

**EDA/EDC – Joint Board Meeting
November 12, 2020
7:00 A.M. to 9:00 A.M.
Zoom Meeting Only**

BIG SKY ED Mission Statement: - Focused on sustaining and growing our region's vibrant economy and outstanding quality of life, **Big Sky Economic Development** provides leadership and resources for business creation, expansion, retention, new business recruitment and community development.

Agenda items may be rearranged unless an item is listed as having a "time certain". Action may be taken on any item listed on the Board Agenda.

7:00 A.M. Call to Order/Pledge of Allegiance/Roll Call -- Robin Rude, EDA Chair

7:02 A.M. Public Comment/Recognitions/Special Announcements and Introductions

- Meeting Protocols—Update—Austin
- Introductions—Dr. Stefani Hicswa, Incoming Chancellor, MSUB

7:10 A.M. Changes to Today's Agenda

7:10 A.M. Section I – Consent Agenda

- Oct. 2020 Board Meeting Minutes
- September 2020 EDA and EDC Financials

(EDA/EDC Action)

(Attachment 1)

(Attachment 2)

7:15 A.M. FY 2020 Audit(s) Review—Shanna and AZ

(Attachment 3)

(EDA Action/EDC Action)

7:35 A.M. Section II – Executive Director's Report

- Staffing Assignments/ReOrg Update
- FY 2021 Salary Adjustment Reconsideration
- December Board Meeting—Board Roundtable/Industry Updates

(Attachment 1)

(Info)

(Info) (Board Confirmation)

(Info)

7:45 A.M. Board Dialogue

- BSED Statement of Practice—Diversity and Inclusion
 - Committee Recommendation to Executive Director—Judi Powers
- Organizational Marketing—Annual Mtg. Recap and Input—Marcell

(Info)

(Attachment 2) (Info)

(Info)

8:05 A.M. Section III – Program Director Reports

- Community Development
 - TEDD Update—Thom (Info)
 - Coulson Park Update—Patrick (Presentation/Handout) (Info)
- Big Sky Finance--Brandon
 - Annual Portfolio Review (Attachment 1) (Info)
 - Staffing Needs Update (Info)
 - Management Services Agreement Update (Attachment 2)
- Operations—Becky
 - EDA Bd Appointment--Recommendations to the Bd and Yellowstone County-Steve L. and Becky (Handout) (EDA Action)
 - Big Sky to Sky Point Project (Future Facilities) Update –Becky (Info)
- BSED Covid-19 Response Update
 - Economic Response and Recovery Next Steps—Thom/Steve A. (Info)
 - FYI--Dec. 10th Progress Report to the Community
 - EDA/RLF Grant Application Status—Brandon (Info)
- Legislative Priorities Update/Partner Priorities Review—Allison and Austin (Attachment 3) (Info)

9:00 A.M. Adjourn

Next EDA/EDC Board Meeting December 10, 2020. *Big Sky Economic Development Board of Directors will make reasonable accommodations for known disabilities that may interfere with an individual's ability to participate. Persons requiring such accommodations should make their requests to Big Sky Economic Development as soon as possible before the meeting day. Please call Big Sky ED at 256-6871.*



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

Section I

ATTACHMENT 1



EDA · EDC CREATING MONTANA BUSINESS OPPORTUNITIES

EDA/EDC Joint Board Minutes
Thursday, October 8th, 2020 – 7:00 A.M. – 9:00 A.M.
Zoom Teleconference

BIG SKY ED Mission Statement: - Focused on sustaining and growing our region's vibrant economy and outstanding quality of life, **Big Sky Economic Development** provides leadership and resources for business creation, expansion, retention, new business recruitment and community development.

EDA Board Members Present: Bryce Terpstra, Dana Pulis, George Warmer, Ken Lutton, Riley Bennett, Robin Rude, Jennifer Smith, Jennifer Owen, Judi Powers, Don Jones (Ex-Officio), Greg Upham (Ex-Officio), John Brewer (Ex-Officio), Shaun Brown (Ex-Officio) Nick Altonaga (Ex-Officio), Katy Easton (Ex-Officio),

EDA Board Members Absent: Greg McDonald, Paul Neutgens,

EDC Board Members Present: Aaron Ramage, Andy Gott, Ann Kosempa, Bob Wilmouth, Craig Bartholomew, Denis Pitman, Eric Simonsen, Jon Stepanek, Kim Jakub, Mac Fogelsong, Mitch Goplen, Mike Nelson, Mike Seppala, Mike Phillips, Nicole Benge, Scott Chesarek, Spencer Frederick

EDC Board Members Absent: Dave Ballard, Steve Loveless

Staff and Guests: Steve Arveschoug, Brandon Berger, Shanna Zier, Dustin Frost, Becky Rogers, Austin Trunkle, Lorene Hintz, Marcell Bruski, Jo Ann Jones, Thom MacLean, Melanie Schwarz, Sherry O'Donnell, Deanna Langman, Allison Corbyn, Dianne Lehm, Patrick Klugman, Kevin Scharfe

Call to Order:

Robin Rude, EDA Chair, called the meeting to order at 7:01 A.M. with the pledge of allegiance.

Public Comment/Recognitions/Special Announcements and Introductions:

Public Comment

Marcell began with an annual meeting update. Due to the uptick in cases, we have decided to host our meeting on a virtual platform. Our video will not debut as planned at the Babcock. Marcell told the Board to stay tuned for more details.

Steve added by sharing his thoughts about the rising cases and a renewed push towards social distancing and remote work. John Brewer offered his support of meeting virtually in an effort to reduce cases and keep our small businesses open.

Agenda Changes:

None

Consent Agenda

Approval of September 10th Board Meeting Minutes and Approval of the August Financials

Motion: Andy Gott to approve the September Board Meeting Minutes and August Financials, as presented to the Board.

Second: Judi Powers

Discussion: None

Motion carried

Executive Directors' Report – Steve

Ad Hoc Legislative Committee Report –Legislative Priorities

Steve began by addressing the Ad Hoc Legislative Committee recommendations. Steve walked through the document which is broken out into sections titled: items for immediate considerations, items for current and future consideration, and other items to watch.

We anticipate this session to be very different than a regular year with the pandemic still looming over the country. Steve listed what items we will be advocating for as they relate to economic recovery and future growth. Steve also addressed Medicaid funding and the vital role that plays in our community. Another item was supporting MSUB with infrastructure improvements and their leadership transition. Steve also mentioned the need to protect TIF laws which are vital tools for downtown redevelopment and our Lockwood TEDD project.

Steve then moved into the section about current and future considerations. One of the items that includes is supporting the reorganization of state economic development strategies. Other items include a statewide talent and recruitment strategy, supporting efforts that encourage venture capital investment, and identifying unique, dedicated revenue sources for economic development tools.

Finally, the other item to watch is to exempt military pension benefits from Montana income tax.

Steve asked the Board to concur with the Executive Committee to adopt these priorities.

Motion: Mike Phillips to approve the 2020-21 Legislative Priorities as preliminary subject to review of MEDA and other partner legislative priorities, as presented to the Board.

Second: Ann Kosempa

Discussion: None

Motion carried

MEDA Next Generation Project

Steve then went on to remind the Board of the work MEDA and the Montana Chamber of Commerce undertook with the Next Generation of Community and Economic Development Tools Analysis. The MEDA Board has adopted the final report and will use the findings as a platform for future discussions related to new tools, concepts, and strategies. Steve asked the Board to endorse the plan.

Motion: Mike Seppala to endorse the MEDA Next Gen Plan, as presented to the Board.

Second: Ken Lutton

Discussion: None

Motion carried

I-190 and CI-118 Legalizing Marijuana in Montana

Steve then brought to the Board the consideration of taking a position regarding the legalization of recreational marijuana. Mike Seppala believes the Board ought to come out in opposition to this proposed legislation. Ken and Riley added their thoughts and agreed with Mike's statement. Robin then asked how we would move forward with

that position. Steve proposed that we issue a statement on the issue and put it forth to the Board over the coming days. Steve will email out a statement next week.

Staffing Update

Steve concluded his report by addressing some organizational restructuring after Dena's departure. Kevin has been promoted to Director of Entrepreneurship and Lorene was promoted to Regional Director of the SBDC.

Board Dialogue – Board Engagement Summary Review – Steve

Steve mentioned to the Board that there will be a letter coming from Mike and Robin encouraging the Board's continued commitment and support.

Program Level Reports and Action Items

Member Investor Update

Melanie gave a Member Investor Program update. We are currently at 134 Member Investors. We did lose some membership during the pandemic this year but Melanie is actively engaging those folks to try and get them back on board. Melanie thanked the Membership Committee for their continued work and support. Melanie is hopeful to bring on as many as 40 MIs during the calendar year. Melanie also spoke about diversity and industry representation among the Member Investors. Dana added some thoughts and suggested that we might focus on rallying around local businesses.

Big Sky Finance 504 Loan Approvals – Brandon

SBA 504 Loan Requests

- I. Big Sky EDC is requesting approval to submit to the US Small Business Administration the following SBA 504 loan request. The Big Sky EDC Loan Committee has reviewed the request and recommends approval to the full EDC Board for submission to the SBA for final approval. The request meets all the underwriting and eligibility requirements of the EDC.
 1. **Joey and Amanda Boheman (Kids World Child Enrichment Center)** – Request is for the purchase of the commercial real estate associated with Kids World Child Enrichment Center located in Lockwood, MT. This is an existing day care facility being purchased by Amanda and Joey Boheman. The day care has been operating in Lockwood since 1997. The current owner is selling the business. Big Sky Finance has an SBA 504 loan on the property for the current owner. This loan will be paid off with the sale proceeds and we will have a new SBA 504 loan for the new owners.

The total SBA debenture will be \$154,000 on a 25-year note comprising 35% of the total project costs. Big Sky EDC and the SBA will be in a 2nd lien position on the real property behind Stockman Bank of Montana. There is projected to be one new job created and five retained because of this project.

Mike P and Andy asked questions about rates and previously approved loan.

Motion: Mike Phillips to approve the Kids World Child Enrichment Center loan request, as presented to the Board.

Second: Mike Seppala

Discussion: None

Abstentions: Spencer Frederick

Motion carried

504 Loan Program Update – Brandon

Brandon then proposed an amendment to the approval process for SBA 504 Loans. Per the by-laws, Big Sky Finance's Loan Committee is able to approve loans under \$1m without formal Board approval. Brandon will still bring these loans before the Board but his proposal will help to streamline the process.

Andy mentioned that he is in favor of the proposal and the Loan Committee's track record has been good evidence to approve this amendment. Mike Phillips and Ken Lutton continued with questions about what is required of the Board per the SBA's by-laws.

Motion: Spencer Frederick to approve the amendment request, as presented to the Board.

Second: Mike Seppala

Discussion: None

Motion carried

Brandon added to his update by informing the Board that they are in the midst of their independent loan review. He also noted that October was the first month that borrowers were no longer receiving a subsidy from the SBA. Brandon and his team are watching this closely and so far, there have been no issues and payments have all been made as agreed.

Finally, Brandon noted that they are awaiting the EDA's final decision on the RLF application and they are hopeful to hear back within the next week or two.

Nominating Committee Update – Becky

Becky was up next with a Nominating Committee Update. In the midst of the Ballot vote, David Ellis informed us that he will no longer be employed by a Member Investor company which creates a vacancy for his seat. The Committee met again and recommends the Board hold a special election with Michael Marsh as the candidate. Michael was selected for his entrepreneurship industry representation.

Becky also mentioned that we will be adjusting our nomination practices in the future to forward mid-year board openings to the yearly cycle unless there is a compelling reason to fill a seat immediately.

Motion: Ann Kosempa to approve holding a special EDC election with Michael Marsh as the candidate.

Second: Craig Bartholomew

Discussion: None

Motion carried

Big Sky to Sky Point – Becky

Becky continued with a Big Sky to Sky Point update. Becky started by thanking the project management team that have helped with all of the systems reviews and visioning sessions conducted by Cushing Terrell. Becky noted that we will soon be submitting the first application for Historic Tax credits. We are learning more about additional rebates available towards the project and Cushing Terrell is helping to plan for those.

Becky also recapped the meeting we hosted with individuals from the Federal EDA in Washington DC. Those representatives toured the building and held conversations with entrepreneurs who will utilize the future Rock31 space.

Becky shared a schematic design concept with the Board. The presentation recapped the visioning sessions that were held with Cushing Terrell, the BSED team, and entrepreneurs. The presentation covered the preliminary color palette, a workspace summary, and preliminary floor plans. Mike Phillips thanked everyone and involved for their work and asked Becky how the budget looks. Becky is parsing through the materials and will have a better idea of how the budget looks next month.

Rock31 Update and Opportunity Fund Adjustment– Kevin

Up next was Kevin with a Rock31 update. In addition to doing all they can to help business owners get connected with lenders, Rock31 also works to get startups connect with non-traditional financing like angel investors. Kevin asked the Board to please share if anyone knows individuals who may be interested in being an angel investor.

Kevin also noted that the State informed us that we have dollars available to put on high-level trainings to help businesses navigate the issues of the pandemic.

Lorene added to Kevin's update and there have been conversations with Gallup about providing trainings as well.

Lorene also noted there has been a significant uptick in people pursuing startups.

Steve mentioned that when Rock31 was started, the Board voted to provide \$150,000 of seed money over three years to get that program off the ground. There is still a significant amount of funding that hasn't been spent and the Opportunity Fund Committee has recommended that that three-year window be eliminated but that those funds remain available.

COVID Response Update

New COVID-19 Grant Applications

Melanie spoke about the grant opportunity that we have been able to pursue due to our non-profit status on the EDC. Melanie sees a need to use the dollars for a talent attraction campaign focusing on attracting healthcare workers. The other priority area for those dollars is a "look local" campaign to promote small, local businesses. Those dollars must be spent by the end of the year.

Beartooth RC&D Grant Award Scope of Work Review

Dianne began by updating the Board about the Beartooth RC&D grant that we have been awarded. BSED will provide business support and training modules and research for a five-county region with those dollars.

Economic Response and Recovery Plan and Next Steps

Thom gave an Economic Recovery Plan update. The plan has been finalized and completed and the rollout event took place virtually this week. The Economic Response and Recovery team will meet later today to discuss next steps and a future date for community rollout.

Space2Place Update – Dianne

Dianne was up again with a Space2Place Grant update. Dianne recapped last year's recipients and showed some pictures of the projects that are either in process or that have been completed. Melanie also added that the Community Development team won two MEDA awards for their Space2Place program and Coulson Park projects.

TEDD Update – Thom

Thom continued with a TEDD update and discussions with the City are ongoing between the parties involved as it relates to waste water treatment. Thom is hopeful an agreement can be reached over the next couple of months. Steve commended Thom's work on both the recovery team and TEDD project.

Coulson Park update was deferred to November

Public Comment

None

Adjourn

Mike adjourned the meeting at 8:57 A.M. with a motion from Ken Lutton, seconded by Judi Powers.

Next Meeting – November 12th, 2020

Respectfully submitted,

Ken Lutton, EDA Secretary/Treasurer

Ann Kosempa, EDC Secretary/Treasurer

When approved, minutes and meeting materials will be filed electronically in the Big Sky EDA office.

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BIG SKY
ECONOMIC DEVELOPMENT

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ATTACHMENT 2

Big Sky Economic Development Authority
Financial Report for the Executive Committee and Board of Directors
October 28, 2020

Included with this report are balance sheets reflecting the assets, liabilities, and net assets of Big Sky EDA as of September 30, 2020. Also included is the statement of revenue and expenses through three months of FY21 as compared to budget.

Balance Sheet

Current assets increased to about \$4,709,000 at the end of September from \$4,306,000 in August. The fluctuation in current assets is attributed to collection of the first draw from Federal EDA grant (\$505,404). Accounts receivable decreased from \$669,000 to \$217,000. The receivable consists of PTAC (\$129,000), VBOC (\$67,000), SBDC (\$18,000), Brownfields (\$4,000). As of September 2020, these receivables have decreased to about \$102,000.

Due To/Due From EDC totaled approximately \$51,000 at the end of September and consists of the September amount due from EDC. The tax levy receivable balance continues to decrease with the collection of taxes. The tax levy receivable totaled approximately \$3,000. Protested tax receivable totaled an additional \$21,000. An allowance totaling approximately \$21,000, or 100% of protested tax levy receivable is reflected to allow for potentially uncollectible protested tax levy.

Total fixed Assets increased in March 2020 due to the transfer of the bank building from EDC to EDA. As discussed previously, the breakdown of the building and land values was not presented in the appraisal. Following the direction of Anderson Zurmuehlen, the book value of the building and land was divided based on the values from the Yellowstone County Property Tax information. Corresponding depreciation was also booked to begin depreciating the value of the building over 39 years. Total fixed assets totaled \$1,580,000 at the end of September.

Accounts payable have increased slightly from \$65,000 at August 2020 to approximately \$86,000. The majority of the increase is attributed to invoices received for PTAC subrecipients. Accrued expenses total approximately \$98,000 and consist largely of salary/benefits accruals (\$72,000) and Space2Place Grant accruals (\$17,000).

Statement of Revenue and Expenses

Revenue is about \$57,000 below budget through the first three months of the fiscal year. Department of Defense (PTAC) and VBOC revenue remains under budget due to actual expenses. EPA-Brownfields is about \$31,000 below budget due to timing of when revenue/expenses are budgeted for the fiscal year. SBA/MT Dept of Commerce revenue (SBDC) is slightly below budget as we have decided not to fill the SBDC COVID-19 position. With this change in hiring plans, we have received approval for reimbursement for our SBDC Business Advisor salary, benefits, and rent through December. This will add about \$28,000 in revenue for FY21.

Salary/wage expense totaled \$390,000 through September. This amount is slightly under budget due to vacancy savings. Professional fees remain under budget and totaled \$33,000 through September. This expense line is under budget as we have not incurred budgeted architectural fees and Brownfields fees through September. Travel/training expenses remain under budget and totaled approximately \$5,500 through September.

Through three months of FY21 Big Sky EDA recognized expenses in excess of revenue totaling about \$252,000, which was approximately \$111,000 less than the budgeted amount. When excluding the non-operating income/expenses (contribution revenue, in-kind revenue, interest income, and depreciation expense), Big Sky EDA recognized expenses in excess of revenue of about \$246,000, which is about \$158,000 less than budgeted.

