DOLLARS INTO DIFFERENCE®

MONTANACDC

ANNUAL REPORT 2013

MONTANA CDC'S MISSION IS TO PROVIDE FINANCING AND CONSULTING SERVICES THAT TRANSFORM THE LIVES OF INDIVIDUALS AND STRENGTHEN COMMUNITY PROSPERITY.

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FRIENDS OF MONTANA CDC,

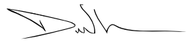
Throughout 2013, we worked with a number of outstanding clients who were starting or expanding businesses. They came from all sectors, but we saw over and over that they had one thing in common—the passion and drive to succeed. In this report, you'll get to learn some of their stories and see how, with a little support from Montana CDC, they're pursuing their dreams.

Outstanding clients were just a part of the story. We also had amazing and generous supporters that gave us the funds to make sure the clients had access to the loans and consulting they needed. In this report, you'll get to meet one of those donors whose generosity over the years has funded many small businesses.

In our history, we've always worked with individual business owners. In 2013, we expanded on that strategy by funding community facilities. These loans directly affect thousands of low-income families, significantly expanding the impact of our lending and changing those communities forever. Two of those facilities are highlighted in this report.

In 2013, we also adopted a new three-year strategic plan and will continue to look for opportunities to extend our impact in ways that fully support our mission and address the needs of the communities we serve. We will also be adding new products and expanding our geographic reach. Achieving this plan will take many hands: those of our board and staff, our donors and investors, and of course, the people in the communities we serve who are creating opportunity one business at a time.

Thank you for your continued support.



Dave Glaser, President

"MONTANA CDC IS DOING EXACTLY WHAT I WANT TO DO—GIVING A LEG UP TO PEOPLE WHO WOULDN'T HAVE HAD IT OTHERWISE. THE CLIENTS THAT MONTANA CDC HELPS ARE ENERGIZING THEIR COMMUNITIES."

MARY STRANAHAN

DONOR HIGHLIGHT

Mary Stranahan's $1.3 million contribution to Montana CDC in 2007 was the largest in the organization's history. It was Mary's first donation to Montana CDC and the second largest donation she had ever made. Mary chose to support Montana CDC and join the board in order to have an impact on the local and regional economy. "I'm committed to making this a more successful and dynamic region. Montana CDC gives me the ability to see my dollars at work in our communities." She was also excited about the potential for leveraging other dollars with her gift.

Mary moved to St. Ignatius, Montana, in 1981 and worked as a family physician in the town of about 850. The community's poverty rate hovers around 29%, and Mary worked with many patients who struggled to get basic medical care for themselves and their families. Then, a private company in the area started to grow and provide jobs for low-income workers.

FOR EVERY DONATED DOLLAR, MONTANA CDC MATCHES IT WITH

$11

IN OTHER DEBT & EQUITY

"Having a good job gave people more self-confidence and economic stability. I saw first-hand how economic opportunity for low-income people resulted in happier, healthier families and communities."

Mary is no stranger to philanthropy. She grew up in a family that encouraged her to be generous with both her time and money. Rural economic development is one of Mary's philanthropic priorities. In addition to her financial support, Mary has helped Montana CDC work toward its mission through her six years as a board member. Though her term is coming to an end next year, Mary intends to continue supporting Montana CDC.

"Montana CDC is going to continue to grow and serve the economic needs of the region, providing jobs and opportunities that will make a real difference. That is something I want to be a part of long term."

28

LOANS TO RURAL BUSINESSES

"I'M ALWAYS LOOKING FOR A CHALLENGE, AND EVERY DAY, THERE'S SOMETHING NEW TO LEARN IN THE BUSINESS WORLD. I LOVE BEING MY OWN BOSS."

– Brad Bernhart

EARLYWOOD

RED LODGE, MT

Brad Bernhart of Red Lodge, Montana, dreamed of turning his side business of producing handcrafted, hardwood kitchen utensils into his full-time job. The banks kept telling him he needed to keep his day job as an engineer, but he knew his passion was woodworking. Montana CDC saw Brad's drive and the work he put into his business strategy and gave him a loan. Now Brad is his own boss, doing the thing that makes him happiest full time.

