

**GREAT FALLS DEVELOPMENT AUTHORITY, INC.**

**GREAT FALLS, MONTANA**

**FINANCIAL STATEMENTS**

**AS OF**

**JUNE 30, 2012**

*(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)*

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***Douglas Wilson & Company, P.C.***

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**Douglas WILSON**  
and Company, PC

Board of Directors  
Great Falls Development Authority, Inc.  
Great Falls, Montana

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Dixie L. Swanson, CPA

### 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, 2012, and the related statements of activities 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 2011 financial statements and, in our report dated November 15, 2011, 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, 2012, 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 7, 2012, 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 an opinion on the 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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 7, 2012

**Great Falls Development Authority, Inc.**  
**Statement of Financial Position**  
**As of June 30, 2012**  
**(With Comparative Totals as of June 30, 2011)**

	<u>2012</u>	<u>Restated 2011</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 54,874	\$ 41,880
Cash Restricted For Loans and Grants	3,357,065	1,624,078
Accounts Receivable	72,219	118,692
Prepaid Expenses	-	19,846
Accrued Interest Receivable	13,894	-
Due From High Plains Financial	81	12,453
Current Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$15,000 in 2012 and 2011)	323,297	1,184,045
Total Current Assets	<u>3,821,430</u>	<u>3,000,994</u>
Furniture and Equipment, Net	<u>23,445</u>	<u>24,734</u>
Noncurrent Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$470,100 in 2012 and \$220,100 in 2011)	<u>2,730,783</u>	<u>2,167,535</u>
Total Assets	<u><b>\$ 6,575,658</b></u>	<u><b>\$ 5,193,263</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts Payable	\$ 234,433	\$ 70,867
Accrued Liabilities	69,492	67,698
Funds Held in Trust	1,000	-
Deferred Grant Revenues	322,500	-
Notes Payable - Lines-of-Credit	272,535	75,000
Current Portion of Obligation Under Capital Lease	253	2,692
Total Current Liabilities	<u>900,213</u>	<u>216,257</u>
Long-Term Liabilities		
Note Payable, Net of Current Portion	<u>250,000</u>	<u>-</u>
Net Assets		
Unrestricted Net Assets	(243,591)	167,957
Temporarily Restricted Net Assets	1,070,177	26,827
Permanently Restricted Net Assets	4,598,859	4,782,222
	<u>5,425,445</u>	<u>4,977,006</u>
Total Net Assets	<u><b>\$ 6,575,658</b></u>	<u><b>\$ 5,193,263</b></u>

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, 2012**  
**(With Comparative Totals For The Year Ended June 30, 2011)**

	2012			Total	Restated 2011
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues					
Private Support	\$ 288,462	\$ -	\$ -	\$ 288,462	\$ 409,595
Public Support	100,000	-	-	100,000	175,000
Total Support	<u>388,462</u>	<u>-</u>	<u>-</u>	<u>388,462</u>	<u>584,595</u>
Grants	-	1,936,732	70,000	2,006,732	138,765
Contracts and Program Revenues	-	131,348	-	131,348	446,610
Expense Reimbursements	-	-	-	-	1,821
Interest	12	267,061	-	267,073	266,535
Fees and Miscellaneous Income	72,659	14,134	-	86,793	109,229
Total Support and Revenues	<u>461,133</u>	<u>2,349,275</u>	<u>70,000</u>	<u>2,880,408</u>	<u>1,547,555</u>
Net Assets Released					
From Restrictions	<u>1,305,925</u>	<u>(1,305,925)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenues and Reclassifications	<u>1,767,058</u>	<u>1,043,350</u>	<u>70,000</u>	<u>2,880,408</u>	<u>1,547,555</u>
Expenses					
Strategic Priorities					
Business Attraction and Expansion	99,655	-	-	99,655	125,018
Great Falls AgriTech Park	111,209	-	-	111,209	43,137
Great Falls Brand Development	50,872	-	-	50,872	50,572
Electric Transmission	-	-	-	-	4,411
Great Falls Angel Network	340	-	-	340	6,381
Targeted Marketing	223,370	-	-	223,370	190,041
Workforce Development	-	-	-	-	1,201
Business Technical Assistance	213,696	-	-	213,696	265,989
Fundraising	128,594	-	-	128,594	35,277
Community and Investor Relations	-	-	-	-	70,129
Grants	803,362	-	-	803,362	29,326
Lending and Finance	669,226	-	-	669,226	377,440
Management and General	131,645	-	-	131,645	59,186
Total Expenses	<u>2,431,969</u>	<u>-</u>	<u>-</u>	<u>2,431,969</u>	<u>1,258,108</u>
Change in Net Assets	<u>(664,911)</u>	<u>1,043,350</u>	<u>70,000</u>	<u>448,439</u>	<u>289,447</u>
Revolving Loan Fund Earnings in Excess of Expenses	<u>253,363</u>	<u>-</u>	<u>(253,363)</u>	<u>-</u>	<u>-</u>
Net Assets, Beginning of Year As Previously Stated	167,957	26,827	4,782,222	4,977,006	4,621,409
Prior Year Restatement	-	-	-	-	66,150
Net Assets, Beginning of Year As Restated	<u>167,957</u>	<u>26,827</u>	<u>4,782,222</u>	<u>4,977,006</u>	<u>4,687,559</u>
Net Assets, End of Year	<u><u>\$ (243,591)</u></u>	<u><u>\$ 1,070,177</u></u>	<u><u>\$ 4,598,859</u></u>	<u><u>\$ 5,425,445</u></u>	<u><u>\$ 4,977,006</u></u>