Big Sky EDA
Comparative Balance Sheet
As of September 30, 2020 and 2019

| | 9/30/2020 | 9/30/2019 | +/- | 6/30/2020 | +/- |
|--|------------------|------------------|--------------------|------------------|------------------|
| Assets | | | | | |
| First Interstate Bank | \$149,007 | \$63,979 | \$85,028 | \$164,986 | -\$15,979 |
| FIB-Recovered Property Taxes | 148,202 | 83,202 | 65,000 | 148,202 | - |
| Opportunity Fund-FIB | 521,365 | 54,374 | 466,991 | 16,169 | 505,196 |
| Opportunity Fund-Stockman | 44,526 | 3,614 | 40,912 | 44,519 | 7 |
| Opportunity Fund-Opportunity Bank | 622,303 | 615,534 | 6,769 | 621,300 | 1,003 |
| Stockman GE Maintenance | 15,128 | 15,128 | - | 15,128 | - |
| Rocky Mountain Bank Money Market | 492,967 | - | 492,967 | 492,843 | 124 |
| Opportunity Fund - CDs (current) | 2,404,278 | 3,063 | 2,401,215 | 2,404,278 | - |
| Yellowstone County Funds | 311,286 | 111,169 | 200,116 | 535,969 | (224,683) |
| Total Current Assets | 4,709,060 | 950,062 | 3,758,998 | 4,443,392 | 265,668 |
| Other Assets | | | | | |
| Accounts Receivable | 217,438 | 267,597 | (50,159) | 680,373 | (462,935) |
| American Revenue Guarantee | 6,887 | 6,887 | - | 6,887 | - |
| Due To/Due From EDC | 51,303 | 97,487 | (46,184) | 57,548 | (6,245) |
| Tax Levy Receivable | 3,324 | 2,737 | 587 | 26,597 | (23,273) |
| Tax Levy Receivable - Protested | 21,479 | 2,455 | 19,024 | 21,479 | - |
| Allowance for Doubtful Accounts | (21,479) | (2,455) | (19,024) | (21,479) | - |
| Prepaid Expenses | 16,869 | 11,284 | 5,585 | 18,556 | (1,688) |
| Deposit | 1,390 | - | 1,390 | 1,390 | - |
| Undeposited Funds | - | - | - | - | - |
| Interest Receivable | 8,509 | 2,421 | 6,088 | 8,509 | - |
| Miscellaneous Receivable | - | - | - | - | - |
| Total Other Assets | 305,720 | 388,413 | (82,693) | 799,860 | (494,140) |
| Non-Current Assets | | | | | |
| Opportunity Fund - CDs (non-current) | 1,251,137 | 4,592,880 | (3,341,743) | 1,250,358 | 779 |
| Loans Receivable | 400,000 | 400,000 | - | 400,000 | - |
| TEDD Receivable | 34,100 | 64,775 | (30,675) | 34,100 | - |
| Cabela's Conduit | 9,546 | 9,648 | (102) | 9,649 | (103) |
| Deferred Outflow of Resources | 147,067 | 247,689 | (100,623) | 147,067 | - |
| Total Non-Current Assets | 1,841,850 | 5,314,992 | (3,473,142) | 1,841,173 | 677 |
| Fixed Assets | | | | | |
| Bank Building - Land | 272,000 | - | - | 272,000 | - |
| Bank Building - Building | 1,328,000 | - | - | 1,328,000 | - |
| Accumulated Depreciation | (19,863) | - | - | (11,350) | - |
| Total Fixed Assets | 1,580,137 | - | - | 1,588,650 | - |
| Total Assets | 8,436,766 | 6,653,468 | 1,783,299 | 8,673,075 | (236,309) |
| Liabilities & Equity | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | 85,755 | 44,114 | 41,641 | 51,901 | 33,855 |
| Accrued Expenses | 98,600 | 102,653 | (4,053) | 109,334 | (10,734) |
| Deferred Revenue | - | - | 14,000 | 1,598 | - |
| Payroll Liabilities | 1,032 | 3,432 | (2,400) | 355 | 677 |
| Compensated Absences | 164,026 | 147,540 | 16,486 | 170,250 | (6,224) |
| Total Current Liabilities | 349,413 | 297,740 | 51,673 | 333,438 | 15,975 |
| Long Term Liabilities | | | | | |
| Deferred inflow or Resources | 68,045 | 13,741 | 54,304 | 68,045 | - |
| Pension Liability | 825,316 | 884,804 | (59,488) | 825,316 | - |
| Total Long Term Liabilities | 893,361 | 898,545 | (5,184) | 893,361 | - |
| Current Year Excess of Expenses over Revenue | (252,284) | (315,968) | 63,684 | 1,673,125 | (1,925,408) |
| Balance at Beginning of Year | 7,446,276 | 5,773,151 | 1,673,125 | 5,773,151 | 1,673,125 |
| Net Assets | 7,193,992 | 5,457,183 | 1,736,809 | 7,446,276 | (252,284) |
| Total Liabilities & Equity | 8,436,766 | 6,653,468 | 1,783,300 | 8,673,075 | (236,309) |

Big Sky EDA
Statements of Operations
For the Periods Ending September 30, 2020

| | Month | | | YTD | | | Fiscal Year |
|---|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| | Actual | Budget | Variance | Actual | Budget | Variance | Budget |
| Operating Revenue | | | | | | | |
| County Taxes (Mill Levy Revenue) | \$28 | \$0 | \$28 | \$696 | \$0 | \$696 | \$1,220,100 |
| Entitlement | 59,832 | 58,750 | 1,082 | 59,832 | 58,750 | 1,082 | \$235,000 |
| Health Insurance Mill Levy | 8,480 | 9,922 | (1,442) | 25,440 | 27,942 | (2,502) | 117,236 |
| Recovery of Protested Taxes | - | - | - | 1 | - | 1 | - |
| Department of Defense | 40,000 | 45,868 | (5,868) | 128,780 | 137,605 | (8,825) | 550,421 |
| EDC Reimbursement | 50,915 | 48,251 | 2,664 | 143,928 | 144,753 | (825) | 579,012 |
| EPA-Brownfields | - | 10,833 | (10,833) | 3,725 | 35,000 | (31,275) | 132,500 |
| SBA/MT Dept of Commerce | 17,879 | 21,779 | (3,900) | 51,294 | 65,269 | (13,975) | 261,282 |
| SBDC Program Income | - | - | - | - | - | - | - |
| VBOC | 21,478 | 25,204 | (3,726) | 66,949 | 75,938 | (8,989) | 300,000 |
| Rents/Leases | - | - | - | 1,912 | 1,912 | - | - |
| Grant Administration | - | 292 | (292) | 2,000 | 875 | 1,125 | 3,500 |
| Miscellaneous Revenue | - | - | - | 6,598 | - | 6,598 | 3,862 |
| Total Revenue | 198,613 | 220,899 | (22,286) | 491,154 | 548,044 | (56,890) | 3,402,913 |
| Operating Expenses | | | | | | | |
| Salaries/Wages | 126,586 | 140,435 | (13,849) | 390,050 | 417,137 | (27,087) | 1,679,819 |
| Employer Contributions | 44,942 | 46,893 | (1,951) | 129,243 | 135,560 | (6,317) | 559,084 |
| Contingency | - | 4,208 | (4,208) | - | 12,625 | (12,625) | 50,497 |
| Community Development Projects | 2,184 | 2,500 | (316) | 2,138 | 7,500 | (5,362) | 30,000 |
| Dues and Subscriptions | 1,914 | 2,837 | (924) | 27,577 | 27,101 | 476 | 64,643 |
| Event Expense | - | - | - | - | - | - | - |
| Insurance | 545 | 752 | (207) | 4,821 | 6,756 | (1,935) | 23,984 |
| Marketing - Departmental | 1,095 | 2,036 | (941) | 1,543 | 6,108 | (4,565) | 24,432 |
| Marketing - Organizational | 4,795 | 2,667 | 2,128 | 9,315 | 8,000 | 1,315 | 32,000 |
| Office Equipment | - | - | - | 60 | 4,500 | (4,440) | 6,500 |
| Office Expense | 2,544 | 1,597 | 947 | 8,933 | 7,791 | 1,142 | 23,289 |
| Professional Fees | 26,721 | 41,833 | (15,112) | 32,561 | 148,098 | (115,537) | 167,958 |
| Property Tax Protests | - | - | - | - | - | - | 37,350 |
| PTAC Satellite | 9,210 | 12,481 | (3,271) | 30,215 | 37,443 | (7,229) | 149,773 |
| PTAC Subcenter | 13,068 | 14,764 | (1,696) | 42,364 | 44,293 | (1,929) | 177,171 |
| Rent | 12,015 | 12,124 | (109) | 35,653 | 35,573 | 80 | 142,295 |
| Repairs | - | - | - | - | - | - | - |
| Sponsorships | - | - | - | - | - | - | 2,500 |
| Strategic Priorities | - | 1,250 | (1,250) | - | 3,750 | (3,750) | 15,000 |
| TEDD | - | 500 | (500) | 60 | 500 | (440) | 2,000 |
| Telecommunications | 2,755 | 5,161 | (2,406) | 8,999 | 15,484 | (6,485) | 61,933 |
| Travel/Training | 3,540 | 9,093 | (5,553) | 5,536 | 23,079 | (17,542) | 100,258 |
| Utilities | 1,075 | 2,000 | (925) | 3,404 | 6,000 | (2,596) | 24,000 |
| Miscellaneous | 2,042 | 1,572 | 470 | 5,141 | 4,831 | 310 | 23,200 |
| Total Operating Expenses | 255,030 | 304,703 | (49,673) | 737,612 | 952,128 | (214,517) | 3,397,686 |
| Net Operating Revenue | (56,417) | (83,804) | 27,387 | (246,457) | (404,084) | 157,627 | 5,227 |
| Non-Operating Income/Expense | | | | | | | |
| Interest Income | 1,368 | 1,687 | (319) | 2,582 | 5,062 | (2,480) | 20,247 |
| US EDA Reimbursement | - | 14,600 | (14,600) | 105 | 43,800 | (43,695) | 148,822 |
| Grant Revenue (GASB 68) | - | - | - | - | - | - | - |
| Architectural/Professional Fees | - | - | - | - | - | - | 302,492 |
| Pension Expense | - | - | - | - | - | - | - |
| Depreciation Expense | 2,838 | 2,838 | - | 8,513 | 8,513 | - | 34,051 |
| Net Revenue Over (Under) Expense | (57,886) | (70,354) | 12,468 | (252,284) | (363,735) | 111,452 | (162,247) |

Big Sky Economic Development Corporation
Financial Report for the Executive Committee and Board of Directors
October 28, 2020

Included with this report are balance sheets reflecting the assets, liabilities, and net assets of Big Sky EDC as of September 30, 2020. Also included is the statement of revenue and expenses through three months of FY21 as compared to budget.

Balance Sheet

Current assets totaled approximately \$1,810,000 at the end of September. As we wrapped up the audit/financial statement preparation for the EDC for FY20, \$105,000 in stabilization loans were reclassified from current to non-current based on amortization schedules of the loans. This amount is reflected in the stabilization loan non-current account under the other asset section of the balance sheet. Accounts receivable remained consistent and total \$21,500. The receivable consists of Member Investor pledges for FY20 (\$19,000) and Business Healthcare Sponsorship receivable (\$2,500). We completed the first two quarters of member investor invoicing in October, which will increase the accounts receivable balance in October.

The RLF portfolio totaled \$409,000, the SSBCI portfolio totaled \$644,000, and the Stabilization Loan portfolio totaled \$152,000 through the end of September. We received two stabilization loan payoffs in October, decreasing the balance to \$125,000.

Accounts payable increased slightly from \$12,700 to \$14,800 in September. Accrued expenses totaled \$10,000 and consisted of amounts accrued for legal expenses associated with the 504 loan portfolio. Deferred 504 revenue totaled \$24,000, a decrease from \$27,000 in August. This deferred 504 revenue will be recognized as loans fund. Due to/Due from EDA totaled approximately \$51,000 and represents the amount owed to EDA from EDC for September reimbursement.

Statement of Revenue and Expenses

The 504 loan servicing revenue totaled \$127,000 through September. This is approximately \$8,000 under budget. The 504 loan origination revenue totaled \$53,000 through September, which is approximately \$33,000 below budget. This variance is attributed to timing of budgeted revenue. Member investor revenue totaled approximately \$7,500. This is attributed to three member investor invoices sent out in July/August. Member investor revenue will increase \$86,500 with the quarterly invoicing that was completed in early October. Miscellaneous revenue totaled approximately \$26,000 through September. This consists of \$10,500 in loan fees and \$15,000 in grant revenue from the State of Montana Coronavirus Relief funds.

We received two additional donations for the Coulson Park project in September, increasing the total received to \$32,000. These restricted donations are being tracked in a separate Coulson Park revenue account.

Expenses remain close to or in-line with budget as we begin the fiscal year. Through September, event expense totaled approximately \$10,000. This is slightly over budget based on the timing when expenses associated with the annual meeting were budgeted. Professional fees increased and totaled \$27,000 through September. This consists of \$12,500 in expenses related for Anderson ZurMuehlen's financial statement audit, \$10,000 in legal fees related to the 504 loan program, and \$4,300 in other professional fees. Sponsorship expense totaled \$3,500 and remains below budget through September. This is also attributed to timing of budgeted expenses.

Through three months of FY21 Big Sky EDC recognized revenue in excess of expenses totaling about \$19,000, which was approximately \$41,000 less than the budgeted amount. This is largely attributed to the timing of budgeted revenue for member investor invoicing and 504 loan origination/servicing revenue.

Big Sky EDC
Comparative Balance Sheet
As of September 30, 2020 and 2019

| | 9/30/2020 | 9/30/2019 | +/- | 6/30/2020 | +/- |
|--|------------------|------------------|------------------|------------------|------------------|
| Assets | | | | | |
| First Interstate Bank | \$288,458 | \$243,517 | \$44,941 | \$245,165 | \$43,293 |
| FIB SSBCI Principal | 1,017,520 | 1,375,163 | (357,643) | 1,005,566 | 11,954 |
| FIB-Long Term Reserve | 250,000 | 250,000 | - | 250,000 | - |
| FIB-Opportunity Fund | 22,200 | 22,200 | - | 22,200 | - |
| FIB-RLF | 67,600 | 217,435 | (149,834) | 179,960 | (112,359) |
| FIB-OBSD Restricted | - | - | - | - | - |
| Accounts Receivable | 21,500 | 18,250 | 3,250 | 58,684 | (37,184) |
| Contributions Receivable | - | 44,500 | (44,500) | 2,500 | (2,500) |
| Miscellaneous Receivable | - | 148 | (148) | - | - |
| Prepaid Expenses | 8,281 | 18,000 | (9,719) | 8,276 | 5 |
| Undeposited Funds | - | - | - | - | - |
| Stabilization Portfolio - Current | 46,849 | - | - | 137,000 | (90,151) |
| RLF Portfolio-Current | 44,852 | 20,907 | 23,945 | 42,141 | 2,711 |
| SSBCI Portfolio-Current | 42,386 | 94,152 | (51,767) | 48,307 | (5,921) |
| Total Current Assets | 1,809,646 | 2,304,271 | (494,625) | 1,999,799 | (190,153) |
| Other Assets | | | | | |
| RLF Portfolio-Non Current | 363,655 | 237,662 | 125,992 | 268,210 | 95,445 |
| SSBCI Portfolio-Non Current | 601,615 | 800,791 | (199,176) | 601,051.9 | 563.09 |
| Stabilization Portfolio-Non Current | 105,151 | - | - | - | - |
| Allowance for Loan Losses | (21,934) | - | (21,934) | (21,934) | - |
| Total Other Assets | 1,048,486 | 1,038,453 | 10,033 | 869,262 | 96,008 |
| Fixed Assets | | | | | |
| Bank Building - Building | - | - | - | - | - |
| Bank Building - Land | - | - | - | - | - |
| Total Fixed Assets | - | - | - | - | - |
| Total Assets | 2,858,133 | 3,342,725 | (484,592) | 2,869,060 | (94,145) |
| Liabilities & Equity | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | 14,790 | 33,894 | (19,104) | 14,200 | 591 |
| Property Tax Payable | - | - | - | - | - |
| Accrued Expenses | 10,000 | (1,438) | 11,438 | - | 10,000 |
| Deferred 504 Revenue | 23,669 | 54,451 | (30,783) | 35,811 | (12,143) |
| Due to/Due from EDA | 51,303 | 97,722 | (46,419) | 57,548 | (6,245) |
| Total Liabilities | 99,762 | 184,630 | (84,868) | 107,559 | (7,797) |
| Current Year Excess of Expenses over Revenue | 18,803 | (61,789) | 80,592 | (480,316) | 499,119 |
| Balance at Beginning of Year | 2,739,567 | 3,219,883 | (480,316) | 3,219,883 | (480,316) |
| Net Assets | 2,758,371 | 3,158,095 | (399,724) | 2,739,567 | 18,803 |
| Total Liabilities & Equity | 2,858,133 | 3,342,725 | (484,592) | 2,847,126 | 11,006 |

Big Sky EDC
Statements of Operations
For the Periods Ending September 30, 2020

| | Month | | | YTD | | | Fiscal Year |
|---|----------------|---------------|-----------------|---------------|---------------|-----------------|----------------|
| | Actual | Budget | Variance | Actual | Budget | Variance | Budget |
| Operating Revenue | | | | | | | |
| 504 Loan Origination | \$13,067 | \$5,455 | \$7,613 | \$52,539 | \$85,909 | (\$33,370) | \$135,000 |
| 504 Loan Servicing | 42,135 | 45,000 | (2,865) | 126,967 | 135,000 | (8,033) | 499,500 |
| Float Income | - | - | - | - | - | - | - |
| CTE Director Donations (Restricted) | - | - | - | - | - | - | - |
| Member Investment | - | 63,250 | (63,250) | 7,500 | 63,250 | (55,750) | 253,000 |
| RLF Business Loan Interest | 507 | 1,417 | (910) | 1,562 | 4,250 | (2,688) | 17,000 |
| RLF Origination Fees | - | - | - | - | - | - | 5,000 |
| Stabilization Loan Interest | 253 | 417 | (163) | 710 | 1,250 | (540) | - |
| SSBCI Revenue | 2,598 | 1,500 | 1,098 | 5,118 | 4,500 | 618 | 18,000 |
| Recovery of Bad Debt | - | - | - | - | - | - | - |
| Coulson Park | 25,000 | - | 25,000 | 32,000 | - | 32,000 | - |
| Miscellaneous Revenue | 3,378 | - | 3,378 | 25,821 | - | 25,821 | - |
| Total Revenue | 86,940 | 117,038 | (30,099) | 252,219 | 294,159 | (41,942) | 927,500 |
| | | | | - | - | - | - |
| | | | | - | - | - | - |
| Operating Expenses | | | | | | | |
| Business Incubation | - | 125 | (125) | - | 375 | (375) | 1,500 |
| Business Recruitment | 459 | 208 | - | 851 | 625 | 226 | 2,500 |
| Bad Debt Expense | - | 1,042 | - | 1,500 | 3,125 | (1,625) | 12,500 |
| Contingency | - | 1,667 | (1,667) | - | 5,000 | (5,000) | 20,000 |
| Dues and Subscriptions | 616 | 1,196 | (580) | 3,639 | 2,764 | 875 | 21,561 |
| EDA Reimbursement | 50,915 | 48,251 | 2,664 | 143,928 | 144,753 | (825) | 579,012 |
| Event Expense | 10,058 | - | - | 10,058 | 1,500 | 8,558 | 33,500 |
| Insurance | 843 | 865 | (22) | 2,524 | 2,595 | (71) | 10,380 |
| Investment in Economic Activity | - | - | - | - | - | - | 5,000 |
| Marketing - Departmental | 2,755 | 1,958 | 797 | 5,373 | 6,275 | (902) | 23,900 |
| Marketing - Organizational | 2,617 | 1,292 | 1,325 | 2,831 | 3,875 | (1,044) | 15,500 |
| Membership Development | 42 | 700 | (659) | 125 | 2,100 | (1,975) | 8,400 |
| Office Supplies | 493 | 300 | 193 | 3,554 | 900 | 2,654 | 3,800 |
| Professional Fees | 16,853 | 2,583 | 14,269 | 26,981 | 18,750 | 8,231 | 67,500 |
| Postage and Printing | 134 | 75 | 59 | 376 | 225 | 151 | 900 |
| R31 Outreach | 94 | 75 | 19 | 94 | 225 | (131) | 2,300 |
| Rent | 2,519 | 2,588 | (69) | 7,571 | 7,764 | (193) | 31,629 |
| Repairs | - | - | - | - | - | - | - |
| Sponsorships | 3,500 | 700 | 2,800 | 3,500 | 15,200 | (11,700) | 19,700 |
| Telecommunications | 323 | 555 | (231) | 1,271 | 1,664 | (393) | 6,656 |
| Travel/Training | 2,896 | 1,113 | 1,783 | 3,917 | 5,368 | (1,451) | 27,505 |
| Miscellaneous | 1,056 | 1,982 | (926) | 15,320 | 11,246 | 4,074 | 39,884 |
| Total Operating Expenses | 96,172 | 67,275 | 28,898 | 233,415 | 234,329 | (913) | 933,628 |
| Net Revenue Over (Under) Expense | (9,232) | 49,763 | (58,997) | 18,804 | 59,831 | (41,028) | (6,128) |



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT 3

To the Board of Commissioners
Big Sky Economic Development Authority
Billings, Montana

We have audited the financial statements of the Big Sky Economic Development Authority (the Authority) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 22, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for doubtful accounts is based on prior year's experience and management's analysis of the Authority's policy for uncollected taxes receivable. We evaluated the key factors and assumptions used to develop the estimate of the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability is based on methods and assumptions to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. We evaluated the key factors and assumptions used to develop the estimate of the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of related party transactions in the notes to the financial statements is considered to be an integral part of the accompanying financial statements. We evaluated the key factors and assumptions used in management's preparation of these disclosures and determined the disclosures to be reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. See the attached listing of adjustments posted.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 2, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of proportionate share of the net pension liability, and the schedule of contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditures of federal awards, which accompany the financial statements, but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the information and use of the governance and management of the Big Sky Economic Development Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Anderson Zurmuehlen + Co, P.C.

Billings, Montana
November 2, 2020

**BIG SKY ECONOMIC
DEVELOPMENT AUTHORITY**

FINANCIAL REPORT

June 30, 2020 and 2019



C O N T E N T S

| | <u>PAGE</u> | |
|--|---------------|-----------|
| INDEPENDENT AUDITOR’S REPORT | 1 through 3 | |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | 4 through 11 | |
| FINANCIAL STATEMENTS | | |
| Statements of Net Position..... | 12 and 13 | |
| Statements of Revenues, Expenses and Changes in Net Position | 14 | |
| Statements of Cash Flows..... | 15 and 16 | |
| Notes to Financial Statements..... | 17 through 35 | |
| REQUIRED SUPPLEMENTARY INFORMATION | | |
| Schedule of Proportionate Share of Net Pension Liability | 36 | |
| Schedule of Contributions | 37 | |
| Notes to Required Supplementary Information | 38 and 39 | |
| SINGLE AUDIT | | |
| Schedule of Expenditures of Federal Awards..... | 40 | |
| Notes to Schedule of Expenditures of Federal Awards | 41 and 42 | |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | | 43 and 44 |
| INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE | | 45 and 46 |
| Schedule of Findings and Questioned Costs..... | 47 and 48 | |

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Big Sky Economic Development Authority
Billings, Montana

We have audited the accompanying financial statements of the Big Sky Economic Development Authority (the Authority), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Big Sky Economic Development Authority as of June 30, 2020 and 2019, and the respective changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liability, and the schedule of contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards for the year ended June 30, 2020, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2020, on our consideration of the Authority'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 solely 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 effectiveness of the Authority's 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 the Authority's internal control over financial reporting and compliance.