"WE BASED OUR MISSION ON WHAT WE'D WANT FOR OUR OWN CHILDREN—GREAT EDUCATION, QUALITY LOCAL FOOD, AND CLIENT-FRIENDLY ECONOMIC POLICIES. WE REALLY LOVE WHAT WE DO."

– Katie Watterson

SUNFLOWER MONTESSORI

MISSOULA, MT

In 2007, Katie Watterson and Correy Harrison launched Sunflower Montessori with 10 kids, organic, home-cooked food, a nurturing curriculum, and a bright, homey space—just the kind of place they'd send their own kids. Families lined up, and Katie and Correy quickly needed more space. But without equity, they couldn't make a down payment on a second building. Montana CDC saw the success of the business and the demand for its services and gave Sunflower a loan. Today, 150 kids and 40 employees come through the doors every day.

21

LOANS TO WOMEN-OWNED BUSINESSES

OVER

$5M

IN LOANS TO BUSINESSES

"THIS IS AN EXCITING AND FAST-GROWING INDUSTRY. WE'RE PROUD THAT WE'VE CARVED OUR OWN NICHE, BUT JUST AS IMPORTANTLY, WE'RE BUILDING A BUSINESS THAT ADDS VALUE TO OUR COMMUNITY."

– John and Courtney McKee

HEADFRAME SPIRITS

BUTTE, MT

An uncertain job market inspired John and Courtney McKee to start a distillery in historic uptown Butte in 2010. By 2013, the McKees were ready to expand into consulting, co-packaing and manufacturing distilling equipment but didn't have enough collateral for a loan with their bank. Montana CDC gave them a loan to get the space and equipment they needed. Now, John and Courtney have created a strong industry foothold, and they're proud to be bringing jobs back to their beloved hometown.

"WE ARE GRATEFUL TO HAVE RECEIVED NEW MARKETS TAX CREDIT FINANCING. WE ARE ALREADY SEEING THE POSITIVE ENERGY THE AQUATIC CENTER BRINGS TO OUR COMMUNITY."

– Tana Seeley, MVA Project Director

MISSION VALLEY AQUATICS

POLSON, MT

Tana Seeley knew her lakeside town of Polson, Montana, needed a place to teach kids to swim and learn water safety. Even though no one thought it could be done, she started planning and fundraising—building the pool in stages as donations allowed. Montana CDC saw both the far-reaching impacts and the catalytic effect that the project would have on the community on the Flathead Reservation, and provided direct loans as well as New Markets Tax Credit financing. Mission Valley Aquatics opened in summer 2013, bringing year-round swimming lessons, recreational swimming, and innovative therapy programs to the community.

$45.7M

INTO DISTRESSED COMMUNITIES USING NEW MARKETS TAX CREDITS

POVERELLO CENTER

MISSOULA, MT

The Poverello Center, Missoula's only emergency homeless shelter, faced a critical need. Most nights, families and individuals were turned away as all 70 beds were filled, with up to 20 more people sleeping on blankets and towels in the cafeteria, offices, and hallways of the aged building. Returning veterans also needed special separate space and programs. With a combination of donor support, grants, loans from Montana CDC and US Bank, and New Markets Tax Credit financing, the doors to the new Poverello Center will be open in January 2015 —providing those in need a warm meal and a safe place to spend the night.

176K

SQ FT CONSTRUCTED OR REHABBED

TARGHEE PROFESSIONAL OFFICES

REXBURG, ID

Rexburg, Idaho, is a young town. When the local two-year college became a four-year college, nearly 70% of the town was under the age of 24. While that made for a vibrant and energetic community, it also strained critical services, like healthcare for women and children. Targhee Professional Offices, supported by Montana CDC's New Markets Tax Credit program, is the catalytic project of Rexburg's plan to build a medical corridor to meet the needs of area families. The new building will house family practice, dentistry, and more, bringing plenty of doctors to keep the population healthy.

2013: A YEAR OF

SIGNIFICANT IMPACT

In 2013, Montana CDC created even greater impacts for low-income communities and minorities by funding community facilities as well as entrepreneurs. From loans that change the lives of individuals to loans that affect thousands, we continue to seek innovative ways to make a difference across Montana and Idaho.

