulder	-	-	5	-	-	-
Accounts payable to Ptarmigan	-	-	-	775	888	-
Notes and interest payable to RMDC	-	-	212,968	866,658	1,046,737	-
Notes and interest payable to EM Project No. 2	-	-	-	390,698	-	-
Total Liabilities	$ 8,827	$ 17,444	$ 212,973	$ 1,267,849	$ 1,053,171	$ -
NET ASSETS						
Unrestricted net assets	$ -	$ -	$ -	$ 656,109	$ 727,539	$ -
Paid-in capital	-		-	-	-	(112)
Common Stock	-	5,000	-	-	-	-
Total Liabilities and Net Assets	$ 8,827	$ 22,444	$ 212,973	$ 1,923,958	$ 1,780,710	$ (112)
REVENUE						
RMDC service fees	$ 283,415	$ -	$ -	$ -	$ -	$ -
Eagle Rock service fees	-	-	69,915	-	-	-
Partnership fees	-	-	-	-	-	37,089
Commodities from RMDC	-	-	67,950	-	-	-
Interest on note due from EM II	-	-	-	-	-	-
Interest on notes due from related organizations	66,845	-	-	-	-	-
Total Revenue	$ 350,260	$ -	$ 137,865	$ -	$ -	$ 37,089
EXPENSES						
Expenses from RMDC service fees	$ -	$ 18,765	$ 13,044	$ 75,305	$ 43,215	$ 380
Expenses from Eagle Rock service fees	-	-	-	35,200	17,582	-
Partnership fees	-	-	-	36,159	930	39
Commodities from RMDC to Eagle Rock	67,950	-	-	-	-	-
Interest on note due to EM Proj No. 2	-	-	-	3,749	-	-
Interest on notes due to RMDC	-	-	-	-	31,374	-
Total Expenses	67,950	18,765	13,044	150,413	93,101	419
Change in Net Assets Due to Eliminations	$ 282,310	$ (18,765)	$ 124,821	$ (150,413)	$ (93,101)	$ 36,670

ROCKY MOUNTAIN DEVELOPMENT COUNCIL, INC.
SCHEDULE OF CONSOLIDATING ELIMINATIONS (CONTINUED)
June 30, 2016

	Eagle Manor Project No. 2, Inc.	Big Boulder	River Rock	Ptarmigan	Total
ASSETS					
Related party receivables	$ -	$ 5	$ -	$ 2,401	$ 99,654
Buildings	-	912,340	791,410	-	3,087,398
Investment in housing	(2,183)	-	-	-	2,676
Long-term notes and interest receivable	390,698	-	-	-	4,884,104
Total Assets	$ 388,515	$ 912,345	$ 791,410	$ 2,401	$ 8,073,832
LIABILITIES					
Accounts payable to RMDC	$ 26,607	$ 20,282	$ 3,921	$ 3,103	$ 81,973
Accounts payable to RMDC Eagle Rock	-	-	1,733	67	15,275
Accounts payable to Big Boulder	-	-	-	-	5
Accounts payable to Ptarmigan	-	477	261	-	2,401
Notes and interest payable to RMDC	-	431,492	1,173,377	762,174	4,493,406
Notes and interest payable to EM Project No. 2	-	-	-	-	390,698
Total Liabilities	$ 26,607	$ 452,251	$ 1,179,292	$ 765,344	$ 4,983,758
NET ASSETS					
Unrestricted net assets	$ -	$ 912,340	$ 791,410	$ -	$ 3,087,398
Paid-in capital	(2,152)	10	-	-	(2,254)
Common Stock	-	-	-	-	5,000
Total Liabilities and Net Assets	$ 24,455	$ 1,364,601	$ 1,970,702	$ 765,344	$ 8,073,902
REVENUE					
RMDC service fees	$ -	$ -	$ -	$ -	$ 283,415
Eagle Rock service fees	-	-	-	-	69,915
Partnership fees	5,304	-	-	-	42,393
Commodities from RMDC	-	-	-	-	67,950
Interest on note due from EM II	3,749	-	-	-	3,749
Interest on notes due from related organizations	-	-	-	-	66,845
Total Revenue	$ 9,053	$ -	$ -	$ -	$ 534,267
EXPENSES					
Expenses from RMDC service fees	$ 492	$ 79,087	$ 44,105	$ 9,022	$ 283,415
Expenses from Eagle Rock service fees	-	334	15,548	1,251	69,915
Partnership fees	31	-	5,304	-	42,463
Commodities from RMDC to Eagle Rock	-	-	-	-	67,950
Interest on note due to EM Proj No. 2	-	-	-	-	3,749
Interest on notes due to RMDC	-	4,222	29,478	1,771	66,845
Total Expenses	523	83,643	94,435	12,044	534,337
Change in Net Assets Due to Eliminations	$ 8,530	$ (83,643)	$ (94,435)	$ (12,044)	$ (70)

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