Anderson Zurmuehlen + Co, P.C.

Billings, Montana
November 2, 2020

MANAGEMENT'S DISCUSSION
AND ANALYSIS

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Years Ended June 30, 2020, 2019, and 2018

OVERVIEW

Big Sky Economic Development Authority (“Big Sky EDA” or “the Authority”) is a governmental agency (supported in part by a local tax levy). Big Sky EDA works closely with Big Sky Economic Development Corporation (Big Sky EDC) to promote, stimulate, develop and advance the general welfare, commerce, economic development and prosperity of the Yellowstone County market region, the State of Montana, and its citizens. Both Big Sky EDA and Big Sky EDC are governed by the Board of Commissioners and a Board of Directors.

As required by the Governmental Accounting Standards Board’s reporting standards, the annual financial report consists of three basic financial statements which provide financial information about the Authority. The three statements are: The Statement of Net Position, The Statement of Revenues, Expenses and Changes in Net Position, and The Statement of Cash Flows.

In addition, this section entitled “Management’s Discussion and Analysis” (“MD&A”) is included as “required supplemental information.” This discussion and analysis provides an overview of the financial activities of the Authority for the fiscal years ended June 30, 2020, 2019 and 2018, respectively. The intent of MD&A is to provide an objective and easily readable analysis of the financial activities of the Authority. It is intended to be high level and general rather than specific. While three fiscal years are presented, the discussion emphasizes the current year and addresses both positive and negative financial issues. In addition, it identifies economic or financial factors and any other issues management is aware of which could have a significant impact on future operations or operating results. Please read the following in conjunction with the Authority’s financial statements and accompanying notes.

BUSINESS DEVELOPMENT ACTIVITIES

The Authority operates the Montana Procurement Technical Assistance Center (PTAC) that provides assistance to businesses throughout the state on how to successfully bid on government contracts. The PTAC currently has subrecipients hosted by economic development agencies in five other locations in Montana. The U.S. Department of Defense funds approximately 65% of the total program cost with the balance coming from local tax levy and other sources.

The Authority operates a nine county Regional Small Business Development Center (SBDC) whose advisors provide free one-on-one consulting, counseling, and training to for-profit small businesses (pre-venture, start-up, existing) with 500 employees or less. Under the umbrella of the SBDC is the Rock31 program which serves entrepreneurs on the pathway to commercialization in high growth industries. This program partners with higher education, private industry, and economic development with the goal of economic diversification through job creation of start-ups. The SBDC also provides training through workshops with topics including marketing, advertising, financial management, business plan preparation and human resource management.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2020, 2019, and 2018

BUSINESS DEVELOPMENT ACTIVITIES (CONTINUED)

The Authority operates a Veteran’s Business Outreach Center (VBOC). The U.S. Small Business Administration (SBA) provides funding for the center via a five-year grant award with annual renewal options. The mission of the VBOC is to help veterans, transitioning service members and military spouses start, grow, and expand small business enterprises in Montana, Wyoming and Utah. The SBA awarded \$300,000 of funding for the most recent fiscal year. There is no matching requirement for this award.

During 2002, the Authority created a separate private non-profit corporation, Big Sky Economic Development Corporation (Big Sky EDC), whose purpose is to promote economic development through business recruitment, retention and finance. Big Sky EDC consists of approximately 150 Billings-area businesses who donate time and financial resources toward job-creating activities in Yellowstone County. The Authority furnishes office space, management and staffing resources in support of Big Sky EDC’s activities, a portion of which is donated on an in-kind basis. Big Sky EDC engages in two primary activities in support of economic development: business recruitment and business finance.

Big Sky EDC continually seeks opportunities for businesses to relocate and/or expand to the greater Billings area. Big Sky EDC staff actively promotes Yellowstone County as an area where businesses can grow and make a positive impact to the community. Big Sky EDC, as a certified development corporation, administers an SBA 504 Loan program that enables businesses throughout Montana to gain access to the U.S. capital markets for job-creating or job-retaining investment funds. Additionally, Big Sky EDC manages a revolving loan fund through which local businesses can obtain financing that might not otherwise be available from the private sector. The above two programs provide financing tools through which the Authority can help promote business growth.

WORKFORCE DEVELOPMENT ACTIVITIES

In 2015, the Authority, in conjunction with private sector partners, initiated a workforce development effort called BillingsWorks. By identifying and promoting career opportunities via high school and college curriculum offerings as well as promoting Billings as an attractive community for work and to raise families, BillingsWorks helps ensure a viable workforce for local employers. Local private sector partners, and the Authority through a local tax levy, provide funding for BillingsWorks.

COMMUNITY DEVELOPMENT ACTIVITIES

The Community Development division of Big Sky EDA provides leadership and resources to plan and initiate programs, projects, and partnerships that stimulate public and private investment, provide a better quality of place, enhance the community’s economic wellbeing, and provide the foundation for economic development and a vibrant economy. Community Development works with a variety of regional groups to build the foundation for a desirable quality of life.

**BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2020, 2019, and 2018**

COMMUNITY DEVELOPMENT ACTIVITIES (CONTINUED)

Community Development personnel work with local property owners and nearby communities within Yellowstone County to help facilitate urban renewal and to assist in the development of new or improved public services. The Community Development division is supported primarily through a local tax levy and secures other Federal and State funds in support of community projects.

NET POSITION SUMMARY

On March 31, 2017, the Authority entered into a lease termination agreement, effective December 31, 2017, with General Electric Capital Corporation. As of June 30, 2018, the payments received via this agreement, approximately \$3.85 million, were reported as unearned revenue. On January 1, 2018, the Authority, having met all of the conditions in the lease termination agreement, recognized these deferred revenues as a non-operating gain on the cancellation of the lease.

During fiscal year 2019, Big Sky EDA loaned \$400,000 to the Downtown Business Partnership (the DBP) for the purpose of funding DBP's effort in the One Big Sky District initiative. See Note 1 for additional discussion.

During fiscal year 2020, Big Sky EDA was awarded a \$2 million grant from the United States Department of Commerce, Economic Development Administration (U.S. EDA). Please see discussion below under Capital Assets for additional detail related to the grant. In fiscal year 2020, the Authority completed the initial disbursement request for this grant in the amount of \$505,404. This draw was included in the receivables balance as of June 30, 2020.

Big Sky EDA maintains a stable financial position characterized by current ratios of approximately 15.7, 15.6, and 10.1 to 1 at June 30, 2020, 2019 and 2018, respectively. Big Sky EDA strives to maintain a balance between maintaining a fiscally prudent financial position and investing its resources in job-creating activities.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2020, 2019, and 2018

NET POSITION SUMMARY (CONTINUED)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|---------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,040,506 | \$ 1,294,823 | \$ 1,320,427 |
| Certificates of deposit | 2,404,278 | 4,590,718 | 5,328,831 |
| Receivables | 764,517 | 466,188 | 342,363 |
| Prepaid expenses and other assets | <u>25,443</u> | <u>6,926</u> | <u>13,336</u> |
| Total current assets | 5,234,744 | 6,358,655 | 7,004,957 |
| Notes receivable | 442,609 | 467,196 | 75,000 |
| Capital assets, not being depreciated | 272,000 | - | - |
| Capital assets, net of accumulated depreciation | 1,316,650 | - | - |
| Certificates of deposit | 1,250,358 | - | - |
| Restricted cash | <u>9,649</u> | <u>4,982</u> | <u>9,642</u> |
| Total assets | 8,526,010 | 6,830,833 | 7,089,599 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension contributions and adjustments | <u>146,350</u> | <u>247,689</u> | <u>365,827</u> |
| Total assets and deferred outflows of resources | <u>\$ 8,672,360</u> | <u>\$ 7,078,522</u> | <u>\$ 7,455,426</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | | | |
| LIABILITIES | | | |
| Current liabilities | \$ 333,438 | \$ 406,824 | \$ 692,316 |
| Long-term liabilities | <u>825,316</u> | <u>884,804</u> | <u>908,811</u> |
| Total liabilities | <u>1,158,754</u> | <u>1,291,628</u> | <u>1,601,127</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension adjustments | <u>68,045</u> | <u>13,741</u> | <u>7,419</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,588,650 | - | - |
| Restricted for debt service and building reserve | 9,649 | 4,982 | 9,642 |
| Unrestricted | <u>5,847,262</u> | <u>5,768,171</u> | <u>5,837,238</u> |
| Total net position | <u>7,445,561</u> | <u>5,773,153</u> | <u>5,846,880</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 8,672,360</u> | <u>\$ 7,078,522</u> | <u>\$ 7,455,426</u> |

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2020, 2019, and 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

In February 2020, Big Sky EDA purchased the historic Montana National Bank building in downtown Billings. The building was purchased at a discount for \$1 million with a charitable donation from the seller of \$600 thousand, for a total value of \$1.6 million. Big Sky EDA is renovating the building for the purpose of taking its suite of business support services to the next level. The facility will provide collaboration and coworking space geared toward entrepreneurs within the Rock31 program, create a large training/conference space, as well as house the other organizational programs for Big Sky EDA.

This project will be partially funded with Federal funds from the U.S. EDA. The U.S. EDA awarded a \$2 million grant to the Authority to renovate the bank building to house the Rock31 Connect Build Grow business incubator.

RESULTS OF OPERATIONS SUMMARY

In fiscal year 2020, Big Sky EDA recorded operating income of \$1,592,520. In fiscal years 2019 and 2018, Big Sky EDA recorded operating losses of \$169,501 and \$1,402,918, respectively.

The year-over-year increase in operating income between fiscal years 2020 and 2019 is primarily due to the funding received to purchase the Montana National Bank building. The fiscal year 2020 operating income includes \$500,000 in contribution revenue from Big Sky EDC for the purchase of the Montana National Bank building, \$600,000 in in-kind contributions related to the purchase of the bank building for a below market price, and receivable of \$505,404 from U.S Department of Commerce related to the U.S. EDA grant.

The year-over-year reduction in operating loss between fiscal years 2019 and 2018 is due primarily to no business incentives granted in fiscal year 2019 compared to a one-time \$1,263,000 business incentive granted to Zoot Enterprises in 2018. Additionally, in fiscal year 2019, the Authority invested \$220,000 of its cash reserves to promote its One Big Sky District and 406 Impact Districts efforts.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2020, 2019, and 2018

REVENUE SOURCES

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|---------------------|
| Intergovernmental: | | | |
| U.S. Department of Defense | \$ 596,424 | \$ 519,994 | \$ 529,710 |
| U.S. Department of Commerce | 505,404 | - | - |
| U.S. Small Business Administration | 473,730 | 431,553 | 405,020 |
| U.S. Environmental Protection Agency | 39,809 | 40,887 | 32,639 |
| Other grant revenue | 43,353 | 20,311 | 14,243 |
| Contribution revenue | 500,000 | - | - |
| In-kind contributions | 600,000 | - | - |
| Property tax revenues | 1,466,433 | 1,410,065 | 1,334,252 |
| Grants administration | 11,924 | 6,717 | 6,593 |
| Rental and related income | - | - | 538,004 |
| Recovery of protested taxes | - | 146,954 | 37,890 |
| EDC staffing services | 571,305 | 513,719 | 491,677 |
| Other | <u>12,624</u> | <u>25,656</u> | <u>129,615</u> |
| Total operating revenues | 4,821,006 | 3,115,856 | 3,519,643 |
| Interest income | 79,888 | 95,774 | 40,406 |
| Loss on sale of capital assets | - | - | (672,155) |
| Gain on cancellation of lease agreement | - | - | <u>3,847,304</u> |
| Total revenues | <u>\$ 4,900,894</u> | <u>\$ 3,211,630</u> | <u>\$ 6,735,198</u> |

Fiscal Year 2020 Compared to Fiscal Year 2019

As described above, the increase in revenue was a result of funding received for the purchase of the Montana National Bank building. This includes the addition of U.S. EDA grant revenue (\$505,404), contribution revenue (\$500,000), and in-kind contributions (\$600,000). In addition, U.S. Department of Defense and U.S. Small Business Administration revenue increased due to increases in award amounts and reimbursable expenses. Big Sky EDA did not have recovery of protested taxes in fiscal year 2020.

Fiscal Year 2019 Compared to Fiscal Year 2018

As described above, the decrease in rental and related income is the result of the cancellation of the GE Capital operating lease. Offsetting this decreased income was the recovery of \$146,954 in protested taxes.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2020, 2019, and 2018

EXPENSES

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|---------------------|
| Procurement Technical Assistance program | \$ 741,114 | \$ 622,146 | \$ 662,759 |
| Small Business Development Center | 336,117 | 412,153 | 385,579 |
| General Electric Capital Corporation | - | - | 167,232 |
| Big Sky to Sky Point | 20,826 | - | - |
| Zoot Enterprises | - | - | 1,259,901 |
| One Big Sky District | - | 220,000 | - |
| Rock31 | 132,497 | 61,054 | - |
| Economic Development Corporation | 984,043 | 829,127 | 783,977 |
| Veterans Business Outreach Center | 286,439 | 316,048 | 285,025 |
| Workforce development | 125,608 | 92,418 | 520,302 |
| Community development | 453,214 | 465,173 | 537,242 |
| Administration | <u>148,628</u> | <u>267,238</u> | <u>320,546</u> |
| Total operating expenses | 3,228,486 | 3,285,357 | 4,922,561 |
| Interest expense | <u>-</u> | <u>-</u> | <u>42,837</u> |
| Total expenses | <u>\$ 3,228,486</u> | <u>\$ 3,285,357</u> | <u>\$ 4,965,398</u> |

Fiscal Year 2020 Compared to Fiscal Year 2019

In fiscal year 2020, the Authority incurred additional expense related to the Procurement Technical Assistance Program. These expenses were related to not having a subrecipient in Bozeman. Additional expenses were incurred as a service arrangement was made to continue to serve this area.

As noted previously, Big Sky EDA purchased the Montana National Bank Building in fiscal year 2020. Operational expenses related to this building are classified under Big Sky to Sky Point.

In fiscal year 2020, Big Sky EDA did not have any sponsorship expenses associated with the development of a portion of the Billings downtown area.

Fiscal Year 2019 Compared to Fiscal Year 2018

In fiscal 2019, Big Sky EDA participated in two economic development initiatives called One Big Sky Center and 406 Impact Districts. Big Sky EDA and other Billings enterprises sponsored efforts designed to promote the development of a portion of the Billings downtown area through legislative actions that would provide incentives for private sector investment. Big Sky EDA invested \$220,000 in these efforts.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2020, 2019, and 2018

EXPENSES (CONTINUED)

Fiscal Year 2019 Compared to Fiscal Year 2018 (Continued)

Big Sky EDA, in fiscal year 2019, did not have any business incentives or major contributions as incurred in fiscal year 2018. In fiscal year 2018, the Authority granted two business incentives of \$500,000 and \$763,000, respectively to Zoot Enterprises. The \$500,000 incentive was to enhance Zoot's job-creating capacity. The \$763,500 incentive was to assist in Zoot's renovation of the GE Center of Excellence. The Authority funded both incentives from GE's lease cancellation payment.

In fiscal year 2018, the Authority contributed \$359,000 to Montana State University-Billings and Rocky Mountain College to help fund the construction of each institution's science building.

SUMMARY

Big Sky EDA continues its mission of economic development in a fiscally prudent manner. Big Sky EDA's association with Big Sky EDC creates a partnership between the best opportunities that the public and private sectors have to offer for stimulating economic growth. In the future, Big Sky EDA will continue to invest in job-creating activities that will promote profitable as well as socially responsible development.

FINANCIAL STATEMENTS

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,040,506 | \$ 1,294,823 |
| Certificates of deposit | 2,404,278 | 4,590,718 |
| Receivables: | | |
| Property taxes | 48,076 | 27,442 |
| Grants and other | 680,372 | 283,999 |
| Related party | 57,548 | 163,958 |
| Allowance for doubtful property taxes receivable | (21,479) | (9,211) |
| Prepaid expenses and other assets | <u>25,443</u> | <u>6,926</u> |
| Total current assets | <u>5,234,744</u> | <u>6,358,655</u> |
| CAPITAL ASSETS | | |
| Capital assets, not being depreciated | 272,000 | - |
| Capital assets, net of accumulated depreciation | <u>1,316,650</u> | <u>-</u> |
| Total capital assets | <u>1,588,650</u> | <u>-</u> |
| OTHER ASSETS | | |
| Due from Yellowstone County | 34,100 | 64,775 |
| Due from Downtown Billings Partnership | 408,509 | 402,421 |
| Certificates of deposit | 1,250,358 | - |
| Restricted cash | <u>9,649</u> | <u>4,982</u> |
| Total other assets | <u>1,702,616</u> | <u>472,178</u> |
| Total assets | 8,526,010 | 6,830,833 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension contributions and adjustments | <u>146,350</u> | <u>247,689</u> |
| Total assets and deferred outflows of resources | <u>\$ 8,672,360</u> | <u>\$ 7,078,522</u> |

The Notes to Financial Statements are an integral part of these statements.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 161,590 | \$ 242,647 |
| Accrued compensated absences | 170,250 | 164,177 |
| Deferred revenues | <u>1,598</u> | <u>-</u> |
| Total current liabilities | <u>333,438</u> | <u>406,824</u> |
| LONG-TERM LIABILITIES | | |
| Public Employees' Retirement System net pension liability | <u>825,316</u> | <u>884,804</u> |
| Total long-term liabilities | <u>825,316</u> | <u>884,804</u> |
| Total liabilities | <u>1,158,754</u> | <u>1,291,628</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension adjustments | <u>68,045</u> | <u>13,741</u> |
| NET POSITION | | |
| Net investment in capital assets | 1,588,650 | - |
| Restricted for debt service and building reserve | 9,649 | 4,982 |
| Unrestricted | <u>5,847,262</u> | <u>5,768,171</u> |
| Total net position | <u>7,445,561</u> | <u>5,773,153</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 8,672,360</u> | <u>\$ 7,078,522</u> |

The Notes to Financial Statements are an integral part of these statements.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Intergovernmental: | | |
| U.S. Department of Defense | \$ 596,424 | \$ 519,994 |
| U.S. Department of Commerce | 505,404 | - |
| U.S. Small Business Administration | 473,730 | 431,553 |
| U.S. Environmental Protection Agency | 39,809 | 40,887 |
| Other grant revenue | 43,353 | 20,311 |
| Contribution revenue | 500,000 | - |
| In-kind contribution | 600,000 | - |
| Property tax revenues | 1,466,433 | 1,410,065 |
| Recovery of protested taxes | - | 146,954 |
| Grants administration | 11,924 | 6,717 |
| EDC staffing services | 571,305 | 513,719 |
| Other | <u>12,624</u> | <u>25,656</u> |
| Total operating revenues | <u>4,821,006</u> | <u>3,115,856</u> |
| OPERATING EXPENSES | | |
| Business development: | | |
| Procurement Technical Assistance program | 741,114 | 622,146 |
| Small Business Development Center | 336,117 | 412,153 |
| Veterans Business Outreach Center | 286,439 | 316,048 |
| Big Sky to Sky Point | 20,826 | - |
| One Big Sky District | - | 220,000 |
| Rock31 | 132,497 | 61,054 |
| Economic Development Corporation - in-kind support | 496,852 | 315,408 |
| Economic Development Corporation - program expenses | 487,191 | 513,719 |
| Workforce development | 125,608 | 92,418 |
| Community development | 453,214 | 465,173 |
| Administration | <u>148,628</u> | <u>267,238</u> |
| Total operating expenses | <u>3,228,486</u> | <u>3,285,357</u> |
| Operating income (loss) | <u>1,592,520</u> | <u>(169,501)</u> |
| NON-OPERATING REVENUES | | |
| Interest income | <u>79,888</u> | <u>95,774</u> |
| Total non-operating revenues | <u>79,888</u> | <u>95,774</u> |
| Change in net position | 1,672,408 | (73,727) |
| Net position, beginning of year | <u>5,773,153</u> | <u>5,846,880</u> |
| Net position, end of year | <u>\$ 7,445,561</u> | <u>\$ 5,773,153</u> |

The Notes to Financial Statements are an integral part of these statements.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Intergovernmental grants | \$ 1,263,945 | \$ 968,981 |
| Property tax revenues | 1,458,067 | 1,410,750 |
| Recovery of protested taxes | - | 146,954 |
| Grants administration | 11,924 | 6,717 |
| EDC staffing services | 677,715 | 432,973 |
| Other operating receipts | 12,624 | 32,066 |
| Business development costs paid | (2,508,203) | (2,460,527) |
| Workforce development costs paid | (125,608) | (92,418) |
| Community development costs paid | (453,214) | (465,173) |
| Administrative costs paid | <u>(127,457)</u> | <u>(452,278)</u> |
| Net cash flows from operating activities | <u>209,793</u> | <u>(471,955)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Financing of notes receivable | - | (400,000) |
| Payments received on notes receivable | 30,675 | 10,225 |
| Proceeds from maturity of certificates of deposit | 984,815 | 809,300 |
| Interest received on investments | <u>25,067</u> | <u>22,166</u> |
| Net cash flows from investing activities | <u>1,040,557</u> | <u>441,691</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from contributions for purchase of capital assets | 500,000 | - |
| Payments for acquisition of capital assets | <u>(1,000,000)</u> | <u>-</u> |
| Net cash flows from capital and related financing activities | <u>(500,000)</u> | <u>-</u> |
| Net change in cash and cash equivalents | 750,350 | (30,264) |
| Cash and cash equivalents, beginning of year | <u>1,299,805</u> | <u>1,330,069</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,050,155</u> | <u>\$ 1,299,805</u> |

The Notes to Financial Statements are an integral part of these statements.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| SCHEDULE OF CASH AND CASH EQUIVALENTS | | |
| AT END OF YEAR | | |
| Cash and cash equivalents | \$ 2,040,506 | \$ 1,294,823 |
| Restricted cash | <u>9,649</u> | <u>4,982</u> |
| Cash and cash equivalents at end of year | <u>\$ 2,050,155</u> | <u>\$ 1,299,805</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) | | |
| TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ 1,592,520 | \$ (169,501) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | |
| Depreciation expense | 11,350 | - |
| In-kind contribution | (600,000) | - |
| Pension adjustments | 96,155 | 100,453 |
| Contributions for purchases of capital assets | (500,000) | - |
| Changes in operating assets and liabilities: | | |
| Receivables | (310,597) | 34,167 |
| Allowance for doubtful property taxes receivable | 12,268 | (157,992) |
| Prepaid expenses and other assets | (18,517) | 6,410 |
| Accounts payable and accrued expenses | (81,057) | (303,316) |
| Deferred revenues | 1,598 | - |
| Accrued compensated absences | <u>6,073</u> | <u>17,824</u> |
| Net cash flows from operating activities | <u>\$ 209,793</u> | <u>\$ (471,955)</u> |
| SCHEDULE OF NONCASH TRANSACTIONS | | |
| In-kind contribution for purchase of capital assets | \$ (600,000) | \$ - |
| Total noncash transactions | <u>\$ (600,000)</u> | <u>\$ -</u> |

The Notes to Financial Statements are an integral part of these statements.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Big Sky Economic Development Authority (the Authority) was created in December 1989 by a resolution of the Yellowstone County Board of County Commissioners. The purpose of the Authority is to promote, stimulate, develop, and advance the general welfare, commerce, economic development, and prosperity of the Yellowstone County market region, the State of Montana, and its citizens.

