ANNUAL REPORT 2013
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
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.

“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 this region, providing jobs and opportunities that will make a real difference. That is something I want to be a part of long term.”
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.
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.
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-packaging 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.

"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
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.
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.

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.

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.
Number of loans
Number of businesses financed
New business starts
Number of loans to low-income people
Number of loans to low-income places
Number of loans to women business owners
Number of loans to rural businesses
Number of loans to minorities
Jobs created and retained

Number of loans
Number of businesses financed
New business starts
Number of loans to low-income people
Number of loans to low-income places
Number of loans to women business owners
Number of loans to rural businesses
Number of loans to minorities
Jobs created and retained

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

CONSULTING IMPACTS

212
Jobs created & retained
through consulting in 2013

945
Clients counseled in 2013

1,038
Attendees at business trainings in 2013

Clients counseled in 2013

212
Jobs created & retained
through consulting in 2013

945
Clients counseled in 2013

1,038
Attendees at business trainings in 2013

Total loan fund dollars lent
Total amount leveraged from other financing/equity

$50M $100M $150M $200M $250M

200 400 600 800 1,000 1,200 1,400

Total NMTC financing
Total 10-yr wages of NMTC clients
Total 10-yr NMTC economic impact
Total NMTC allocation received

Total permanent jobs created and retained through NMTC

*Includes direct and indirect figures.
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>10,881,092</td>
</tr>
<tr>
<td>Receivables</td>
<td>329,447</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>85,000</td>
</tr>
<tr>
<td>Less: receivables</td>
<td>4,651,601</td>
</tr>
<tr>
<td>Allowance for loan losses</td>
<td>(381,123)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>$14,712,863</strong></td>
</tr>
<tr>
<td><strong>INVESTMENT ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Investments in limited liability companies</td>
<td>17,533</td>
</tr>
<tr>
<td>Pledges receivable, net of current portion</td>
<td>135,000</td>
</tr>
<tr>
<td>Loans receivable, net of current portion</td>
<td>12,571,816</td>
</tr>
<tr>
<td>Allowance for loan losses, net of current portion</td>
<td>(1,367,644)</td>
</tr>
<tr>
<td>Property and Equipment (net of accumulated depreciation of $236,672)</td>
<td>1,771,388</td>
</tr>
<tr>
<td>Asset held for sale</td>
<td>131,926</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td><strong>$13,245,019</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$27,957,882</strong></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>233,704</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>105,324</td>
</tr>
<tr>
<td>Due to other agencies</td>
<td>559,362</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>1,712,025</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>$2,610,415</strong></td>
</tr>
<tr>
<td><strong>NONCURRENT LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Advance</td>
<td>18,799</td>
</tr>
<tr>
<td>Long-term debt, net of current portion</td>
<td>10,616,260</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$13,245,474</strong></td>
</tr>
<tr>
<td><strong>UNRESTRICTED NET ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Designated for lending</td>
<td>8,758,175</td>
</tr>
<tr>
<td>Undesignated</td>
<td>3,245,987</td>
</tr>
<tr>
<td>Noncontrolling interests in TMF</td>
<td>50,534</td>
</tr>
<tr>
<td><strong>Total unrestricted net assets</strong></td>
<td><strong>$12,054,696</strong></td>
</tr>
<tr>
<td><strong>TEMPORARILY RESTRICTED FUNDS</strong></td>
<td></td>
</tr>
<tr>
<td>For lending</td>
<td>2,567,359</td>
</tr>
<tr>
<td>For lending</td>
<td>90,353</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>$14,712,408</strong></td>
</tr>
</tbody>
</table>
| **CONSOLIDATED CHANGE IN NET ASSETS** | **$2,022,264**

**STATEMENT OF ACTIVITIES**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
</tr>
<tr>
<td>Grants and contracts</td>
<td></td>
</tr>
<tr>
<td>Federal and State</td>
<td>1,613,375</td>
</tr>
<tr>
<td>Private</td>
<td>101,415</td>
</tr>
<tr>
<td>Contributions</td>
<td>270,818</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>$2,085,608</strong></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td></td>
</tr>
<tr>
<td>Business loans</td>
<td>2,167,779</td>
</tr>
<tr>
<td>Business consulting</td>
<td>431,232</td>
</tr>
<tr>
<td>Administration</td>
<td>1,129,295</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$3,734,306</strong></td>
</tr>
</tbody>
</table>
| **CONSOLIDATED CHANGE IN NET ASSETS** | **$2,022,264**

