

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

FINANCIAL STATEMENTS

AS OF

JUNE 30, 2011

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

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Douglas Wilson & Company, P.C.

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Douglas WILSON
and Company, PC

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Great Falls, Montana

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INDEPENDENT AUDITOR'S REPORT


We have audited the accompanying statement of financial position of Great Falls Development Authority, Inc., "the Authority" (a nonprofit organization) as of June 30, 2011, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2010 financial statements and, in our report dated December 17, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Falls Development Authority, Inc., as of June 30, 2011, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2011, on our consideration of Great Falls Development Authority, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Great Falls Development Authority, Inc.'s financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Douglas Wilson + Company, P.C." The signature is written in a cursive, flowing style.

Great Falls, Montana
November 15, 2011

Great Falls Development Authority, Inc.
Statement of Financial Position
As of June 30, 2011
(With Comparative Totals as of June 30, 2010)

	2011	2010
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 41,880	\$ 30,803
Cash Restricted For Loans and Grants	1,624,078	1,238,617
Accounts Receivable	118,692	76,659
Prepaid Expenses	19,846	9,048
Due From High Plains Financial	12,453	-
Current Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$15,000 in 2011 and in 2010)	1,184,045	1,527,481
Total Current Assets	3,000,994	2,882,608
 Furniture and Equipment, Net	 24,734	 34,284
 Noncurrent Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$220,100 in 2011 and 2010)	 2,167,535	 1,956,013
 Total Assets	 \$ 5,193,263	 \$ 4,872,905
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 70,867	\$ 56,853
Accrued Liabilities	133,848	78,912
Note Payable - Operating Line of Credit	75,000	109,893
Current Portion of Obligation Under Capital Lease	2,692	2,678
Total Current Liabilities	282,407	248,336
 Long-Term Obligation Under Capital Lease, Net of Current Portion	 -	 3,160
 Net Assets		
Unrestricted Net Assets	101,807	83,200
Temporarily Restricted Net Assets	26,827	28,084
Permanently Restricted Net Assets	4,782,222	4,510,125
	4,910,856	4,621,409
 Total Net Assets	 \$ 5,193,263	 \$ 4,872,905

See accompanying notes to financial statements.

Great Falls Development Authority, Inc.
Statement of Activities and Changes in Net Assets
For The Year Ended June 30, 2011
(With Comparative Totals For The Year Ended June 30, 2010)

	2011			Total	2010
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues					
Private Support	\$ 409,595	\$ -	\$ -	\$ 409,595	\$ 374,823
Public Support	175,000	-	-	175,000	150,000
Total Support	<u>584,595</u>	<u>-</u>	<u>-</u>	<u>584,595</u>	<u>524,823</u>
Grants	-	138,765	-	138,765	17,500
Loan Funds, Contracts and Program Revenues	-	183,105	263,505	446,610	273,229
Expense Reimbursements	-	1,821	-	1,821	424
Interest	-	266,535	-	266,535	247,007
Fees and Miscellaneous Income	-	109,229	-	109,229	148,243
Total Support and Revenues	<u>584,595</u>	<u>699,455</u>	<u>263,505</u>	<u>1,547,555</u>	<u>1,211,226</u>
Net Assets Released From Restrictions	<u>700,712</u>	<u>(700,712)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenues and Reclassifications	<u>1,285,307</u>	<u>(1,257)</u>	<u>263,505</u>	<u>1,547,555</u>	<u>1,211,226</u>
Expenses					
Strategic Priorities					
Business Attraction and Expansion	125,018	-	-	125,018	104,620
Great Falls AgriTech Park	43,137	-	-	43,137	21,800
Great Falls Brand Development	50,572	-	-	50,572	4,285
Electric Transmission	4,411	-	-	4,411	-
Real Estate Investment Attraction	-	-	-	-	77,100
Great Falls Angel Network	6,381	-	-	6,381	-
Targeted Marketing	190,041	-	-	190,041	81,825
Workforce Development	1,201	-	-	1,201	86
Business Technical Assistance	265,989	-	-	265,989	187,125
Fundraising	35,277	-	-	35,277	30,243
Community and Investor Relations	70,129	-	-	70,129	36,415
Grants	29,326	-	-	29,326	63,717
Lending and Finance	377,440	-	-	377,440	282,476
Management and General	59,186	-	-	59,186	82,151
Total Expenses	<u>1,258,108</u>	<u>-</u>	<u>-</u>	<u>1,258,108</u>	<u>971,843</u>
Debt Forgiveness	-	-	-	-	380,126
Total Expenses and Debt Forgiveness	<u>1,258,108</u>	<u>-</u>	<u>-</u>	<u>1,258,108</u>	<u>1,351,969</u>
Change in Net Assets	27,199	(1,257)	263,505	289,447	(140,743)
Revolving Loan Fund Earnings in Excess of Expenses	(8,592)	-	8,592	-	-
Net Assets, Beginning of Year	<u>83,200</u>	<u>28,084</u>	<u>4,510,125</u>	<u>4,621,409</u>	<u>4,762,152</u>
Net Assets, End of Year	<u><u>\$ 101,807</u></u>	<u><u>\$ 26,827</u></u>	<u><u>\$ 4,782,222</u></u>	<u><u>\$ 4,910,856</u></u>	<u><u>\$ 4,621,409</u></u>