In 1985, the Montana Legislative Assembly enacted legislation to provide funding for independent trade authorities in the state. The Authority establishes its own annual budget. The Yellowstone Board of County Commissioners determines the property tax levy to be credited to the Authority. The County bills the tax assessment and the collected taxes are remitted to the Authority.

There is no statutory requirement for a budget; accordingly, a statement of revenues, expenditures, and changes in fund balance - budget and actual, is not presented. However, the Authority does adopt an annual operating budget for management purposes.

An eleven-member Board of Commissioners governs the Authority. Commissioners serve five-year terms. The selection of Commissioners starts with an application process that is open to any Yellowstone County resident. The Authority's Nominating Committee (consisting of the Authority and Big Sky Economic Development Corporation (Big Sky EDC) board members and representatives from the City of Billings, the City of Laurel, and Yellowstone County Government) screens and interviews applicants and forwards their recommendations to the Yellowstone Board of County Commissioners for consideration and action. The Yellowstone County Commissioners then selects the successful applicant(s) for appointment to the Authority's Board. The Authority is not considered a component unit of any other primary government, but is a "trade port authority" as designated under Montana Code.

Tax Exempt Status

The Authority is a municipal corporation and, therefore, is not liable for federal and state income taxes pursuant to Internal Revenue Code Section 501(c)(1).

Measurement Focus, Basis of Accounting and Basis of Presentation

The Authority follows proprietary fund reporting in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

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

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Net position represents the result of assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets plus capital-related deferred outflows, net of accumulated depreciation and any outstanding balances on borrowing used in the acquisition, construction, or improvement of those assets and any capital-related deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of twelve months or less from the date of acquisition, and pooled deposits within the Yellowstone County investment pool. The pooled deposits are authorized by state law, are stated at fair value, and consist primarily of securities of the U.S. government or its agencies, and repurchase agreements. Because of the pooled cash concept, it is not possible to allocate the Authority's share of the pooled cash balance into various risk categories. Deposits held in the investment pool earn interest on a daily basis.

Certificates of Deposit

Certificates of deposit are carried at cost, which approximates fair value due to the short period these instruments are held. The Authority has the ability and intent to hold the certificates of deposit to maturity. As of June 30, 2020 and 2019, the Authority held certificates of deposit at various local banks totaling \$3,654,636 and \$4,590,718, respectively. These certificates of deposit were opened between 2018 and 2020, and have staggered maturity dates ranging from 12 months to 36 months.

Receivables

The Authority records receivables from property taxes, as described above, as well as for amounts due from grant agreements and from Big Sky EDC, a related party. Non-property tax receivables are recorded when the amounts are earned. Grant reports are submitted as soon as possible in order to receive payment in a timely manner. No finance charges are charged on any of the receivables. The Authority has established an allowance for doubtful accounts equivalent to all delinquent and protested property taxes receivable. All other receivables are deemed fully collectible.

Capital Assets

Capital assets are stated at cost. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. The Authority's policy is to capitalize all assets with an original cost of \$5,000 or more. Capital assets are depreciated using the straight-line method over their estimated useful lives ranging between 7 years for furniture and equipment and 39 years for buildings.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

**NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Due from Yellowstone County

The Authority entered into an agreement with Yellowstone County to create the Lockwood Targeted Economic Development District (Lockwood TEDD), which contains a tax increment provision. The Authority developed a five-year Infrastructure Master Plan to be implemented within the Lockwood TEDD. Yellowstone County will provide reimbursement to the Authority for costs of the Infrastructure Master Plan, not to exceed \$75,000. The total due from Yellowstone County for the plan will be reimbursed by the County to the Authority as the District Tax Increment Revenues are collected. At June 30, 2020 and 2019, Yellowstone County owed the Authority \$34,100 and \$64,775, respectively, on this obligation.

Due from Downtown Billings Partnership

The Authority extended the Downtown Billings Partnership (DBP) a \$400,000 non-revolving line of credit to help finance the development of properties located in an area of downtown Billings known as the One Big Sky District. Principal and interest on the note are due in full by June 30, 2021, with a stated interest rate at 1.5% per annum. For the fiscal years ended June 30, 2020 and 2019, accrued interest amounted to \$8,509 and \$2,421, respectively. The note is secured by a trust indenture on DBP-owned real estate.

Compensated Absences

Employees are allowed to accumulate vacation up to two times the number of days earned annually. Employees are allowed to accumulate sick leave without limitation. Upon termination, all unused vacation and one-fourth of accumulated sick leave, up to 1,040 hours, will be paid at the employee's rate of pay at the time of separation.

Operating Revenues and Expenses

Operating revenues are those revenues that are either generated directly from the primary activity of the Authority or are a principal source of financing for on-going operations. For the Authority, these revenues are charges for services for rent, grant administration, workshops and classes, property tax revenues, and grant revenues. Operating expenses are those necessary costs incurred to provide ongoing services and meet functional objectives of the Authority.

Program Funding Sources

The Authority operates its programs with the aid of funding primarily from the following sources:

1. U. S. Department of Defense
2. U.S. Department of Commerce
3. U. S. Small Business Administration
4. U. S. Environmental Protection Agency
5. Yellowstone County tax levy

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

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

Program Funding Sources (Continued)

A major reduction in the level of support from any of these funding sources could have a negative impact on the Authority's ability to maintain its current programs.

Property Tax Revenues

Property tax revenues received are considered operating revenues, as they are a principal source of financing of the Authority's ongoing operations. The real property taxes are levied by Yellowstone County based on the assessed value of property as listed on the previous January 1. The semi-annual installments are due in November and May. As of December 1 and June 1, uncollected real property taxes become delinquent. Taxpayers may pay taxes in protest, which are held by the County until resolution of the complaint. An allowance for doubtful accounts has been recorded to provide for uncollectible delinquent taxes and protested taxes.

Accounting Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Reclassifications

Certain amounts presented in the prior year have been reclassified to conform to current year financial statement presentation. The reclassifications have no impact on previously reported net position or change in net position.

Subsequent Events

Management has evaluated subsequent events through November 2, 2020, the date which the financial statements were available for issue.

NOTE 2. CASH AND CASH EQUIVALENTS

The Authority's bank balances and cash on hand, and certificates of deposit amounted to \$5,186,414 and \$5,376,501 as of June 30, 2020 and 2019, respectively. From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. At June 30, 2020 and 2019, bank balances for these accounts exceeded insured limits by \$1,801,427 and \$3,126,501, respectively.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020 and 2019

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

The Authority also maintains funds in a cash and investment pool managed by Yellowstone County. Yellowstone County maintains a cash and investment pool for all funds under the control of the County Treasurer. Cash and cash equivalents may include cash, demand, money market, time savings, and fiscal agent deposits; repurchase agreements and direct obligations of the United States Government. All cash and investments with a maturity date of three months or less or those that can be liquidated within 30 days, are treated as cash and cash equivalents for cash flow reporting. Investments are stated at fair value.

The composition of the cash held at the County is available in the County’s audited financial statements, which can be obtained by calling the County Fiscal Office at (406) 256-2718.

The Authority’s cash and cash equivalents balances with Yellowstone County as of June 30, 2020 and 2019, was \$535,969 and \$519,877, respectively. Because of the pooled cash concept, it is not possible to allocate the Authority’s balance into risk categories. However, all participants in the Pool share risks proportionately. That is, each dollar invested shares proportionately in the risk of the pooled investments.

All investments meet collateral requirements specified by State law.

The composition of cash and cash equivalents as shown on the statements of net position follows:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Amounts held at financial institutions | \$ 1,514,186 | \$ 779,928 |
| Amounts held at Yellowstone County | <u>535,969</u> | <u>519,877</u> |
| Total | <u>\$ 2,050,155</u> | <u>\$ 1,299,805</u> |

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020 and 2019

NOTE 3. CAPITAL ASSETS

Activity for capital assets for the fiscal year ended June 30, 2020, is summarized below:

| | Balance as of July 1, 2019 | Additions | Balance as of June 30, 2020 |
|--|-------------------------------|---------------------|--------------------------------|
| Capital assets, not being depreciated: | | | |
| Land | \$ - | \$ 272,000 | \$ 272,000 |
| Total capital assets not being depreciated | <u>-</u> | <u>272,000</u> | <u>272,000</u> |
| Capital assets, being depreciated: | | | |
| Building and improvements | - | 1,328,000 | 1,328,000 |
| Total capital assets being depreciated | <u>-</u> | <u>1,328,000</u> | <u>1,328,000</u> |
| Total capital assets | - | 1,600,000 | 1,600,000 |
| Less accumulated depreciation | <u>-</u> | <u>(11,350)</u> | <u>(11,350)</u> |
| Capital assets, net | <u>\$ -</u> | <u>\$ 1,588,650</u> | <u>\$ 1,588,650</u> |

Depreciation expense for the year ended June 30, 2020, totaled \$11,350, and has been charged to the Big Sky to Sky Point function in the accompanying financial statements based on the use and purpose of the related capital assets.

NOTE 4. CONDUIT DEBT

In August 2009, the Authority borrowed \$691,639 under the Montana Board of Investment's Infrastructure Loan program to provide financial assistance to a private sector entity (Cabela's) for the construction of a new building in Billings. The funding of this project was made to encourage the location and development of such project in the City of Billings and create new jobs in the area. Based on the financing terms, the Authority is not obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability on the accompanying financial statements. As of June 30, 2020, the outstanding balance on such note is \$501,340. The final payment on this note is due August 1, 2034.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 5. LEASES

Office Space

The Authority has executed a lease agreement for office space. The lease expense is allocated to each program, based on the percentage of square footage utilized. The terms extend the lease through June 30, 2021, with increasing rates each fiscal year. Lease expense for the years ended June 30, 2020 and 2019, totaled \$135,406 and \$119,232, respectively. Minimum future lease payments are \$139,469 in 2021.

The Authority has executed a sublease agreement for additional office space in the same building discussed above. The sublease terms cover a three-year period through July 29, 2018. Lease expense for the year ended June 30, 2019, totaled \$1,980. This lease was terminated in fiscal year 2019.

NOTE 6. RETIREMENT PLAN

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). This includes the proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. Employers are provided guidance in GASB Statement 68, paragraph 74, where pension amounts must be combined as a total or aggregate for reporting, whether provided through cost-sharing, single-employer, or agent plans.

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the Net Pension Liability (NPL); Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 6. RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan

Plan Description - The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, MCA. This Plan provides retirement benefits to covered employees of the State and local governments and certain employees of the Montana University System and school districts. Benefits are established by state law and can only be amended by the Legislature. All new members are initially members of the PERS-DBRP and have a 12-month window during which they choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined benefit* and *defined contribution* retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

Benefits Provided - The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

Service retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service;
 - Age 65, regardless of membership service; or
 - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
 - Age 65, 5 years of membership services;
 - Age 70, regardless of membership service.

Early retirement:

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service; or
 - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service.

Second retirement (requires returning to PERS-covered employer or PERS service):

- Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 6. RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - The same retirement as prior to the return to service;
 - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.

Compensation Cap

- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Monthly Benefit Formula

- Members hired prior to July 1, 2011:
 - Less than 25 years of membership service: 1.785% of HAC per year of service credit;
 - 25 years of membership service or more: 2% of HAC per year of service credit.
- Members hired on or after July 1, 2011:
 - Less than 10 years of membership service: 1.5% of HAC per year of service credit;
 - 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
 - 30 years or more of membership service: 2% of HAC per year of service credit.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 6. RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

Contributions - The State Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

Special Funding - The State of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as *special funding*. Those employers who received *special funding* are all participating employers.

Not Special Funding - Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are *not* accounted for as special funding for state agencies and universities but are reported as employer contributions.

Overview of Contributions

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and member contributions rates.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020 and 2019

NOTE 6. RETIREMENT PLAN (CONTINUED)

Overview of Contributions (Continued)

- b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions
- a. Special Funding
 - i. The State contributed 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a Statutory Appropriation from the General Fund of \$33,615,000.

Member and employer contribution rates are shown in the table below.

| Fiscal Year | Member | | State & Universities | Local Government | | School Districts | |
|----------------|-------------------|-------------------|-------------------------|------------------|-------|------------------|--------|
| | Employer | | Employer | Employer | State | Employer | State |
| | Hired <7/01/11 | Hired >7/01/11 | | | | | |
| 2020 | 7.90% | 7.90% | 8.770% | 8.670% | 0.10% | 8.40% | 0.370% |
| 2019 | 7.90% | 7.90% | 8.670% | 8.570% | 0.10% | 8.30% | 0.370% |
| 2018 | 7.90% | 7.90% | 8.570% | 8.470% | 0.10% | 8.20% | 0.370% |
| 2017 | 7.90% | 7.90% | 8.470% | 8.370% | 0.10% | 8.10% | 0.370% |
| 2016 | 7.90% | 7.90% | 8.370% | 8.270% | 0.10% | 8.00% | 0.370% |
| 2015 | 7.90% | 7.90% | 8.270% | 8.170% | 0.10% | 7.90% | 0.370% |
| 2014 | 7.90% | 7.90% | 8.170% | 8.070% | 0.10% | 7.80% | 0.370% |
| 2012-2013 | 6.90% | 7.90% | 7.170% | 7.070% | 0.10% | 6.80% | 0.370% |
| 2010-2011 | 6.90% | | 7.170% | 7.070% | 0.10% | 6.80% | 0.370% |
| 2008-2009 | 6.90% | | 7.035% | 6.935% | 0.10% | 6.80% | 0.235% |
| 2000-2007 | 6.90% | | 6.900% | 6.800% | 0.10% | 6.80% | 0.100% |

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020 and 2019

NOTE 6. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2020 and 2019, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of \$825,316 and the employer's proportionate share was 0.0395 percent.

| <u>As of Reporting Date</u> | <u>Net Pension Liability as of June 30, 2020</u> | <u>Net Pension Liability as of June 30, 2019</u> | <u>Percent of Collective NPL as of June 30, 2020</u> | <u>Percent of Collective NPL as of June 30, 2019</u> | <u>Change in Percent of Collective NPL</u> |
|---|--|--|--|--|--|
| Employer proportionate share | \$ 825,316 | \$ 884,804 | 0.0395% | 0.0424% | -0.0029% |
| State of Montana proportionate share associated with employer | <u>279,141</u> | <u>304,336</u> | <u>0.0134%</u> | <u>0.0146%</u> | <u>-0.0012%</u> |
| Total | <u>\$ 1,104,457</u> | <u>\$ 1,189,140</u> | <u>0.0528%</u> | <u>0.0570%</u> | <u>-0.0041%</u> |

Changes in actuarial assumptions and methods - There were no changes in assumptions or other inputs that affected the measurement of the TPL.

Changes in benefit terms - There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share - There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense - At June 30, 2020, the employer recognized \$157,875 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$1,391 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$17,560 from the State Statutory Appropriation from the General Fund.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 6. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

| <u>As of Reporting Date</u> | <u>Pension Expense Year Ended June 30, 2020</u> | <u>Pension Expense Year Ended June 30, 2019</u> |
|---|---|---|
| Employer's proportionate share of PERS | \$ 157,875 | \$ 158,366 |
| Employer Grant revenue - State of Montana proportionate share associated for employer | 1,391 | 20,311 |
| Employer Grant revenue - State of Montana State Appropriation for employer | <u>17,560</u> | <u>-</u> |
| Total | <u>\$ 176,826</u> | <u>\$ 178,677</u> |

Recognition of Deferred Inflows and Outflows - At June 30, 2020, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

| | <u>2020</u> | |
|---|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Expected vs. actual experience | \$ 39,135 | \$ 38,834 |
| Projected investment earnings vs. actual Investment earnings | 10,007 | - |
| Changes in assumptions | 35,037 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 29,211 |
| Employer contributions subsequent to the measurement date | <u>62,171</u> | <u>-</u> |
| Total | <u>\$ 146,350</u> | <u>\$ 68,045</u> |

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020 and 2019

NOTE 6. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

\$62,171 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions are recognized in the employer's pension expense as follows:

| For the Reporting Year Ended June 30, | Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to Pension Expense |
|--|--|
| 2021 | \$ 53,580 |
| 2022 | (50,150) |
| 2023 | 3,723 |
| 2024 | 8,981 |
| 2025 | - |
| Thereafter | - |

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) of 7.65%
- Admin Expense as % of Payroll of 0.26%
- General Wage Growth* of 3.5%
*includes Inflation at 2.75%
- Merit Increases of 0% to 6.30%
- Postretirement Benefit Increases:
 1. Guaranteed Annual Benefit Adjustment (GABA) each January
 - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 and June 30, 2013
 - Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020 and 2019

NOTE 6. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Actuarial Assumptions (Continued)

- Mortality
 - Contributing members, service retired members and beneficiaries based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males
 - Disabled Members based on RP-2000 Combined Mortality Tables, with no projections

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation (78c & 78f) as of June 30, 2019, are summarized below.

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return Arithmetic Basis</u> |
|--------------------|--------------------------------|--|
| Cash equivalents | 3.00% | 4.09% |
| Domestic equity | 36.00% | 6.05% |
| Foreign equity | 18.00% | 7.01% |
| Fixed income | 23.00% | 2.17% |
| Private equity | 12.00% | 10.53% |
| Real estate | <u>8.00%</u> | 5.65% |
| Total | <u>100.00%</u> | |

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020 and 2019

NOTE 6. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Discount Rate - The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate - The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

| | 1.0% Decrease (6.65%) | Current Discount Rate | 1.0% Increase (8.65%) |
|----------------------------------|--------------------------|-----------------------------|--------------------------|
| Employer's net pension liability | \$ 1,185,744 | \$ 825,316 | \$ 522,422 |

PERS Disclosure for the Defined Contribution Plan

The Authority contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 6. RETIREMENT PLAN (CONTINUED)

PERS Disclosure for the Defined Contribution Plan (Continued)

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2019, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 320 employers that have participants in the PERS-DCRP totaled \$714,024.

Pension plan fiduciary net position - The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) *Comprehensive Annual Financial Report (CAFR)* and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

NOTE 7. POST-EMPLOYMENT HEALTH CARE BENEFITS

Employees of the Authority are allowed to participate in the health plan of Yellowstone County. Retired and other past employees of the Authority are allowed to continue to participate in this plan. The costs of the retiree health care benefits are covered by participant contributions. Yellowstone County has no plans to allocate any portion of its other post-employment benefits liability down to the Authority. Accordingly, the liability is not recorded in the Authority's financial statements.