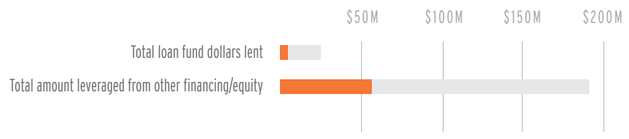
3 COMMUNITY FACILITIES FINANCED SERVING

12,660

LOW-INCOME PEOPLE

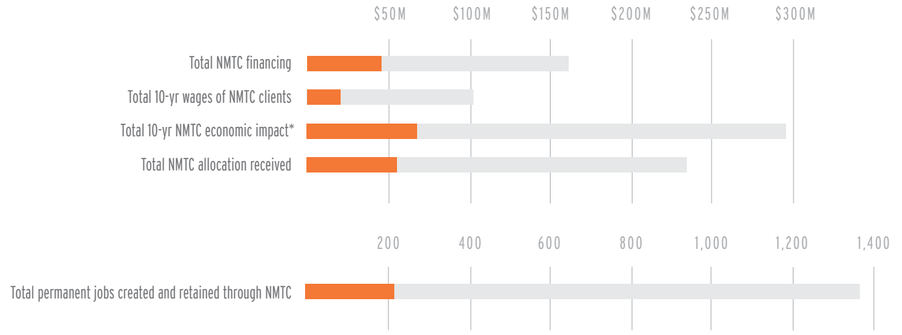
REVOLVING LOAN FUND IMPACTS

2013 5 YEAR AGGREGATE



NEW MARKETS TAX CREDIT IMPACTS

2013 5 YEAR AGGREGATE



Includes direct and indirect figures.

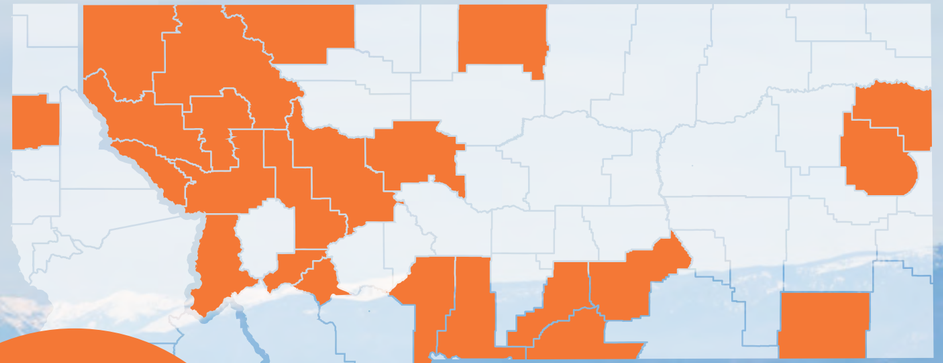
CONSULTING IMPACTS

212
Jobs created & retained through consulting in 2013

945
Clients counseled in 2013

1,038
Attendees at business trainings in 2013

COMMUNITIES WITH LOANS AND NMTC PROJECTS IN THE LAST 5 YEARS



HERE AND

GROWING

In 2013, we broadened our reach to provide much-needed products and services to more communities throughout Montana and Idaho. But there is still so much more that we can do. In the years to come, we will continue to expand our reach with new products in new places so that more communities can turn dollars into real difference.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*

ASSETS	FY13
CURRENT ASSETS	
Cash and cash equivalents	10,661,052
Receivables	328,447
Pledges receivable	83,000
Loans receivable	4,011,487
Allowance for loan losses	(381,123)
Prepaid expenses	10,000
Total current assets	$ 14,712,863
NONCURRENT ASSETS	
Investment in limited liability companies	17,533
Pledges receivable, net of current portion	120,000
Loans receivable, net of current portion	12,571,816
Allowance for loan losses, net of current portion	(1,367,644)
Property and Equipment (net of accumulated depreciation of $236,672)	1,771,388
Asset held for sale	131,926
Total noncurrent assets	$ 13,245,019
Total assets	$ 27,957,882