In 2013, we broadened our reach to provide much-needed products and services to more communities throughout Montana and Idaho. 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.
SINCE 1986 MONTANA CDC HAS LENT OVER $213M TO OVER 475 BUSINESSES CONTRIBUTING TO OVER 2,800 JOBS CREATED OR RETAINED

LEAD FUND CONTRIBUTORS AND INVESTORS
Anonymous
Betty Miller
Bruce and Nancy Bugbee
Calvert Social Investment Foundation
Covius of Trillium Asset Management Corporation
David and Sandra Berlin Charitable Trust
Englebardt Foundation
First Interstate Bank
First Nation Diversia Corporation
Goldman Sachs Foundation
Goldman Sachs Urban Investment Group
Harry and Cindy Poett
High Stakes Foundation
Marven Coulter
Montana Board of Investments
Montana Childcare Resource & Referral Network
Montana Department of Commerce/Microfinance Program
Montana Department of Commerce SBDC Program - Small Business Administration
Montana Department of Labor Incumbent Worker Training
Montana Procurement Technical Assistance Center (PTAC)
Montana State Small Business Credit Initiative
National American Indian Business Leaders
Nick Babson
Pat and Nina Brock
Red Rooster
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 Small Business Administration
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 Chandler and Betty Greinley
Wells Fargo

MONTANA CDC MISSION CONTRIBUTORS
Bank of America
Dataprise, MacDonald & Lind, PC
Farmers State Bank
First Security Bank of Missoula
Goldman Sachs Foundation
J&M McKnight Charitable Trust
Montana Department of Commerce/SBCD Program - Small Business Administration
Montana Department of Labor Incumbent Worker Training
Montana Procurement Technical Assistance Center (PTAC)
US Department of Defense
Wells Fargo

MONTANA CDC BOARD OF DIRECTORS
Nick Babson, Chairperson, NCB Ventures, LLC
Nick Hageman Miller, Vice Chairperson, Managing Director, Brennan & Co. Design Studio
Craig Borgenheier, Treasurer, US Bank
Dave Glaser, Secretary, President, Montana CDC
Mary Stranahan, Director, Founder and President, Montana Goodworks Ventures, LLC

LEAD INVESTORS
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 Chandler and Betty Greinley
Wells Fargo

MONTANA CDC AD HOC LOAN COMMITTEE
Tim Christiansen, Mentor and Entrepreneur
Bradley Colberg, First Interstate Bank
Jason Erickson, Treasurer State Bank
Pete Fernandez, LIF Bank
Dave Glaser, Montana CDC
Kim Green, First Security Bank of Missoula
Dawn Madsen, Good Works Ventures, LLC
Kris McKnight, Six Paws Public
Tim McMullan, Profitable Aba Exchange
Nick Hageman Miller, Brennan & Co. Design Studio
Sara Smith, A1S Corp
Haili Williams, Retired Businesswoman
Travis Wright, St. Ignatius Bank

LEAD ADVISORY COMMITTEES
Craig Bergenheier, Treasurer, Big Sky Brewing
Tom McMullan, Secretary, Chief Executive Officer, Profitable IS Exchange
Tina Begay, Director, Business Institute, Salish Kootenai College
Lucy, National American Indian Business Leaders
Bruce Bugbee, Director, Founder and President, American Public Land Exchange Company
Tim Christiansen, Mentor and Entrepreneur
Pete Fernandez, Manager, US Bank
Dave Glaser, Director, Montana CDC
Kim Green, Commercial Loan Officer, First Security Bank of Missoula
Mary Stranahan, Director, Founder, High Stakes Foundation and Montana Goodworks Ventures, LLC

 since 1986 Montana CDC has lent over $213M to over 475 businesses contributing to over 2,800 jobs created or retained

LoE
The Poverello Center progress in Missoula, MT