NOTE 8. RISK MANAGEMENT

The Authority faces a number of risks of loss, including, but not limited to a) damage to and loss of property and contents, b) employee torts, c) professional liability (i.e. errors and omissions), d) environmental damage, and e) worker's compensation (i.e. employee injuries). Commercial policies, transferring all risks of loss, except for small deductible amounts, are purchased to mitigate these risks.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 9. RELATED PARTY TRANSACTIONS

During 2002, the Authority created a separate non-profit corporation, Big Sky EDC, whose purpose is to promote economic development through business recruitment, retention, and finance. Big Sky EDC has been deemed not to be a component unit organization in accordance with the standards set forth in Governmental Accounting Standards Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*.

The Authority provided services amounting to \$997,128 and \$1,097,225 to Big Sky EDC in 2020 and 2019, respectively. These services included operating costs such as salaries, rent, and insurance. A portion of these costs are reimbursed by Big Sky EDC to the Authority, and a portion is provided as an in-kind contribution. These amounts are shown in the accompanying statements of revenues, expenses, and changes in net position as Economic Development Corporation in-kind support and program expenses. As of June 30, 2020 and 2019, the Authority has a receivable from Big Sky EDC in the amount of \$57,548 and \$163,958, respectively.

In February 2020, Big Sky EDC purchased the historic Montana National Bank building in downtown Billings. The building and land were recorded at estimated fair value as of the date of receipt based on the appraised value of the building totaling \$1,600,000. Following this purchase, Big Sky EDC transferred the building and land to the Authority, providing a cash contribution of \$500,000 and an in-kind donation of \$600,000 for the transfer.

An employee of the Authority is a board member of the Downtown Billings Partnership (DBP). As described in Note 1, the Authority has extended a \$400,000 line of credit to the DBP.

NOTE 10. RESTRICTED CASH

The Authority holds restricted cash in a First Interstate Bank deposit account. Loan payments from Cabela's, related to the conduit debt described in Note 4, are deposited into this account on a monthly basis. The amount received as the monthly payment is later withdrawn by the Montana Board of Investments to be applied to the outstanding loan balance. The Authority held \$9,649 and \$4,982 in this account as of June 30, 2020 and 2019, respectively.

NOTE 11. SUBSEQUENT EVENTS

In early March 2020, the global economy was disrupted by the COVID-19 pandemic, including the industry in which the Authority operates. Subsequent to June 30, 2020, the COVID-19 pandemic continues to affect the economy. Management is carefully monitoring the situation, but is unable to determine the impact the pandemic will have on future operations as of the date of this report. In October 2020, the Authority was awarded approximately \$200,000 in coronavirus relief funding.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 11. SUBSEQUENT EVENTS (CONTINUED)

Effective October 5, 2020, the \$400,000 line of credit and \$10,152 of accrued interest was paid in full by DBP.

Additionally, effective October 15, 2020, the Authority's office space operating lease was renewed by the Authority through June 30, 2022. Rent expense is scheduled to \$11,855 per month, an increase of 2%, starting July 1, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS*
June 30, 2020

| As of measurement date | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| Employer's proportionate share of the net pension liability (percentage) | 0.0395% | 0.0424% | 0.0467% | 0.0361% | 0.0317% | 0.0333% |
| Employer's net pension liability (amount) | \$ 825,316 | \$ 884,804 | \$ 908,811 | \$ 615,174 | \$ 443,305 | \$ 414,985 |
| State of Montana's net pension liability (amount) | <u>279,141</u> | <u>304,336</u> | <u>23,290</u> | <u>7,517</u> | <u>5,445</u> | <u>5,068</u> |
| Total | <u>\$ 1,104,457</u> | <u>\$ 1,189,140</u> | <u>\$ 932,101</u> | <u>\$ 622,691</u> | <u>\$ 448,750</u> | <u>\$ 420,053</u> |
| Employer's covered payroll | \$ 651,467 | \$ 697,175 | \$ 578,860 | \$ 432,602 | \$ 370,095 | \$ 418,981 |
| Employer's proportionate share as a percent of covered payroll | 126.69% | 126.91% | 157.00% | 142.20% | 119.78% | 111.22% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.85% | 73.47% | 73.75% | 74.71% | 78.40% | 79.87% |

* The amounts presented for each fiscal year were determined as of June 30. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS*
June 30, 2020

| As of most recent FYE (reporting date) | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required defined benefit contributions | \$ 62,171 | \$ 56,030 | \$ 59,051 | \$ 48,451 | \$ 36,159 | \$ 30,497 |
| Plan Choice Rate required contributions | - | - | - | - | 15,251 | 23,335 |
| Contributions in relation to the contractually required contributions | 62,171 | 56,030 | 59,051 | 48,451 | 51,410 | 53,832 |
| Contribution deficiency (excess) | - | - | - | - | - | - |
| Employer's covered payroll | 717,072 | 651,467 | 697,175 | 578,860 | 432,602 | 370,095 |
| Contributions as a percent of covered payroll | 8.67% | 8.60% | 8.47% | 8.37% | 11.88% | 14.55% |

* The amounts presented for each fiscal year were determined as of June 30. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2017:

Working Retiree Limitations - for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts - Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
June 30, 2020

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 2016 Experience Study:

| | |
|---------------------------------|--|
| General Wage Growth* | 3.50% |
| Investment Rate of Return* | 7.65% |
| *Includes inflation at | 2.75% |
| Merit salary increase | 0% to 8.47% |
| Asset valuation method | Four-year smoothed market |
| Actuarial cost method | Entry age Normal |
| Amortization method | Level percentage of payroll, open |
| Remaining amortization period | 30 years |
| Mortality (Healthy members) | For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year |
| Mortality (Disabled members) | For Males and Females: RP 2000 Combined Mortality Table, with no projections |
| Admin Expense as a % of Payroll | 0.26% |

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

SINGLE AUDIT

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-through Grantors Number | Expenditures |
|--|------------------------|--|----------------------------|
| U.S. Department of Defense | | | |
| Procurement Technical Assistance | 12.002 | SP4800-18-2-1822 | \$ 50,253 |
| Procurement Technical Assistance | 12.002 | SP4800-19-2-1922 Option Year II Option 1 | <u>546,171</u> |
| Total Department of Defense | | | <u>596,424</u> |
| U.S. Environmental Protection Agency | | | |
| EPA National Brownfields Assessment Grants | 66.818 | BF-96855601 | <u>50,397</u> |
| Total U.S. Environmental Protection Agency | | | <u>50,397</u> |
| U.S. Small Business Administration | | | |
| Passed through Montana Department of Commerce | | | |
| Small Business Development Center | 59.037 | 14-51-009E2 | 46,563 |
| Small Business Development Center | 59.037 | 14-51-009F | 19,500 |
| Small Business Development Center | 59.037 | 14-51-009G | 39,000 |
| Small Business Development Center - CARES Act | 59.037 | 20-51-142 | <u>12,514</u> |
| Total passed through Montana Department of Commerce | | | 117,577 |
| Veteran's Business Outreach Center | 59.044 | SBAHQ19V0015/00 02 | 241,039 |
| Veteran's Business Outreach Center | 59.044 | SBAOVVB20020- 01-00 | <u>43,728</u> |
| Total U.S. Small Business Administration | | | <u>402,344</u> |
| U.S. Department of Commerce | | | |
| ROCK31 Connect Build Grow | 11.300 | 05-01-05938 URI: 113070 | <u>505,404</u> |
| Total U.S. Department of Commerce | | | <u>505,404</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 1,554,569</u></u> |

See Notes to Schedule of Expenditures of Federal Awards.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2020

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes federal award activity of the Authority under programs of the federal government for the year ended June 30, 2020. 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*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Authority has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2. MATCHING FUNDS

In accordance with the terms of the grants, the Authority has expended cash and in-kind matching contributions during the year ended June 30, 2020, for the following programs:

| | |
|-------------------------------------|-------------------|
| U.S. Department of Defense: | |
| SP4800-18-2-1822 | \$ 30,816 |
| SP4800-19-2-1922-Option Year II | <u>282,755</u> |
| | <u>313,571</u> |
| U.S. Small Business Administration: | |
| 14-51-009E-2 | 66,849 |
| 14-51-009F | 25,389 |
| 14-51-009G | <u>35,235</u> |
| | <u>127,473</u> |
| U.S. Department of Commerce: | |
| 05-01-05938 URI: 113070 | <u>505,404</u> |
| | <u>505,404</u> |
| Total | <u>\$ 441,044</u> |

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
June 30, 2020

NOTE 3. SUB-RECIPIENTS

The Authority passed through federal funding from the U. S. Department of Defense, Procurement Technical Assistance program to the following sub-recipients for the year ended June 30, 2020:

| | |
|---|-------------------|
| Montana West Economic Development | \$ 82,865 |
| University of Montana | 78,253 |
| Montana State University | 13,036 |
| Ravalli County Economic Development Authority | 23,024 |
| Great Falls Development Authority | 69,907 |
| Snowy Mountain Development | <u>29,412</u> |
| | <u>\$ 296,497</u> |

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 Commissioners
Big Sky Economic Development Authority
Billings, 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 the Big Sky Economic Development Authority (the Authority), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Authority'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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the Authority'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Zurmuehlen + Co, P.C.

Billings, Montana
November 2, 2020

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

To the Board of Commissioners
Big Sky Economic Development Authority
Billings, Montana

Report on Compliance for Major Federal Program

We have audited the Big Sky Economic Development Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2020. The Authority's major federal program is 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 the Authority's major federal program 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 the Authority'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 the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Authority 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 the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 the Authority'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.

Billings, Montana
November 2, 2020

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

| | |
|--|---------------|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|---|
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Type of auditor's report issued on compliance with major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) | No |
| Identification of major programs: | |
| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
| 11.300 | Economic Development Cluster |
| Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
| Auditee qualified as low-risk auditee? | Yes |

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2020

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

FINANCIAL STATEMENT FINDINGS

None noted.

PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None noted.



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**BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF CORRECTED MISSTATEMENTS**

June 30, 2020

| Account | Description | Debit | Credit |
|---|--|-------------------------|-------------------------|
| Adjusting Journal Entries | | | |
| Adjusting Journal Entries JE # 1 | | | |
| GASB 68 and GASB 71 Adjustments | | | |
| 9003 | Pension Expense | 717.00 | |
| 9000 | Deferred Outflows of Resources | | 717.00 |
| 9001 | Deferred Inflows of Resources | | |
| 9002 | Net Pension Liability | | |
| 9004 | Grant Revenue (GASB 68) | | |
| Total | | <u><u>717.00</u></u> | <u><u>717.00</u></u> |
| | Total Adjusting Journal Entries | <u><u>717.00</u></u> | <u><u>717.00</u></u> |
| Reclassifying Journal Entries | | | |
| Reclassifying Journal Entries JE # 2 | | | |
| To reclass intergovernmental revenue out of miscellaneous revenue | | | |
| 4080 | Miscellaneous Revenue | 24,402.00 | |
| 6500-AZ | Other Intergovernmental Revenue | | 24,402.00 |
| Total | | <u><u>24,402.00</u></u> | <u><u>24,402.00</u></u> |
| | Total Reclassifying Journal Entries | <u><u>24,402.00</u></u> | <u><u>24,402.00</u></u> |
| | Total All Journal Entries | <u><u>25,119.00</u></u> | <u><u>25,119.00</u></u> |

To the Board of Directors
Big Sky Economic Development Corporation, Inc.
Billings, Montana

We have audited the financial statements of Big Sky Economic Development Corporation, Inc. (the Organization) (Big Sky EDC) for the year ended June 30, 2020, and have issued our report thereon dated November 3, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 22, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Big Sky Economic Development Corporation, Inc. are described in Note 2 to the financial statements. As described in Note 2, the Organization adopted FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in fiscal year 2020. This had no effect on the Organization's existing accounting policies and, therefore, had no effect on the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the loan loss reserve is based on past experience and management's analysis of notes receivable. We evaluated the key factors and assumptions used to develop the estimate of the loan loss reserve in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of related party transactions in Note 8 and the disclosure of receivables in Note 3 to the financial statements are considered to be an integral part of the accompanying financial statements. We evaluated the key factors and assumptions used in management's preparation of these disclosures and determined the disclosures to be reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatement identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 3, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Big Sky Economic Development Corporation, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Anderson Zurmuehlen + Co, P.C.

Billings, Montana
November 3, 2020

BIG SKY ECONOMIC DEVELOPMENT CORPORATION, INC.
SCHEDULE OF PASSED ADJUSTMENTS
For the Year Ended June 30, 2020

| Account | Description | Debit | Credit |
|---|-------------------------------------|-------------------------|-------------------------|
| Passed Journal Entries | | | |
| Passed Journal Entries JE # 4 | | | |
| To remove member investor revenue earned in the PY. | | | |
| 4300 | Member Investment | 4,000.00 | |
| 3000 | Retained Earnings | | 4,000.00 |
| Total | | <u>4,000.00</u> | <u>4,000.00</u> |
| Passed Journal Entries JE # 5 | | | |
| To reduce the amount in-kind revenue recognized due to health levy reimbursements not being accounted for in the indirect cost allocation base. | | | |
| 4200 | EDA In-Kind | 13,082.00 | |
| 5430 | Employer Contributions | | 13,082.00 |
| Total | | <u>13,082.00</u> | <u>13,082.00</u> |
| | Total Passed Journal Entries | <u>17,082.00</u> | <u>17,082.00</u> |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Sky Economic Development Corporation, Inc.
Billings, Montana

We have audited the accompanying financial statements of Big Sky Economic Development Corporation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstance, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Big Sky Economic Development Corporation, Inc. as of June 30, 2020 and 2019, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Anderson Zurmuehlen + Co, P.C.

Billings, Montana
November 3, 2020

**BIG SKY ECONOMIC
DEVELOPMENT CORPORATION**

FINANCIAL REPORT

June 30, 2020 and 2019

CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT..... | 1 and 2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position..... | 4 |
| Statements of Activities..... | 5 and 6 |
| Statements of Functional Expenses..... | 7 and 8 |
| Statements of Cash Flows..... | 9 |
| Notes to Financial Statements | 10 to 22 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Sky Economic Development Corporation, Inc.
Billings, Montana

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Anderson Zurmuehlen + Co, P.C.

Billings, Montana
November 3, 2020

FINANCIAL STATEMENTS

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2020 and 2019

| <u>ASSETS</u> | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,702,901 | \$ 2,285,504 |
| Accounts receivable | 61,184 | 34,158 |
| Contributions receivable | - | 44,500 |
| Prepaid expenses | 8,276 | 4,867 |
| Current portion notes receivable, net | 111,629 | 173,100 |
| Total current assets | <u>1,883,990</u> | <u>2,542,129</u> |
| NON-CURRENT ASSETS | | |
| Allowance for Loan Losses | (21,934) | - |
| Notes receivable, net of current portion | 985,079 | 928,770 |
| Total assets | <u>2,847,135</u> | <u>3,470,899</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 14,200 | 83,112 |
| Due to related party | 57,548 | 163,958 |
| Deferred revenue | 35,811 | 3,936 |
| Total current liabilities | <u>107,559</u> | <u>251,006</u> |
| NET ASSETS | | |
| Without Donor Restrictions | | |
| Designated | 740,311 | 692,920 |
| Undesignated | 1,949,502 | 2,478,710 |
| Total Without Donor Restrictions | <u>2,689,813</u> | <u>3,171,630</u> |
| With Donor Restrictions | 49,763 | 48,263 |
| Total net assets | <u>2,739,576</u> | <u>3,219,893</u> |
| Total liabilities and net assets | <u>\$ 2,847,135</u> | <u>\$ 3,470,899</u> |

The Notes to Financial Statements are an integral part of these statements.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| SUPPORT AND REVENUE | | | |
| Private donor funding | \$ - | \$ 3,500 | \$ 3,500 |
| Member-Investor support | 313,910 | 10,500 | 324,410 |
| In-kind support from related party | 425,822 | - | 425,822 |
| In-kind support from unrelated party | 600,000 | - | 600,000 |
| Loan fees | 787,080 | - | 787,080 |
| Interest income | 38,300 | - | 38,300 |
| Recovery of bad debt | 9,067 | - | 9,067 |
| Net Assets released from restrictions | 12,500 | (12,500) | 0 |
| Other income | 15,929 | - | 15,929 |
| Total support and revenue | 2,202,608 | 1,500 | 2,204,108 |
| EXPENSES | | | |
| Program expenses | | | |
| Business recruitment and retention | 222,765 | - | 222,765 |
| Workforce Development | 65,529 | - | 65,529 |
| Rock31 | 389,410 | - | 389,410 |
| Member-investor relations | 671,993 | - | 671,993 |
| Business financing | 919,061 | - | 919,061 |
| Total program expenses | 2,268,758 | - | 2,268,758 |
| General and administrative | 415,667 | - | 415,667 |
| Total operating expenses | 2,684,425 | - | 2,684,425 |
| Change in Net Assets | (481,817) | 1,500 | (480,317) |
| Net assets, beginning of year | 3,171,630 | 48,263 | 3,219,893 |
| Net assets, end of year | \$ 2,689,813 | \$ 49,763 | \$ 2,739,576 |

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

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| SUPPORT AND REVENUE | | | |
| Private donor funding | \$ - | \$ 180,750 | \$ 180,750 |
| Member-Investor support | 281,558 | 49,750 | 331,308 |
| In-kind support from related party | 338,819 | - | 338,819 |
| Loan fees | 746,329 | - | 746,329 |
| Interest income | 40,576 | - | 40,576 |
| Recovery of bad debt | 3,850 | - | 3,850 |
| Net Assets released from restrictions | 444,350 | (444,350) | 0 |
| Other income | 26,031 | - | 26,031 |
| Total support and revenue | 1,881,513 | (213,850) | 1,667,663 |
| EXPENSES | | | |
| Program expenses | | | |
| Business recruitment and retention | 557,081 | - | 557,081 |
| Workforce Development | 123,410 | - | 123,410 |
| Rock31 | 81,207 | - | 81,207 |
| Member-investor relations | 241,257 | - | 241,257 |
| Business financing | 796,638 | - | 796,638 |
| Total program expenses | 1,799,593 | - | 1,799,593 |
| General and administrative | 108,990 | - | 108,990 |
| Total operating expenses | 1,908,583 | - | 1,908,583 |
| Change in Net Assets | (27,070) | (213,850) | (240,920) |
| Net assets, beginning of year | 3,198,700 | 262,113 | 3,460,813 |
| Net assets, end of year | \$ 3,171,630 | \$ 48,263 | \$ 3,219,893 |

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

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

| | Business Recruiting | Workforce Development | Rock31 | Member Investor | Business Finance | G&A | Total |
|------------------------|------------------------|--------------------------|-------------------|--------------------|---------------------|-------------------|--------------------|
| EXPENSES | | | | | | | |
| Contribution Expense | \$ 43,462 | \$ 12,785 | \$ 366,667 | \$132,608 | \$179,311 | \$ 366,667 | \$1,101,500 |
| Dues and subscriptions | 4,304 | 31 | - | 10,567 | 23,973 | 2,500 | 41,375 |
| Salaries and benefits | 109,447 | - | - | 212,033 | 481,879 | - | 803,359 |
| Bear Program | - | - | 2,823 | - | - | - | 2,823 |
| Business Incubation | - | - | 2,519 | - | - | - | 2,519 |
| Bad Debt Expense | - | - | - | 30,700 | 21,934 | - | 52,634 |
| Insurance | 1,168 | - | - | 2,262 | 5,140 | 5,887 | 14,457 |
| Loan losses | - | - | - | - | - | - | - |
| Marketing | 11,320 | 19,993 | 10,721 | 118,308 | 819 | 6,329 | 167,490 |
| Membership development | - | - | - | 10,951 | - | - | 10,951 |
| Miscellaneous | 6,133 | 11,736 | 4,995 | 6,513 | 43,879 | 8,325 | 81,581 |
| Program events | - | 3,650 | - | 101,389 | - | - | 105,039 |
| Supplies | 701 | 34 | 185 | 1,386 | 6,315 | 5,082 | 13,703 |
| Professional fees | 20,327 | 7,550 | 1,500 | 6,647 | 62,392 | 20,870 | 119,286 |
| Rent | 7,473 | - | - | 15,362 | 58,657 | - | 81,492 |
| Sponsorships | 249 | 2,569 | - | 1,632 | 1,096 | - | 5,546 |
| Telephone | 3,563 | 240 | - | 7,162 | 15,578 | - | 26,543 |
| Travel and training | 14,618 | 6,941 | - | 14,473 | 18,088 | 7 | 54,127 |
| Total expenses | <u>\$222,765</u> | <u>\$ 65,529</u> | <u>\$ 389,410</u> | <u>\$671,993</u> | <u>\$919,061</u> | <u>\$ 415,667</u> | <u>\$2,684,425</u> |