See accompanying notes to financial statements.

Great Falls Development Authority, Inc.
Statement of Cash Flows
For The Year Ended June 30, 2011
(With Comparative Totals For The Year Ended June 30, 2010)

	2011	2010
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 289,447	\$ (140,743)
Adjustments To Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities:		
Depreciation	14,410	16,354
(Increase) Decrease in Operating Assets:		
Pledges Receivable	-	(11,650)
Accounts Receivable	(42,033)	(141,698)
Prepaid Expenses	(10,798)	(8,568)
Due from High Plains Financial	(12,453)	
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	14,014	91,709
Deferred Revenues and Accrued Liabilities	54,936	37,351
Net Cash Provided (Used) By Operating Activities	307,523	(157,245)
Cash Flows From Investing Activities:		
Principal Payments Received on Notes Receivable	1,105,364	1,558,219
Loans Made To Third Parties	(973,450)	(1,055,247)
Purchase of Office Furniture and Equipment	(4,860)	(3,389)
Net Cash Provided By Investing Activities	127,054	499,583
Cash Flows From Financing Activities:		
Advances Received on Line of Credit	125,000	110,000
Payments Made on Line of Credit	(159,893)	(101,372)
Payments Made on Capital Lease	(3,146)	(2,678)
(Increase) Decrease in Cash Restricted For Loans and Grants	(385,461)	(340,877)
Net Cash Used By Financing Activities	(423,500)	(334,927)
Net Increase in Cash	11,077	7,411
Cash and Cash Equivalents, Beginning of Year	30,803	23,392
Cash and Cash Equivalents, End of Year	\$ 41,880	\$ 30,803
Supplemental Information:		
Interest Paid In Cash	\$ 4,317	\$ 11,034
Interest Received in Cash	\$ 266,524	\$ 291,478

See accompanying notes to financial statements.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: GREAT FALLS DEVELOPMENT AUTHORITY, INC.:

Great Falls Development Authority, Inc. (the "Authority") exists to (a) lead Great Falls economic development efforts to promote growth, diversification and the creation of high wage jobs; (b) promote, stimulate and effect economic development in Cascade County and the surrounding region; (c) cooperate with other organizations in the development of commerce and other economic activity within the State of Montana; (d) support the creation, expansion, retention and relocation of new and existing businesses and industries within the State of Montana; (e) forge alliances that strengthen workforce skills and recruit new workers to the Great Falls region; and, (f) attract investment to targeted distressed and designated growth areas of the City of Great Falls and Cascade County.

The Authority is a tax exempt organization as described under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from income taxes pursuant to the provisions of Section 501(a) of the Code. The Authority receives funding from the City of Great Falls, Cascade County and businesses and residents of the region. The Authority earns additional revenue through certain loan programs and the provisions of grants and program economic development services under contract with various public and non-profit agencies.