See accompanying notes to financial statements.

**Great Falls Development Authority, Inc.**  
**Statement of Cash Flows**  
**For The Year Ended June 30, 2012**  
**(With Comparative Totals For The Year Ended June 30, 2011)**

	<u>2012</u>	<u>Restated 2011</u>
<b>Cash Flows From Operating Activities:</b>		
Change in Net Assets	\$ 448,439	\$ 289,447
Adjustments To Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities:		
Prior Year Restatement	-	66,150
Grants and Contracts Restricted for Long Term Purposes	(70,000)	(263,505)
Provision for Loan Losses	250,000	-
Depreciation	14,523	14,410
(Increase) Decrease in Operating Assets:		
Accounts Receivable	46,473	(42,033)
Prepaid Expenses	19,846	(10,798)
Accrued Interest Receivable	(13,894)	-
Due from High Plains Financial	12,372	(12,453)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	163,566	14,014
Accrued Liabilities	1,794	(66,150)
Funds Held in Trust	1,000	-
Deferred Grant Revenues	322,500	54,936
Net Cash Provided (Used) By Operating Activities	<u>1,196,619</u>	<u>44,018</u>
<b>Cash Flows From Investing Activities:</b>		
Principal Payments Received on Notes Receivable	1,202,000	1,105,364
Loans Made To Third Parties	(1,154,500)	(973,450)
Purchase of Office Furniture and Equipment	(13,234)	(4,860)
Net Cash Provided By Investing Activities	<u>34,266</u>	<u>127,054</u>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from Grants and Contracts		
Restricted for Long Term Purposes	70,000	263,505
Advances Received on Lines-of-Credit	197,535	125,000
Advances Received on Long-Term Note Payable	250,000	-
Payments Made on Lines-of-Credit	-	(159,893)
Payments Made on Capital Lease	(2,439)	(3,146)
(Increase) Decrease in Cash Restricted For Loans and Grants	(1,732,987)	(385,461)
Net Cash Used By Financing Activities	<u>(1,217,891)</u>	<u>(159,995)</u>
Net Increase in Cash	12,994	11,077
Cash and Cash Equivalents, Beginning of Year	41,880	30,803
Cash and Cash Equivalents, End of Year	<u>\$ 54,874</u>	<u>\$ 41,880</u>
<b>Supplemental Information:</b>		
Interest Paid In Cash	<u>\$ 7,602</u>	<u>\$ 4,317</u>
Interest Received in Cash	<u>\$ 253,179</u>	<u>\$ 266,524</u>

See accompanying notes to financial statements.

**GREAT FALLS DEVELOPMENT AUTHORITY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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**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, the U.S. Department of Commerce, the U.S. Environmental Protection Agency, the Montana Board of Investments, the Montana Department of Commerce, the City of Great Falls and Cascade County. 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

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*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, 2011 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, 2011.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

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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 borrower's 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 and to market the Great Falls region. The production costs of advertising are expensed as incurred. Advertising costs totaled \$29,148 during 2012.
- 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 2009 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.