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

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

| | Business Recruiting | Workforce Development | Rock31 | Member Investor | Business Finance | G&A | Total |
|------------------------|------------------------|--------------------------|-----------------|--------------------|---------------------|------------------|--------------------|
| EXPENSES | | | | | | | |
| Dues and subscriptions | 5,025 | 165 | 1,195 | 6,129 | 26,803 | 2,500 | 41,817 |
| Salaries and benefits | 94,511 | - | - | 133,714 | 436,639 | 80,408 | 745,272 |
| Bear Program | - | - | 5,107 | - | - | - | 5,107 |
| Bad Debt Expense | - | - | - | 1,000 | - | - | 1,000 |
| Insurance | 685 | - | - | 969 | 3,213 | 10,097 | 14,964 |
| Loan losses | - | - | - | - | 117,304 | - | 117,304 |
| Marketing | 8,276 | 690 | 6,500 | 17,717 | 8,067 | - | 41,250 |
| Membership development | - | - | - | 5,997 | - | - | 5,997 |
| Miscellaneous | 21,405 | 2,162 | 4,918 | 982 | 66,916 | 1,985 | 98,368 |
| Program events | - | 24,721 | 7,494 | 31,422 | - | - | 63,637 |
| Supplies | 714 | - | - | 3,131 | 7,575 | - | 11,420 |
| Professional fees | 390,466 | 72,650 | 44,587 | 4,823 | 35,346 | 13,000 | 560,872 |
| Rent | 6,846 | - | - | 10,917 | 62,999 | - | 80,762 |
| Sponsorships | - | 13,000 | - | 3,519 | - | 1,000 | 17,519 |
| Telephone | 3,548 | 480 | - | 5,104 | 15,536 | - | 24,668 |
| Travel and training | 25,605 | 9,542 | 11,406 | 15,833 | 16,240 | - | 78,626 |
| Total expenses | <u>\$557,081</u> | <u>\$ 123,410</u> | <u>\$81,207</u> | <u>\$241,257</u> | <u>\$796,638</u> | <u>\$108,990</u> | <u>\$1,908,583</u> |

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

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2020 and 2019

| CASH FLOWS FROM OPERATING ACTIVITIES | <u>2020</u> | <u>2019</u> |
|--|-------------------------|-------------------------|
| Change in net assets | (\$480,315) | (\$240,920) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Change in accounts receivable | (27,027) | (22,294) |
| Change in contributions receivable | 44,500 | 28,000 |
| Change in prepaid expenses | (3,409) | (4,867) |
| Change in accounts payable | (68,913) | 23,315 |
| Change in deferred revenue | 31,875 | 3,936 |
| Change in amounts due to related parties | (106,410) | 80,747 |
| Change in allowance for loan losses | 21,934 | 0 |
| Net cash flows from operating activities | <u>(587,765)</u> | <u>(132,083)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Financing of new notes receivable | (367,000) | - |
| Payments from notes receivable | 372,162 | 330,163 |
| Payments for purchase of fixed assets | (1,000,000) | - |
| Proceeds from sale of fixed assets | 1,000,000 | - |
| Net cash flows from investing activities | <u>5,162</u> | <u>330,163</u> |
| Net change in cash and cash equivalents | (582,603) | 198,080 |
| Cash and cash equivalents, beginning of year | <u>2,285,504</u> | <u>2,087,424</u> |
| Cash and cash equivalents, end of year | <u><u>1,702,901</u></u> | <u><u>2,285,504</u></u> |
| Noncash investing and financing activities: | | |
| In-kind support for purchase of fixed assets | (600,000) | - |
| In-kind contribution expense to related party on sale of fixed asset | 600,000 | - |
| Net noncash investing and financing activities | <u>-</u> | <u>-</u> |

The Notes to Financial Statements are an integral part of these statements.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1. ORGANIZATION AND PURPOSE

Big Sky Economic Development Corporation (the Organization), a Montana non-profit corporation, was incorporated in 2002. The purpose of the Organization is to work closely with Big Sky Economic Development Authority (the Authority) to promote, stimulate, develop, and advance the general welfare, commerce, economic development, and prosperity of the Yellowstone County market region, the State of Montana, and its citizens. The Organization emphasizes its efforts on business recruitment, business retention, entrepreneurship, and small business finance.

The Organization has gained the designation of Certified Development Corporation from the United States Small Business Administration.

Activities of the Organization are supported by Big Sky Economic Development Authority (a related organization), loan fees generated by the SBA 504 loan programs, the State Small Business Credit Initiative, and by contributions from local businesses.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board, as applicable to non-profit organizations.

Basis of Accounting

The Organization reports information regarding its financial position and activities according to two classes: net assets without donor restrictions and net assets with donor restrictions.

- *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations. The Board of Directors has designated certain net assets without restrictions primarily for the following uses:

Designated as cash reserves – Funds available to meet cash needs as necessary. As of June 30, 2020, and 2019, the Organization had \$250,000 of Board-designated cash reserves.

Designated as loan funds – Funds designated for loans via its revolving loan program. As of June 30 2020, and 2019, the Organization had \$490,311 and \$442,920, respectively, of funds designated for its revolving loan fund (RLF) program.

- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. See Note 7 for additional discussion.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2020 and 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time has elapsed) are reported as reclassifications between the applicable classes of net assets in the period in which the restrictions are satisfied.

Contributions

Contributions received are recorded as restricted or unrestricted, depending on the nature of any existing donor restrictions. Contributions from local businesses are recorded only when a written pledge is received from the donor or when the contribution is received.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Exempt Status

The Organization is exempt from federal and state income taxes under Internal Revenue Code §501(c)(3).

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated based on estimates of time and effort. General operating expenses and occupancy expenses are allocated based on full-time equivalents.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2020 and 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash deposits at various financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) for deposits up to \$250,000. From time to time, certain bank accounts that are subject to limited FDIC coverage may exceed their insured limits. As of June 30, 2020, and 2019, the Organization's deposits exceeded the insured limits by \$1,355,077 and \$1,938,863, respectively.

Accounts Receivable

Accounts receivable consist of amounts due under normal trade terms requiring payment within 30 days from the invoice date. Customer account balances with invoices dated over 30 days old are considered delinquent. These balances are stated at face value. Management regularly reviews collectability of all receivables. Receivables are written off once management determines that all collection efforts have been exhausted. While the organization maintains an allowance for doubtful accounts for the loan portfolio, the organization does not maintain an allowance for doubtful accounts associated with accounts receivable as management considers all accounts to be fully collectible.

Contributions Receivable

Contributions receivable are recorded, and revenue is recognized at the time unconditional promises to give are made. These balances are stated at their present value and are due according to the terms of the related pledge agreement. Management considers all pledges to be fully collectible, therefore, no allowance for doubtful accounts is presented. Contributions receivable was \$0 and \$44,500 at June 30, 2020 and 2019, respectively.

Notes Receivable

Notes receivable consist of amounts due from businesses participating in the Organization's revolving loan program, the State Small Business Credit Initiative (SSBCI) loan program, and stabilization loan program. The terms of each note, including payment schedules and interest rates, are detailed in the corresponding agreement. Each note is in good standing if the obligor is remitting payments based on the contractual payment schedule. Otherwise, they are in default. Notes receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of businesses to meet their obligations for repayment.

Notes receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible notes receivable when management determines the receivable will not be collected. Customers with payments outstanding 30 days past their scheduled date are

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2019 and 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

considered delinquent. As of June 30, 2020, an allowance of \$21,934 was established for any potential uncollectible loans. Interest on notes receivable is recognized over the term of the note and is calculated using the simple- interest method on principal amounts outstanding. Notes receivable in default status do not accrue interest.

In-kind Support from Related Party

In-kind support from related party includes donated materials, facilities, and services from the Authority and are recorded as support at their estimated market value at the date of donation.

Reclassifications

Certain amounts presented in the prior year have been reclassified to conform to current year financial statement presentation. The reclassifications have no impact on previously reported net assets or changes in net assets.

Recently Adopted Accounting Pronouncements

Effective July 1, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). This update creates a single framework for recognizing revenue from contracts with customers that fall within its scope. Implementation of the standard had no effect on the Organization's existing revenue policies, nor required any adjustment of activity reported in a prior period.

Effective July 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic) 958 – Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made. The update provides guidance on (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Implementation of the standard had no effect on the Organization's existing revenue recognition policies, nor required any adjustment of activity reported in a prior period.

Revenue Recognition

The Organization's significant revenue sources are contributions revenue and loan fees. Contributions, including unconditional promises to give, are recognized as revenues in the period pledged. Contributions revenue is comprised of private donor support funding, member investor support revenue, and in-kind support revenue from both related and unrelated party transactions. Contributions of assets other than cash are recorded at their estimated fair value at date of receipt. It is the policy of the Organization to report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets, with explicit restrictions specifying how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service. Refer to Notes 8 and 9 regarding in-kind donations from related and unrelated party transactions.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2019 and 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loan fee revenue includes loan servicing income, loan origination income, and interest income. Loan fee revenues are generated from notes receivable under the revolving loan fund (RLF), State Small Business Credit Initiative (SSBCI) loan program, and stabilization loan programs. Loan servicing income and loan origination income are recognized as the date of the note receivable agreement. Interest income is recognized ratably over the life of the note receivable.

Subsequent Events

Management has evaluated subsequent events through November 3, 2020 the date which the financial statements were available for issue.

NOTE 3. NOTES RECEIVABLE

Notes receivable consist of the following as of June 30, 2020 and 2019:

| | <u>Current Portion</u> | <u>Non-Current Portion</u> | <u>Total</u> |
|----------------------------|----------------------------|--------------------------------|---------------------|
| <u>2020:</u> | | | |
| Revolving loan program | \$ 32,036 | \$ 278,314 | \$ 310,350 |
| SSBCI loan Program | 47,744 | 601,614 | 649,358 |
| Stabilization loan program | <u>31,849</u> | <u>105,151</u> | <u>137,000</u> |
| | <u>\$ 111,629</u> | <u>\$ 985,079</u> | <u>\$ 1,096,708</u> |
| <u>2019:</u> | | | |
| Revolving loan program | \$ 46,652 | \$ 127,982 | \$ 174,634 |
| SSBCI loan program | <u>126,448</u> | <u>800,788</u> | <u>927,236</u> |
| | <u>\$ 173,100</u> | <u>\$ 928,770</u> | <u>\$ 1,101,870</u> |

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2020 and 2019

NOTE 3. NOTES RECEIVABLE (CONTINUED)

Revolving Loan Program

The Organization has established a revolving loan fund to provide low-interest loans to small businesses for start-up or expansion. The following is a summary of notes receivable as of June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Loan #1 | | |
| Matures 8/1/2023, Interest Rate 6.50% | \$87,635 | \$93,866 |
| Loan #2 | | |
| Matures 08/01/2018, Interest Rate 6.50% | - | 716 |
| Loan #3 | | |
| Matures 08/01/2018, Interest Rate 6.00% | - | 39,614 |
| Loan #4 | | |
| Matures 18/01/2024, Interest Rate 6.50% | 95,775 | - |
| Loan #5 | | |
| Matures 07/01/2021, Interest Rate 6.50% | 28,972 | 40,438 |
| Loan #6 | | |
| Matures 02/01/2025, Interest Rate 6.50% | 97,968 | - |
| Total notes receivable | <u>310,350</u> | <u>174,634</u> |
| Less current portion | <u>(32,036)</u> | <u>(46,652)</u> |
| Non-current portion | <u>\$278,314</u> | <u>\$127,982</u> |

The annual note receivable requirements to maturity, as of June 30, 2020, for the revolving loan fund are as follows:

| <u>Year Ending</u> | <u>Loan #1</u> | <u>Loan #4</u> | <u>Loan #5</u> | <u>Loan #6</u> | <u>Total</u> |
|----------------------|----------------|-----------------|-----------------|-----------------|------------------|
| 2021 | \$6,031 | \$5,620 | \$12,940 | \$7,445 | \$32,036 |
| 2022 | 8,822 | 8,000 | 16,032 | 8,005 | 40,859 |
| 2023 | 9,413 | 8,691 | | 8,541 | 26,645 |
| 2024 | 63,369 | 9,418 | | 9,113 | 81,900 |
| 2025 | | 10,218 | | 9,723 | 19,941 |
| Thereafter | | 53,828 | | 55,141 | 108,969 |
| Total Principal | <u>87,635</u> | <u>95,775</u> | <u>28,972</u> | <u>97,968</u> | <u>310,350</u> |
| Less Current Portion | <u>(6,031)</u> | <u>(5,620)</u> | <u>(12,940)</u> | <u>(7,445)</u> | <u>(32,036)</u> |
| Long-term Portion | <u>81,604</u> | <u>\$90,155</u> | <u>\$16,032</u> | <u>\$90,523</u> | <u>\$278,314</u> |

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2020 and 2019

NOTE 3. NOTES RECEIVABLE (CONTINUED)

State Small Business Credit Initiative Loan Program

During 2012, the Organization partnered with local banks to lend funds to local businesses from funds obtained by the Organization through the State Small Business Credit Initiative. The following is a summary of notes receivable as of June 30, 2020 and 2019, related to the State Small Business Credit Initiative funds:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| <u>Loan #1</u> | | |
| Matures 12/23/2022, Interest Rate 2.47% | \$0 | \$106,739 |
| <u>Loan #2</u> | | |
| Matures 09/22/2021, Interest Rate 1.54% | - | 125,825 |
| <u>Loan #3</u> | | |
| Matures 11/07/2022, Interest Rate 1.31% | 21,603 | 29,938 |
| <u>Loan #4</u> | | |
| Matures 12/03/2027, Interest Rate 1.89% | 150,409 | 163,186 |
| <u>Loan #5</u> | | |
| Matures 4/1/2035, Interest Rate 3.62% | 390,124 | 409,440 |
| <u>Loan #6</u> | | |
| Matures 10/17/2037, Interest Rate 2.38% | 87,222 | 92,108 |
| Total notes receivable | 649,358 | 927,236 |
| Less current portion | (47,744) | (126,448) |
| Non-current portion | <u>\$601,614</u> | <u>\$800,788</u> |

The annual note receivable requirements to maturity as of June 30, 2020, for the State Small Business Credit Initiative funds are as follows:

| <u>Year Ending</u> | <u>Loan #3</u> | <u>Loan #4</u> | <u>Loan #5</u> | <u>Loan #6</u> | <u>Total</u> |
|----------------------|----------------|------------------|------------------|-----------------|------------------|
| 2021 | \$8,603 | \$14,422 | \$19,688 | \$5,031 | \$47,743 |
| 2022 | 8,758 | 17,361 | 20,553 | 5,781 | 52,453 |
| 2023 | 4,242 | 17,781 | 21,416 | 6,095 | 49,534 |
| 2024 | | 18,205 | 22,279 | 6,414 | 46,898 |
| 2025 | | 18,650 | 24,008 | 6,752 | 49,410 |
| Thereafter | | 63,990 | 282,180 | 57,149 | 403,319 |
| Total Principal | 21,603 | 150,409 | 390,124 | 87,222 | 649,358 |
| Less Current Portion | (8,603) | (14,422) | (19,687) | (5,032) | (47,744) |
| Long-term Portion | <u>13,000</u> | <u>\$135,987</u> | <u>\$370,437</u> | <u>\$82,190</u> | <u>\$601,614</u> |

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2020 and 2019

NOTE 3. NOTES RECEIVABLE (CONTINUED)

Stabilization Loan Program

During 2020, the organization established a stabilization loan program (loans up to \$15,000) to help small business weather the COVID-19 storm. The following is a summary of notes receivable as of June 30, 2020 related to the stabilization loan funds:

| | <u>2020</u> |
|--------------------------------------|------------------|
| Loan #1 | |
| Matures 05/21/2023, Interest Rate 2% | \$15,000 |
| Loan #2 | |
| Matures 05/01/2023, Interest Rate 2% | 15,000 |
| Loan #3 | |
| Matures 04/01/2023, Interest Rate 2% | 15,000 |
| Loan #4 | |
| Matures 05/01/2023, Interest Rate 2% | 15,000 |
| Loan #5 | |
| Matures 05/01/2023, Interest Rate 2% | 15,000 |
| Loan #6 | |
| Matures 05/01/2023, Interest Rate 2% | 15,000 |
| Loan #7 | |
| Matures 05/01/2023, Interest Rate 2% | 15,000 |
| Loan #8 | |
| Matures 05/01/2023, Interest Rate 2% | 5,000 |
| Loan #9 | |
| Matures 05/01/2023, Interest Rate 2% | 12,000 |
| Loan #10 | |
| Matures 06/01/2023, Interest Rate 2% | <u>15,000</u> |
| Total notes receivable | 137,000 |
| Less current portion | <u>(31,849)</u> |
| Non-current portion | <u>\$105,151</u> |

The annual note receivable requirements to maturity as of June 30, 2020, for the stabilization loan funds are as follows:

| <u>Year Ending</u> | <u>Loan #1</u> | <u>Loan #2</u> | <u>Loan #3</u> | <u>Loan #4</u> | <u>Loan #5</u> | <u>Loan #6</u> | <u>Loan #7</u> | <u>Loan #8</u> | <u>Loan #9</u> | <u>Loan #10</u> | <u>Total</u> |
|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|--------------|
| 2021 | \$3,433 | \$3,433 | \$3,927 | \$3,433 | \$3,433 | \$3,433 | \$3,433 | \$1,144 | \$2,747 | \$3,433 | \$31,849 |
| 2022 | 5,980 | 5,980 | 5,989 | 5,980 | 5,980 | 5,980 | 5,980 | 1,993 | 4,784 | 5,980 | \$54,626 |
| 2023 | 5,587 | 5,587 | 5,084 | 5,587 | 5,587 | 5,587 | 5,587 | 1,863 | 4,469 | 5,587 | \$50,525 |
| Total Principal | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 5,000 | 12,000 | 15,000 | 137,000 |
| Less Current Portion | (3,433) | (3,433) | (3,927) | (3,433) | (3,433) | (3,433) | (3,433) | (1,144) | (2,747) | (3,433) | (31,849) |
| Long-term Portion | 11,567 | \$11,567 | \$11,073 | \$11,567 | \$11,567 | \$11,567 | \$11,567 | \$3,856 | \$9,253 | \$11,567 | 105,151 |

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2019 and 2018

NOTE 3. NOTES RECEIVABLE (CONTINUED)

Interest income for the RLF, SSBCI, and stabilization programs for the years ended June 30, 2020 and 2019, amounted to \$38,290 and \$40,576, respectively.

Credit Quality Indicators

All loans undergo multiple underwriting processes. They are analyzed based on credit worthiness, longevity, and collateral. Loans in the revolving loan fund are deemed riskier, as they include little to no collateral. These loans have been underwritten by a bank, but the bank has passed on the loan. As such, they are deemed riskier and categorized as “watch” loans. Loans issued under the SSBCI program are underwritten by a bank and are split in a 50% participation with the corresponding bank. These loans are considered quality credits and are categorized as “pass” loans. All loans are categorized at inception and monitored during the repayment period, as needed.

Loan Loss Reserve

Management established a loan loss reserve as of June 30, 2020. The reserve is equal to 2% of the RLF, SSBCI, and stabilization loan portfolios. Management continues to monitor each loan account on an ongoing basis for potential upcoming risks related to declining credit conditions.

NOTE 4. SMALL BUSINESS ADMINISTRATION LOAN PROGRAM

The Organization has been approved as a Certified Development Company (CDC) by the Small Business Administration (SBA). As a CDC, the Organization works with the SBA and private-sector lenders to provide financing to small businesses. The SBA’s CDC/504 loan program is a long-term financing tool for economic development within a community. This program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. The Organization initiates and administers these loans, collecting loan origination and loan servicing fees.

NOTE 5. STATE SMALL BUSINESS CREDIT INITIATIVE LOAN PROGRAM AND GRANT

During 2012, the Organization received a State Small Business Credit Initiative Grant (SSBCI). Under this program, the Organization received grant funds from the State of Montana from which to provide loans to small businesses, with participation from local financial institutions. All SSBCI funds were required to be segregated into a separate restricted account, including all funds received from loan repayments received from small businesses. The grant was restricted specifically for this program and the related net assets were restricted until March 31, 2017. In April 2017, the State of Montana SSBCI Loan Committee determined that the

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
 June 30, 2020 and 2019

NOTE 5. STATE SMALL BUSINESS CREDIT INITIATIVE LOAN PROGRAM AND GRANT (CONTINUED)

Organization had satisfied all the program requirements and released restrictions on 98% of the funds granted. The Organization remitted the remaining 2% to the State Tribal Economic Development Commission.

NOTE 6. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization financial assets within one year of the balance sheet dates for general expenditures are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|--------------------|--------------------|
| Total assets at June 30, 2020 | \$2,847,135 | \$3,470,899 |
| Less: | | |
| Prepaid expenses and non-current assets | 971,421 | 933,637 |
| Financial assets available for expenditures | 1,875,714 | 2,537,262 |
| Less: | | |
| Donor-imposed restrictions | 49,763 | 48,263 |
| Board Designations: | | |
| Liquidity reserves | 250,000 | 250,000 |
| Revolving loan funds | 490,311 | 442,920 |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$1,085,640</u> | <u>\$1,796,079</u> |

The Organization has a liquidity management policy to insure the availability of funds to meet its obligations as they become due. In addition to continual monitoring of budgeted revenues and expenses, the Organization has \$1,791,925 and \$2,262,248 in assets from its SSBCI loan program (see Note 5) held as cash or loans at June 30, 2020 and 2019, respectively, that are not restricted by donor stipulation or designated by Board resolution.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2020 and 2019

NOTE 7. NET ASSETS

Net assets with donor purpose restrictions consisted of the following at June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|-----------------|-----------------|
| Private Donor Funding | | |
| Billings Public Schools | \$15,000 | \$17,000 |
| BillingsNow (community visioning) | 9,063 | 9,063 |
| Rock31 | 3,500 | 0 |
| Opportunity Fund | 22,200 | 22,200 |
| | <u>\$49,763</u> | <u>\$48,263</u> |

Net assets without donor restrictions consisted of the following at June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|--------------------|--------------------|
| Undesignated | \$1,949,502 | \$2,478,710 |
| Board-designated for cash reserves | 250,000 | 250,000 |
| Board-designated as loan funds | 490,311 | 442,920 |
| | <u>\$2,689,813</u> | <u>\$3,171,630</u> |

Net assets of \$10,000 and \$444,350 were released from restrictions in 2020 and 2019, respectively by incurring expenses satisfying the restricted purposes specified by donors.