The Authority has been certified as a Community Development Financial Institution ("CDFI") by the U.S. Department of Treasury. As a CDFI the Authority assists businesses, real estate developers and non-profit organizations with business and project planning, growth and modernization plans, and in arranging financial assistance. The Authority operates several loan funds in conjunction with the Economic Development Administration, U.S. Department of Commerce, and the U.S. Environmental Protection Agency. The Authority operates a sub-center of the Montana Small Business Development ("SBDC") program under contract with the Montana Department of Commerce. The Montana SBDC program is part of the national SBDC program administered by the U.S. Small Business Administration. The Authority also operates a satellite center of the Montana Procurement Technical Assistance Center ("PTAC") program under a contract with Big Sky EDA. The Montana PTAC program is part of the national PTAC program administered by the U.S. Department of Defense.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- A. Basis of Financial Statement Presentation** – The accompanying financial statements of the Authority have been prepared on the accrual basis of accounting and have been prepared to focus on the Authority as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Unrestricted net assets represent those assets that the Authority may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Authority is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Authority pursuant to those stipulations.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

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JUNE 30, 2011

Permanently restricted net assets result from contributions and other inflows of assets whose use by the Authority is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Authority.

- B. **Use of Estimates** – The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates.
- C. **June 30, 2010 Financial Information** – The financial statements include certain prior-year summarized financial information. Such information does not include sufficient detail to constitute presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements as of and for the year ended June 30, 2010.
- D. **Cash and Cash Equivalents** – For purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit and money market accounts, all with original maturities of three months or less.
- E. **Promises to Give** – Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the condition(s) upon which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. An allowance for estimated uncollectible pledges and contributions receivable is provided based upon management's judgment, including such factors as prior collection history, the type of pledge or contribution and the nature of the fund-raising activity.

Contributions and pledges received are recorded as unrestricted, temporarily restricted or permanently restricted depending upon the existence and/or nature of donor imposed restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending upon the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

- F. **Accounts Receivable** – Accounts receivable include grants, contracts and other receivables and are reported at amounts management expects to collect on balances outstanding at year-end. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

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JUNE 30, 2011

experience and other factors which may affect the ability of debtors to meet their obligations to the Authority. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

- G. Loans Receivable** – Loans receivable are the result of the Authority's lending activities and are carried in the balance sheet at the amount management expects to collect on unpaid principal balances outstanding at year-end. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on past experience, known and inherent risks in the Authority's loan portfolio, adverse conditions that may affect the borrower's ability to repay, the estimated value of any underlying collateral, current economic conditions and other factors which may affect the ability of debtors to meet their obligations to the Authority. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to notes receivable. Interest income on notes receivable is recognized over the term of the notes and is calculated in accordance with the terms of the notes. Accrual of interest income is discontinued when management believes that, based upon current economic and business conditions and management's evaluations, the borrowers financial condition is such that collection of interest is doubtful. Interest income is subsequently recognized to the extent cash payments are received until such time as in management's judgment, the borrower's ability to make periodic interest and principal payments has been restored, in which case the loan is returned to accrual status.
- H. Furniture and Equipment** – Furniture and equipment are stated primarily at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Expenditures aggregating \$500 or more are capitalized and depreciated using the straight-line basis over the estimated useful lives of the respective assets ranging from five to ten years.
- I. Advertising** – The Authority uses advertising to promote its programs and activities. The production costs of advertising are expensed as incurred. Advertising costs totaled \$21,940 during 2011.
- J. Expense Allocations** – Expenses have been allocated amongst programs and/or services on the basis of actual benefit received and by estimates made by management.
- K. Income Tax Status** – The Authority is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Authority's tax returns for the years prior to 2008 are generally no longer subject to examination.
- L. Contributed Services and Materials** – Contributed services are reported in the financial statements for voluntary donations of services when those services: (1) create or enhance non-financial assets, or (2) require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation. Donated materials are recorded at their fair value at the date of the gift.