LIABILITIES AND NET ASSETS	FY13
CURRENT LIABILITIES	
Accounts payable	233,704
Accrued liabilities	105,324
Due to other agencies	559,362
Current portion of long-term debt	1,712,025
Total current liabilities	$ 2,610,415
LONG-TERM LIABILITIES	
Advance	18,799
Long-term debt, net of current portion	10,616,260
Total liabilities	$ 13,245,474
NET ASSETS	
Unrestricted	
Designated for lending	8,758,175
Undesignated	3,245,987
Noncontrolling interests in TMF	50,534
Total unrestricted net assets	$ 12,054,696
Temporarily restricted funds	2,567,359
Permanently restricted for lending	90,353
Total net assets	$ 14,712,408
Total liabilities and net assets	$ 27,957,882

STATEMENT OF ACTIVITIES*

SUPPORT AND REVENUES	FY13
Grants and contracts	
Federal and State	1,613,375
Private	187,473
Contributions	279,000
Total Grants	$ 2,079,848
Interest earnings	1,069,656
Revenue participation	-
Loan fees	119,366
NMTC fees	2,480,515
Other	7,662
Total support and revenues	$ 5,757,047
EXPENSES	
Program services	
Business loans	2,167,779
Business consulting	437,262
Administration	1,129,742
Total expenses	$ 3,734,783
Consolidated change in net assets	$ 2,022,264

** The Statement of Activities and Consolidated Financial Position presented as of December 31, 2013 were audited by CohnReznick LLP. These have been derived from the complete financial statements. They are available upon request from Luke Franson, CFO, Montana CDC, 229 E. Main St. Missoula, MT 59802*

LOAN FUND CONTRIBUTORS AND INVESTORS

Anonymous
Betty Miller
Bruce and Nancy Bugbee
Calvert Social Investment Foundation
Clients of Trillium Asset Management Corporation
David and Sandra Burner Charitable Trust
Engelhard Foundation
First Interstate Bank
First Nation Oweesta Corporation
Goldman Sachs Foundation
Goldman Sachs Urban Investment Group
Harry and Cindy Poett
High Stakes Foundation
Marian Coulter
Montana Board of Investments
Montana Childcare Resource & Referral Network
Montana Department of Commerce/Microfinance Program
Montana State Small Business Credit Initiative
Opportunity Finance Network
Pat and Nina Brock
Red Rooster
Sandra Roe and the late John Roe
Sisters of St. Dominic
Starbucks/OFN Create Jobs for USA
Starbucks/OFN Vote.Give.Grow
Susan Fenton Kubiak and Mark Kubiak
Suzanna J. McDougal Revocable Living Trust
Suzanna McDougal
The Dennis and Phyllis Washington Foundation
Tom and Mary McMakin
US Administration for Children and Families - Community Economic Development Program
US Bancorp CDC
US Small Business Administration Microloan Fund
US Treasury CDFI Fund
US Treasury Small Business Lending Fund
USDA Rural Development Intermediary Relending Program
USDA Rural Micro Assistance Program
W. K. Kellogg Foundation
Wayne Chamberlain and Betsy Grimley
Wells Fargo

MONTANA CDC MISSION CONTRIBUTORS

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Farmers State Bank
First Security Bank of Missoula
Goldman Sachs Foundation
MJ Murdock Charitable Trust
Montana Department of Commerce SBDC Program - Small Business Administration
Montana Department of Labor Incumbent Worker Training
Montana Procurement Technical Assistance Center (PTAC) - US Department of Defense
Nick and Mary Babson
Stockman Bank
Stranahan Foundation
US Administration for Children and Families - Community Economic Development Program
US Small Business Administration
US Treasury CDFI Fund
USDA RMAP Program
Wells Fargo NA
Wells Fargo NEXT Award for Opportunity Finance Network

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Bradley Colberg, *First Interstate Bank*
Jason Erickson, *Treasure State Bank*
Pri Fernando, *US Bank*
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Tod Petersen, *Wells Fargo Bank*
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Hale Williams, *Retired Businessperson*
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The Poverello Center progress in Missoula, MT

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