NOTE 8. RELATED PARTY TRANSACTIONS

In-Kind Donations

The Organization's employees are paid by the Authority, a related organization. A portion of these wages are considered an in-kind contribution from the Authority. The remainder is reimbursed by the Organization. For the years ended June 30, 2020 and 2019, the Organization paid \$571,305 and \$513,719, respectively, to the Authority for salaries and wages, insurance, and rent, of which \$57,548 and \$163,958 was reported as due to a related party in the accompanying statements of financial position of June 30, 2020 and 2019, respectively.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2020 and 2019

NOTE 8. RELATED PARTY TRANSACTIONS (Continued)

The Organization was the recipient of donated in-kind wages, facilities, and services from the Authority for the years ended June 30, 2020 and 2019. In-kind support for each fiscal year was comprised of the following:

| | <u>2020</u> | <u>2019</u> |
|------------------------|------------------|------------------|
| Salaries and wages | \$211,579 | \$209,198 |
| Employer contributions | 57,117 | 66,040 |
| Insurance | 5,008 | 1,042 |
| Professional fees | 20,923 | 23,981 |
| Dues and subscriptions | 18,690 | 11,244 |
| Miscellaneous | 5,379 | - |
| Marketing | 62,257 | - |
| Travel | 5,993 | - |
| Sponsorships | 1,827 | 2,000 |
| Telephone | 9,411 | 6,364 |
| Rent | 22,493 | 13,833 |
| Office expense | 5,142 | 5,022 |
| Other | - | 95 |
| | <u>\$425,819</u> | <u>\$338,819</u> |

In February 2020, the Organization purchased the historic Montana National Bank building in downtown Billings. The building was recorded at estimated fair value at date of receipt based on the appraised value of the building. The building was purchased at a discount for \$1,000,000 with an in-kind donation from the seller (an unrelated party) of \$600,000, for a total fair value of \$1,600,000. Following purchase, the Organization transferred the building and land to Big Sky EDA, providing a cash contribution of \$500,000 and an in-kind donation of \$600,000 for the transfer.

Big Sky EDA is renovating the building for the purpose of taking its suite of business support services to the next level. The facility will provide collaboration and coworking space geared toward entrepreneurs within the Rock 31 program, create a large training/conference space, as well as house the other organizational programs for both Big Sky EDC and Big Sky EDA.

NOTE 9. OPERATING LEASE

The Organization occupies office space in Helena, Montana. Rent expense under this lease for the year ended June 30, 2020 amounted to \$28,830. Future minimum lease payments for the rent under this lease are \$14,628 for fiscal year 2021. Additionally, the Organization sub-leased space in Billings, Montana in the same building as Big Sky EDA. This sub-lease was terminated effective December 31, 2019.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
 June 30, 2020 and 2019

NOTE 10. DEVELOPMENT PLAN AGREEMENT

In July 2018, Big Sky EDC and Landmark Development Services, LLC (Landmark), entered into a Development Plan Agreement whereby Landmark agreed to develop a comprehensive economic and strategy master plan related to the development of properties located in an area of downtown Billings known as the One Big Sky District. Landmark identified catalyst projects and compiled financial pro forma data.

During fiscal year 2019, Landmark and the Organization initiated a supplementary effort to initiate a state-wide legislative effort to create state-sponsored economic development incentives related to the afore-mentioned development plan. This effort was known as 406 Impact Districts. Big Sky EDC received donor restricted funds from the following organizations:

| | |
|--|------------------|
| St. Vincent Healthcare | \$ 20,000 |
| Billings Chamber of Commerce | 20,000 |
| Billings Tourism Business Improvement District | 20,000 |
| First Interstate Bank | 1,250 |
| Other | <u>1,500</u> |
| | <u>\$ 62,750</u> |

The 406 Impact Districts effort did not have positive results as the Montana legislature did not pass any economic development legislation that would have provided economic incentives to One Big Sky District or other similar development efforts in Montana. As a result, the Organization did not receive any donor restricted funds related to these efforts in fiscal year 2020.

NOTE 11. SUBSEQUENT EVENTS

In early March 2020, the global economy was disrupted by the COVID-19 pandemic, including the industry in which the Organization operates. Subsequent to June 30, 2020, the COVID-19 pandemic continues to affect the economy. Management is carefully monitoring the situation, but is unable to determine the impact the pandemic will have on future operations as of the date of this report. In October 2020, the Organization was awarded \$100,000 in coronavirus relief funding.

In addition, the Organization has applied for and expects to receive \$2,000,000 of additional funding under the CARES act for Revolving Loan Funds. The Organization is awaiting the official award from the federal granting agency.



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

Section II

ATTACHMENT 1

**November 2020
Executive Director's Report
to the Executive Committee & Board of Directors
(with Program-Level Highlights)**

Covid-19 Response Plan

1. ***Internal Structure/Work Plan Changes*** – With the public health orders/guidance of late we are doing are part to encourage our team to stay safe and engaged in our work. Our Board meetings and many of our program meetings will be virtual, as you experienced with our October 22nd Annual Meeting. Our November Executive Committee and Board meetings will be virtual as well. Stay tuned for details on how to connect to these meetings.
2. ***Responding to Immediate Business Needs***— Go to yceconomicrecovery.org to get up to date on all our work to address the immediate needs of our community. While that website remains a resource for good information to support business restart and recovery, we are also working to, yet again, retool and consider other unique tools that are needed 7 months into the pandemic. All of our programs are connecting with businesses delivering our standard suite of resources, but now in light of pending new health orders, we are likewise considering our next tools and resources. Right now we want to make sure our local businesses apply for the Adaptability Grant through the Governor's Coronavirus Relief Fund before the November 15th deadline.

As reported earlier, we did receive a \$200k grant award from Beartooth RC&D, that comes to us as a \$100k per year reimbursement over the next two years. Training and talent attraction work will be the focus of these funds, along with funding to support our recovery work under the Economic Response and Recovery team.

3. ***Business Stabilization Loan Program and EDA RLF Grant App***—No new info on the Businesses Stabilization loan program. We should receive confirmation on our EDA RLF grant application. With those funds we will be able to deploy \$2.0 million in added lending resources to businesses for cash-flow support or business support for start-ups. More news on this EDA grant soon.
4. ***Unified Command—Economic Response/Recovery***— We did not roll out the Recovery Plan as promised on October 6th. With the status of surging Covid cases we opted to shift the meeting to focus on pending new public health restrictions and how to support businesses at that time. We now know that there are challenges ahead, so we are in communication with the Unified Health Command so that we can again define a strategy to support our business community. The Economic Response and Recovery Team (ERRT) will now resume meetings weekly—Thursdays at 3:30 P.M.

We are now targeting December 10th as the date for a Progress Report to the Community. We will review the current public health issues, assess economic impact for 2020, detail our work to date on economic response and recovery, and discuss next steps. Stay tuned for more info on this Progress Report meeting.

Strategic Priorities

1. Implementation of Economic Recovery Plan—stabilization response to meet immediate needs, sustained business recovery supported by strong business outreach efforts, building economic and community resiliency that positions our community for future growth.

ERRT work continues as noted in the Covid Response section. We will provide a matrix of the Recovery Plan goals and strategies at our November Board meeting. This will help you track work on each stage of our Recovery Plan.

The Recovery Plan is designed around three stages--

- a. Response and Stabilization
- b. Sustained Business Recovery
- c. Building Economic and Community Resiliency

2. Build a Shared Economic and Community Development Vision and Action Plan — Discover our shared values and vision while building an Economic and Community Resiliency Action Plan

This is a key theme of Stage 3 of our Recovery Plan—building a common economic and community development vision as we move through the pandemic and beyond. As part of our Annual meeting work we interview two senior leaders from TIP Strategies, a leader in economic and community development strategy and economic recovery. The link to that interview is provided here... They are seeing communities across the county work through economic recovery and plan for the future, and they encouraged Billings to do the same. They also warned of the heightened competition for talent and the need for us to not take our own workforce for granted.

We are planning for a 2021 kickoff of a Community Builders project that will facilitate a business and civic dialogue around a common vision and priorities for our economic growth. Our Community Development team is planning this effort. Stay tuned for more details.

3. Maximize BSED Business Support Services to Support Business Recovery

- a. Deploy Covid-19 Response and Recovery Resources—Priority number one is to continue to connect our local businesses to the resources they need at this critical time. Right now, we are pushing the Business Adaptability Grant program under the State’s Coronavirus Relief Fund Programs. The deadline for application to that program is November 15th.
- b. Implement Business Recovery/Adaptation Training Curriculum— Our multiple programs are executing on their program-specific training plans (PTAC, VBOC, SBDC, Rock31). See individual Program Sections for details. In addition, the team will launch a series of trainings to support unique business needs during this time of transition. We will not be able to launch the Gallup Growing to the Next Level training as planned. Funding from the State will not be sufficient to deploy this program. We will, however, be able to offer custom training leaning in to the talents and expertise of our Member Investor Companies as well as our team. A schedule of that training will follow.
- c. Deploy Unique Set of Finance Tools for Small Business Recovery—Big Sky Finance—We should receive news on the RLF grant within the next two weeks. I’m very optimistic that we will be able to fund a \$2.0 RLF loan program for businesses in our region. Stay tuned.

- d. Seek out grant opportunities that support business needs, meet community asset development goals, and build/sustain BSED capacity to serve – Work on other federal and state grants continue, including a federal EDA grant for a joint MSUB/medical corridor project to support the development of the “Center for Translational Medicine (see MI Program report for details). That grant application has been delayed with the transition of leadership at MSUB, but are hopeful to move this forward in the next few weeks.

Ongoing Strategic Priorities

- Develop Ready to Go Industrial Space—See Community Development Program Report for details of the TEDD project in Lockwood. Monday, October 26th, City Council voted 9 to 2 to support the TEDD and approved the agreement with the Lockwood Water and Sewer District (LWSD). That is a big deal! The next step is to get confirmation from LWSD. That should happen within the next two weeks. The landowners in the TEDD will also have to agree to be included in the LWSD boundaries as a part of the LWSD decision-making process. Thom and I have been working on this agreement for the last 20 months, with a lot of ups and downs along the way. The County Commissioners and the City are also prepared work out a Interlocal Agreement on the future development of the Inner Belt Loop as a part of the compromise/partnership that was struck around the TEDD service agreement. I will share more detail at the Nov. 12th Board meeting.
- Go to the Next Level with Entrepreneurship Support System via ROCK31—See this section of the Program Reports for details. One quick note—Kevin is seeking local angel investors to participate in a pitch practice event for local entrepreneurs. There is no requirement to invest just provide feedback and mentorship. If you are interested in helping, please connect with Kevin—kevin@bigskyeda.org
- Support Ripe Private Development Opportunities— the focus here now turns to the Inner Belt Loop project, as we have committed to help develop the Interlocal Agreement between the City and County. Are work also continues with developers in TransTech on the build-out of 32nd Avenue to Hesper Road.
- Champion and Deliver Strategic Place-Making Assets—Coulson Park/Corette Site, Metra Park Corridor Redevelopment and Master Plan (including HWY 87/Expo Drive project), Skyline Trail—see Community Development Program Report for details.
- Space2Place Placemaking Initiative— Our Space2Place community development program (building incremental improvements one project at a time) received state and national recognition, receiving the MEDA Innovation Award and the IEDC Gold Award for Community Development. See attached slide that summarizes a sample of these Space2Place projects.
- Support Public Safety Investment—Nothing, The first public safety mill levy passed. Outstanding.

Program Updates

PTAC

See below for program goals and progress.

Since August 1st, MT PTAC clients (all 6 locations statewide) have secured **\$30.1 million** in federal, state and local contracts which includes **\$19.7 million** in our region. A & K Transport, LLC secured a contract with the Department of Military Affairs for **\$18,900** to haul dry shipping containers. Covert Cleaning was awarded a **\$163,080** multi-year contract with FAA to clean the air traffic control tower in Billings. Shilhanek, Inc. DBA: Maaco Collision Repair & Auto Painting won a **\$5,500** contract with the Federal Acquisition Service for auto body repair. Energy Laboratories, Inc. won two contracts, one with

BLM for \$4,632 to provide soil analysis and another with the National Park Service for \$6,440 to provide water quality analysis. Yellowstone Kelly's, Inc. received a \$2,000,000 national contract with the U.S. Forest Service for mobile catering services during wildfire season. Billings based advisors have provided **128 counseling sessions to 43 unique entities** in the Bozeman/Helena region and **172 counseling sessions to 68 unique entities** in the Billings region. MT PTAC (statewide) is on track to meet or exceed its stated goals in the cooperative agreement with Defense Logistics Agency (DLA).

VBOC

See below for program goals and progress.

Training: 21 attendees at 2 events in the month of September

- In Person Boots to Business at Hill Air Force Base in Utah - 18 attendees. Delivered in partnership with Utah SBA and Utah Veterans Business Resource Center
- Virtual Startup Roadmap workshop in partnership with Rock31 and Billings SBDC- 3 attendees

Training goal 1 is 100% B2B coverage: **GOAL MET**

Goal 2 is 47 training events. **GOAL NOT MET** We have completed 18 events to date (40%). At this midpoint of the year, we should be at more than 23 EVENTS. Some of this drop off is due to Covid cancellations, but we will be working hard over the next 6 months to increase the number of virtual events.

Outreach highlights: 8 meetings w/ 61 attendees. Highlights include the Merit Medical (Salt Lake), Jan-Pro Utah CEO, the Utah Chamber Executive Networking Zoom meeting, Utah Veteran & Military Family Coalition and Montana Joining Community Forces. This puts us at 42 outreach meetings for the year, or only 35% of our yearly goal of 120 GOAL NOT MET. Some of this is due to Covid related travel restrictions, but we will be working to improve this in the months ahead.

Counseling – 33 counseling sessions with 13 veteran or military spouse clients in the last month. This puts us at 261 counseling sessions so far in our program year or 67% of the way toward our goal for the year that ends in April. In other words, at the halfway point of the year we are nearing 70% of our yearly goal. Other counseling goals:

1. >32 counseling sessions each month: **GOAL MET**
2. 100% of new veteran e-center sign ups each month have at least 1 counseling session: **NOT MET: 90%**. (awaiting contact with one client this month)

MI

See below for program goals and progress.

This month kicked off our Member Investor Training Series. This series highlights our Member Investor Companies by having them do trainings and workshops in the specialty areas. Our first was sponsored by IMM on Cyber Security and Network Capabilities. We will feature one training each month from one of our MI Companies. If your company is interested please contact Melanie.

The process of adding new member investors from the Board prospect list is underway. We had five one meetings with potential Member Investor companies and one has joined, LW Consulting with the other four interested but not yet joined. We are pleased to report that we are having steady payments from our 1st and 2nd quarter billing to the MI Companies. We have not lost any Member Investors since July. We are reaching out to each of the Member Investor companies we lost in early 2020 due to COVID to re-engage them with BSED and set up a payment structure that allows them to continue as Member Investors. Currently, we have made plans with 2 of the 19 companies.

Marketing/Org Communications

We had our first ever virtual Annual Meeting on October 22. The meeting featured our board chairs, a long format video highlighting several local businesses and our organization, and a wrap up from Steve. All of our annual meeting materials and our new Annual Report can be found on our website.

We continue to lead the communication subcommittee for the Yellowstone Economic Response & Recovery Team. Much of this work is around creating community messaging to help reduce the number of COVID cases through education, data and stories from those effected.

Community Development

| | |
|--|--------------------|
| <i>Project Funding Received YTD</i> | <i>\$237,000</i> |
| <i>Coulson Park Funding Received YTD</i> | <i>\$32,000</i> |
| <i>Project Funding Requests YTD</i> | <i>\$2,132,000</i> |
| <i>Brownfield Assessments YTD</i> | <i>3</i> |

AWARDS:

International Economic Development Council Gold Medal for Space2Place Micro Grant Program
MEDA Impact Award Coulson Park
MEDA Impace Award Space2Place

Tax Abatements:

The Community Development Team continues to answer any inquiries from businesses and residents regarding the program. Staff member Klugman has begun the annual tax abatement report and received the Department of Revenue compilation of all Yellowstone County and City of Billings active abatements.

Yellowstone Fuels Reduction Program:

Both assessment and mitigation projects have been engaged within the Emerald Hills area for consecutive months. An additional assessment from 4 different assessments was completed in October before the snow hit. The consultant is prepared to complete additional mitigation work pending weather and property conditions throughout Fall and Winter. The CD Team has continued communication with the Yellowstone County Team and BLM to expand the benefit of the Program to all property owners regardless of financial and physical ability. An enormous demand of over 40+ applications were received to Yellowstone County and BSED continues to assist with the program while receiving dollars for project management.

Brownfields Program:

Phase II field work and investigation was completed on an EBURD property the week of October 20th; the full report will be completed within the month and discussed with the Property Owner to confirm future reuse, expansion, and redevelopment plans. In the week of October 20th, a new Brownfield Project was identified and proposed to the Brownfield Committee. This potential 4-story, 25,000 sq. ft. mixed use building would propose commercial use on the bottom and residential above, it is located with the EBURD! Eligibility forms were submitted to EPA and DEQ, hopeful to receive approval and move forward with this great project.

Coulson Park:

We continue to work to match the \$250,000 challenge grant. BSED Team Members Lehm, Arveschoug, Schwartz, and Klugman have met with multiple stakeholders and community leaders regarding the

challenge grant. The Team received notice the Tourism Business Improvement District (TBID) approved \$7,500 from their restricted reserves to contribute towards the \$250,000 challenge grant! We are so appreciative to the TBID, Alex Tyson and her Team.

MSUB Science Building / Montana Coal Board:

CD Members Lehm and Klugman have completed the final draw request and BSED received the \$220k+ check which was delivered to MSUB! \$490,000 has been drawn and provided to MSUB for the Science Building. The final 5% (\$10k) will be allocated after final construction which is scheduled for Fall 2021. Klugman and Lehm continue to connect with MSUB to confirm all reporting requirements are met and the final 5% is allocated to MSUB.

Yellowstone County Museum:

The CD Team completed and submitted all requirements for the MT Commerce grant for the Yellowstone County Museum. We now await grant review from the State and announcements of awards likely in the beginning of '21.

US EDA RLF Grant Application:

Awaiting a response from the US EDA.

Housing:

Beartooth RC&D is contracting to complete a regional housing study for their five-county area.

Billings Heights Business Association:

The CD Team along with Allison and Lorene continues to work to provide resources to the BHBA.

Lockwood TEDD:

City Council voted 9 – 2 on October 26 to allow Lockwood Water and Sewer District to extend its sewer service boundary to include the TEDD Study area. Both the LWSD board and TEDD Study area property owners must now agree to the expansion under the terms of the First Amendment passed by City Council. The main relevant condition in that document is an additional 12% surcharge on wastewater service to that extended area. The next LWSD board meeting is November 10 at 7 pm.

MetraPark Beautification Project:

Sanderson Stewart continues their work on concepts for the south and west borders of MetraPark. A lot of the preliminary work has been done. Two Steering Committee meetings – October 28 and November 10 – have been set. Those will help guide the development of the plan as well as public outreach efforts. Though there have been some delays due to COVID and a change in project leadership, the concept plan is still on track to be completed in the originally scheduled timeframe – by next spring.

Space2Place:

Seven of the eight Space2Place projects are either completed or nearing completion. Those fully completed include a bicycle pump track and trails at the Blue Creek Access Site, a Welcome Garden in Huntley. Three projects – Alley Lighting in downtown, the 6th Street underpass mural, the Medicine Wheel – are nearly complete. Three projects – Lights Over Broadway, a lifejacket kiosk, and a statue at North Park – have been granted extended time to complete the project and should be complete this fall or early next spring, depending upon weather. Because of complications due to COVID-19, we allowed two projects to change their scope. The DBA project was originally a seating area but evolved to a lighting project in the same area. The North Park Task Force project was originally a solar lighting project but has changed to a large entrance sculpture.

Disaster Recovery:

The Yellowstone County Economic Recovery Plan was completed. The original rollout planned for the Pub Station had to be put on hold due to the substantial increase in COVID cases that Yellowstone County has experienced. The team has maintained its focus on helping businesses and public health deal with the immediate crisis and will shift its attentions to more longer-term efforts when the time is more appropriate.

AARP Grant:

Sherri Cornett has completed and installed four sculptures in the pocket park funded by this \$5,000 AARP grant. Work on the phase funded by this grant has been completed. Future phases (not included in this grant) will include additional landscaping and seating in the area to the south of First Church along 3rd Ave North at N 27th St. I am awaiting a final report from Sherri Cornett to submit to AARP and close out the grant.

SBDC | Rock31

See below for program goals and progress.

Noteworthy:

- Rock31 Bookclub - the team is reading the book “The Startup Community Way” and having book club discussions about building the entrepreneur ecosystem.
- The team attended the virtual Techstarts Partner Summit, a 2 day event with speakers and panels.
- The team put on the first Business Model Canvas workshop that will follow the monthly Start-up Roadmap workshop to help businesses identify their customers, relationships, value proposition, channels, key activities, key resources, key partners, cost structure and revenue streams.
- Two Big Sky Trust Fund Grant applications were approved for Belle Chemical, \$66,600 (14 jobs) and WyoBen, \$49,000 (10 jobs) for job creation in Yellowstone County.

Team Activity:

- We continue to hold the virtual Start-up Roadmap workshops with attendance of 10-15 participants
- The team is coaching start-up & existing businesses coming for assistance via Zoom.
 - 26 clients this month with 59 counseling sessions
 - 328 clients in 2020 with 1254 counseling sessions
- The team has assisted businesses with over 5.3 M in capital infusion since Jan 2020.
- The team provided 1 virtual trainings in the Entrepreneurial Academy series
 - The Art and Science of Storytelling: Behavioral Science Insights - Keith Lauver
- Facilitated another meeting with the Center for Innovation at Billings Clinic and Techstars to build a business case for the proposed new patient data technology.
- Facilitated a meeting with the following local entrepreneurs: Keith Lauver, Paul Neutgens, Josh Toenyas, Chantal Hale and Drew Gerber and 2 EDA directors from DC, Anthony Foti and Joel Frushone
- Facilitated 5 Billings Founders peer coaching meetings
- The team has been having planning meetings for
 - Startup Week 2021
 - Entrepreneurial Academy 2021
 - Training Plan for Care Act Funding
- The SBDC network meets every Tuesday afternoon to receive updates from the state

- The SBDC advisor team think tank meets Wednesday to provide informal sharing meetups for network advisors
- The team continues to assist clients applying for the Adaptability grant
- 1 Million Cups is meeting at Thirsty Street in the Garage
- Team members attended the virtual BSED Annual Meeting & Post Annual Meeting event

Big Sky Finance

See below for program goals and progress.

October is the first month of SBA's fiscal year. For the month, Big Sky Finance had one loan approved at SBA for a total of \$700,000. This is a project located in Helena. There were no loans funded for the month. We did present three new SBA 504 loans to our loan committee which all were approved for submission to SBA. Activity continues to be good and we have several other projects currently in the underwriting phase.

The Big Sky Finance team attended the NADCO Annual Meeting, virtually, this month. NADCO is our SBA 504 trade organization. The meetings were very beneficial and covered a number of topics and updates pertaining to the SBA 504 program, such as discussions on improved outreach to community lenders, advanced servicing items, underwriting with COVID and other best practices.

Brandon spent a couple days in Helena working with the team there. There is a change in personnel that will be effective the end of the month. Sherry O'Donnell is leaving Big Sky Finance for a new opportunity. Sherry has played a very important role in our SBA 504 program as the Loan Closing Officer. She will be missed, and we wish her the best of luck in her new venture. I want to assure everyone we have a good plan in place to cover her duties and a position will be posted to fill this void immediately.

Interest rates remained stable from the previous month. The 20-year effective rate for loans funded in October was 2.40%. The effective rate on the 25-year debenture for October was 2.43% and the effective rate for the 10-year debentures remained at 2.29%. Continued historic low interest rates! These rates offered through the SBA 504 Loan program provide borrowers with a great, fixed rate financing option for the acquisition of real property and/or equipment. These rates are projected to stay down for some time. We can also refinance existing commercial real estate debt, and with rates this low it is a great time to consider the SBA 504 option! If you know of anyone who currently owns their commercial real estate and has long-term financing in place, let them know of the ability to utilize the SBA 504 loan program to refinance and lock in these very low, fixed rates! Contact Brandon or Jo Ann for any questions.

Recruitment

In business recruitment, we are continuing to work with three different companies in various stages of expansion/location in our community with five others active but with no action steps over this past month. One of which requires a significant amount of time and focus, we hope to be able to share that with the board in January at the latest. I have also been involved in several conversations with the state about needed resources both for the healthcare industry as well as advocating for the convention industry. I continue to serve on MEDA's Broadband committee and we are getting greater refinement around what we would like to see proposed in this legislative cycle. We have developed a Strategy Partner Update that includes both One Big Sky and Recovery Plan updates that will be presented at council on the 2nd by Steve. I also enjoyed participating in several portions of the MEDA fall conference – including sessions with all those running for election – Steve did an excellent job of facilitating those questions and answer

sessions, and we were able to learn more about what to expect from the various candidates as it relates to economic development.

Organizational/Policy Matters

1. Ad Hoc Legislative Committee—BSED Priorities—The Board approved our Preliminary Legislative Priorities for the 2021 legislative session, with the understanding that the Board wants to review the MEDA priorities and those of other key partners—MT State Chamber, and Billings Chamber, and the Montana Infrastructure Coalition. We should have materials to review with the Board at our November meeting. ***Attached is a copy of our approved BSED Legislative Priorities.***

An extra note—I have assigned economic development policy advocacy to Allison Corbyn and Austin Truckle. They will help to lead this effort in partnership with me as we prepare and do work related to the 2021 legislative session. With this added responsibility, I have expanded the scope of Allison’s work and gave her title change—Director of Recruitment and Business Outreach. In addition, Austin will now serve as Business Outreach/Economic Development Policy Project Manager. This is a great help to me and an exciting (and a well-deserved) opportunity for Austin).

Also, ***attached is a copy of the BSED Statement of Opposition for I-190 and CI-118 as approved by the Board.*** Just for your information.

2. Staffing/Reorg—Just to summarize, we have made the following staff changes:
 - o Kevin Scharfe, Director Entrepreneurship—overseeing Rock31 and SBDC
 - o Lorene Hintz, Regional Director Small Business Development Center 9SBDC)
 - o Kayla Vokral, Business Advisor, SBDC
 - o Marcell Bruski, BSED Marketing Manager
 - o Allison Corbyn, Director Business Recruitment and Outreach (direct report to the ED)
 - o Austin Trunkle, Business Outreach and Economic Development Policy Program Manager

These are all internal promotions and expansions of duties and responsibilities that help to support our growing workload and areas of focus. We will have to fill our front office position and we still have to fill our BillingsWorks position, although that position will have expanded duties beyond BillingsWorks that will support other needs in the organization.

Given these changes, that in some ways allow me to better focus my time on key initiatives and partnerships, I will not make significant changes to my internal leadership structure. I have a team of 9 direct-reports and I am working to empower them to support, encourage and lead the execution of our mission, the development of the organization, and strengthen our culture.

3. Build Beyond 2020 Annual Meeting—We held our Annual Meeting October 22nd. It was all virtual, but it was all outstanding! Marcell did a great job pulling our messages together under the Build Beyond theme. When you get the chance give Marcell and virtual “high-five” for her work on our Annual meeting. We will give the Board time to debrief with us regarding the content and delivery of the Annual meeting at the Executive Committee meeting and at the Board meeting. Note that the Annual Meeting materials included our Annual Report and an exclusive interview with executives from TIP Strategies. They shared a powerful message about looking forward and seizing new opportunities.

4. Salary Adjustments for FY 2021 - Recall that our FY 2021 Budget delayed salary adjustments (many unknowns at the time) for the year. When we made that decision we also stated that we would reconsider salary adjustments at the mid-year mark. Shanna and I have reviewed current budget performance and considered new funding sources that we know we will have for the next two years. We have made expense adjustments in other areas, and we did set resources aside as a contingency to reconsider salary adjustments. Given those budget considerations and the tremendous work of our team, I recommend that we move forward with appropriate salary adjustments.

I'll start with granting salary adjustments to those positions which have taken on new, significant, long-term new job duties and responsibilities. I then look at positions which have been overdue in salary reconsiderations (given the scope of work involved in their position), I'll then look at a standard salary adjustment for the other positions in the organizations. In total these adjustments will be approximately \$45K. These adjustments would begin the first pay period in January (2021). I will provide more details at our Executive Committee meeting.

5. Big Sky to SkyPoint Project – Things are moving along well with the design process. We recently finalized our schematic design and will immediately move into design development. Additional work is needed on the project budget but we have identified a few targets for Cushing Terrell to work towards in design development. We are nearly ready to submit our application for the first phase of the historic tax credit application. We contracted with Randy Hafer to serve as an advisor on the historic tax credit process. His knowledge and expertise have already proven valuable. The Denver EDA asked Kevin, Dianne and I to present at their staff meeting earlier this week. It was a great opportunity to thank them for their support and share with them the progress we have made in the renovation and in Rock31 program development. They expressed their enthusiasm for the project and are hopeful they will be able to celebrate with us in-person at our grand opening in Spring of 2022.

**Respectfully submitted,
November 4 & 12, 2020**



**Steve Arveschoug
Executive Director**

Space2Place Winners

9 awards, 5 completed, 3 in progress, 1 cancelled

| Organization | Project | Location |
|-----------------------------------|---|---------------------------|
| Pedal United | Mountain bike trail and pump track | Blue Creek Fishing Access |
| <i>Sierra Estates Subdivision</i> | <i>Bus stop bench and Little Free Library</i> | <i>Lockwood</i> |
| Downtown Billings Alliance | Pocket park/alleyscape | Downtown |
| Indian Education Dept – BPS | Medicine Wheel at Medicine Crow School | Heights |
| Huntley Project Garden Club | Welcome garden at entrance to Huntley | Huntley |
| Southside Neighborhood TF | Mural at 6th Street Underpass | SBURA |
| North Park Task Force | Art at North Park | EBURD |
| Julie Seedhouse/Lori Patterson | String lights over North Broadway | Downtown |
| Our Montana | Lifejacket kiosk | Blue Creek Access Site |

Big Sky Economic Development Statement of Opposition to I-190 and C I-118—Legalization of Marijuana for Recreation Purposes

Big Sky Economic Development, in its role as a local, regional, and statewide leader in community and economic development, hereby states its opposition to the recreational marijuana initiatives in front of Montana voters. While the prospect of \$50 million in new State revenue is alluring, there are significant economic and community development ramifications that have need to be considered.

Workforce—Legalizing recreational use of marijuana creates great uncertainty for our business community who are already challenged by the lack of available workforce and finding qualified, drug-free workers in many of our essential sectors (construction and hospitality). The hospitality industry, who has been hardest hit by the COVID-19 shutdowns, cannot afford this added challenge. Our future economic growth is contingent on our ability to cultivate the most talented, well-trained workforce in the nation. We can't compete for new, high-paying jobs without a serious focus on that objective. These initiatives move Montana in a direction that will place an added burden on our local businesses and hurt our quality-workforce objective.

Economic Costs at the Local Level--The proposal for recreational use of marijuana does not come with a cost/benefit analysis. The Bureau of Business and Economic Research at the University of Montana admits that their revenue projections model for recreational marijuana does not include an assessment of the costs and impacts to Montana communities. In their words—"We only considered revenue generating assumptions." If Montana is looking to other states like Colorado for an example of the revenue benefits from legalized marijuana, there must also be a thoughtful assessment of the costs to our social services and public safety systems. Failing to consider these real costs will undermine already stressed local resources that struggle now to address crime and the associated social impacts. The strength of local law enforcement and social services are a critical part of our continued economic growth. I-190 and CI-118 ignore these costs.

Economic Recovery----Montana is in the midst of a public health and economic fight. The impacts of COVID-19 has our state and local economies on a roller coaster ride, with uncertainty of when we will be able to settle in to economic recovery. Now is not the time to introduce yet another health and safety issue for Montana businesses to wrestle with—managing their own business recovery needs to be their focus.

We are all working hard to be safe and avoid the infection of COVID-19. The use of marijuana will increase with the passage of these initiatives. That fact is the basis of the revenue models developed by BBER. With that increase in use comes added public health concerns that are further complicated by our current battle with COVID-19. Montana's economic recovery is dependent upon our collective efforts to stay healthy. Recreational marijuana works against that important "stay healthy" imperative.

BSED 2021 Legislative Priorities Ad Hoc Legislative Committee

Running up to Montana's 67th biennial legislative session, BSED's Ad Hoc Legislative Committee has considered and crafted a list of priorities that emphasize economic development and recovery in our region and State as a whole. As the COVID-19 pandemic continues to evolve, we understand that there will be uncertainty moving forward. Notwithstanding those challenges, BSED believes we must advocate for tools to rebuild our local economies, sustain funding for Healthcare and Medicaid expansion, encourage support for MSU Billings, and protect Tax Increment Financing.

Top Priorities for Immediate Consideration

A. Support Local/Regional Economic Recovery

- Push for State support for a Broadband/5G network infrastructure needs assessment for Yellowstone county (may be able to make this ask to the Coronavirus Relief Fund; and it is consistent with MEDA Next Generation Project recommendations)
- Encourage public/private partnerships to drive new investment—support the County's effort to gain legislative flexibility to consider long term leases of county properties to partner with possible new private investment
- Advocate for resources that support the reengagement and retraining of our workforce as an underpinning to our economic recovery; including, workforce housing public-private partnership incentives, and incentives for talent retention and recruitment
- Support the economic and community development needs of our rural, regional partners, with a focus on infrastructure development and share interests in workforce development

Our response and encouragement of our economic recovery is one of BSED's strategic priorities. Consistent with that, elements related to our recovery need to be considered top priorities for our legislative work. There remains continued uncertainty with the timing and depth of our economic recovery, so focus in this area is absolutely essential. In addition to the items listed below, our economic recovery plan details items that may become legislative initiatives.

- #### **B. Sustain Healthcare/Medicaid Funding—work in partnership with MHA and local providers to keep Medicaid funding intact for local and regional healthcare providers**

Our healthcare sector remains one of our largest and fastest growing economic sectors. There is tremendous pressure on our healthcare delivery system at this time and a great opportunity for innovation and growth in the future. It is essential that we support both the challenges and opportunity that face this important part of our economy.

- #### **C. MSUB Leadership and Infrastructure—encourage and support the Billings-area delegation to rally behind new investment at MSUB (additional investment is needed in the health professions and science areas)**

The strength of our higher education, including both RMC and MSUB, are vital to our economic recovery and growth. MSUB is again in a state of transition that requires our continued support and encouragement.

- D. Protect Tax Increment Financing—urban renewal and target economic development districts need to be supported as one of the few economic development tools available to support the redevelopment of our downtown core and to build infrastructure that supports the growth of value-added industry

Tax Increment Financing is one of the few economic development tools at our disposal that encourages public/private partnerships and new private investment. TIF has been challenged significantly at the legislative level while at the same time producing great results across the state of Montana, including both Billings and Laurel. TIF laws also include targeted economic development districts which is the foundation of our Lockwood TEDD project. It is vitally important that we encourage legislative support for this important community and economic development tool.

Priorities for Current and Future Consideration

- A. New Community and Economic Development Strategies and Tools—consistent with the MEDA/State Chamber Next Generation of Community and Economic Development Tools Analysis encourage a focused strategy, modern tools, investment in entrepreneurship, and community development. Initial focus will be in the following areas:
- Support reorganization of State economic development strategies with sector-specific focus on key industries; adjust existing job creation incentives for target industries, including tax credits for new, high-paying job creation in these target sectors
 - Encourage the realignment of roles and responsibilities of the Department of Commerce and the Governor’s Office of Economic Development as a part of an updated economic development strategy (consider Wyoming Business Council model); consider centralizing workforce development and economic development strategies under a single vision and brand
 - Encourage statewide talent recruitment and retention programs, including incentives for the attraction of remote workers, and the retention of Montana’s college graduates in key sectors (consider Build Dakota Scholarships model)
 - Support legislation that encourages venture capital investments into Montana-based start-ups
 - Identify potential, unique dedicated revenue sources for economic development tools for consideration in future legislative sessions; including, a tool for investment in infrastructure and community development assets that directly support private investment and new job creation;

Most of Montana’s current suite of community and economic development tools date back to the year 2000. Understanding the limited scope of our existing tools, MEDA and MCF initiated the Next Generation of Community and economic Development Tools Analysis. This nine-month process developed a strong set of recommendations to modernize our tools and strengthen Montana’s ability to be regionally competitive. It will likely take multiple legislative sessions to see some of the important changes to be borne out. The goal for the 2021 session is to start the dialogue around modernizing Montana’s community and economic development strategies and tools.

B. Other Items to Watch

1. Create a tax exemption for military pensions in support of our efforts through VBOC to attract veterans and their spouses to entrepreneurship in Montana

MT is one of only seven states to tax 100% of military retirement income. Attracting veteran and military spouses to MT as they look to begin their second career coincides with our talent attraction efforts.

Current and Future Trainings

Current Trainings:

Startup Roadmap
Business Model Canvas
Continuity Planning
Financing your Dream
PTAC Industry Day with GSA! (General Services Administration)
PTAC hosts 7-9 training courses a year
VBOC National Veterans Small Business Week Events
VBOC Partners with SBDC on Events
VBOC Boots to Business
VBOC Reboots

Proposed Trainings:

Bookkeeping - 3 Part Workshop

Marketing

How To Improve My Google
Ranking

Pay Per Click

Social Media

listing on Amazon, eBay, Etsy

Story of Bootstrapping

Moving to online from Bricks &
Mortar to e-commerce

Coding/Web Design

Basic Web Development HTML,
CSS, JAVASCRIPT

JavaScript in React Front end

Back end development

Web hosting

Intellectual Property -

Trademarking, Copyrights,
Patents

Consumer Packaged Goods

FDA Requirements

Cottage Food Law, Rule and
Regulations, and Processing
Requirements

Cybersecurity

Boss Like a Boss

I am Small Potatoes

Crowdfunding your food products

Farmers Market to Retail

**Non-traditional financing -
Techstars**

Women on the Rise Montana

Work-Life Balance

Karen Grosz

Mompreneur

Overcoming Gender Bias

Women in Tech

Women & Gov. Contracting

Grow your BAIL team/Network

Women Veteran/Military Spouse



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT 2

Big Sky Economic Development

Economic Development Considerations Related to Equity and Diversity, and our Economic Future

Today, economic development is at its core all about building a quality community. As Billings and our region move through economic recovery, our success in recovery, and our ability to seize new opportunities for economic growth, will be dependent upon our willingness to commit to a continuous improvement mindset that embraces the expectations of current and future workforce.

The recent ruling (*Bostock v. Clayton County*) by the Supreme Court that protects gay and transgender Americans from discrimination in employment, and the conversations surrounding inclusivity continue to be as relevant as ever. Additionally, it is important that as this ruling takes effect, businesses will need absolute clarity of their rights and responsibilities.

As a public/private partnership, BSED is limited in our role to direct public policy and has traditionally kept a very strict focus on economic and community development tools as the nexus of our public policy advocacy (consistent with the direction of our Bylaws). It is important, however, to acknowledge the fact that the work of economic development today looks so much different than it did in 1989, different than two years ago, and even 3 months ago. Successful economic development today must consider multiple factors, including a set of new fundamentals that we can't afford to ignore. Those fundamental include:

1. The retention of talent and the attraction of new talent will be essential to driving our economic future.
2. New private investment follows talent, meaning the quality of our workforce will be the key ingredient to the expansion and attraction of new business
3. Support and growth of locally owned businesses and entrepreneurs provides sustained economic growth

With these fundamentals understood, it is important then to align our economic development strategies with the goal of addressing the needs and expectations of our current and future workforce. That workforce will drive our future economic growth, and they have clear expectations about the quality of the community they choose to work in and call home. Those expectations include:

1. A quality community that is safe, affordable, and attractive
2. A welcoming, caring attitude and actions that encourage diversity and equality of opportunity
3. A take-action commitment to investing in the future of the community
4. A shared community development vision with multiple champions and an opportunity to be one of those champions

Having reflected on the fundamentals that underpin successful economic development and the expectations of a workforce that will drive future growth, BSED is committed to a comprehensive approach to economic development. An approach that respects individuality, diversity and inclusion, and welcomes a diverse workforce as an essential factor in our work to further our economy.

Next Steps

1. Review and update our personnel policy as needed (EEOC Updates)
2. Consider Board diversity for nominating committee process
 - a. Inclusion of small businesses
 - b. Woman, Native American, or Minority owned businesses
3. Consider standing and ad hoc committee representation
4. Education of internal team about the importance of diversity and inclusion from an economic development perspective



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

Section III

ATTACHMENT 1



504 LOAN PORTFOLIO OVERVIEW November 12, 2020

SBA 504 Loan Portfolio – Status as of 09/30/2020:

- Total Loans = 177
- Outstanding Balance = \$87,923,265
- All Current

Calendar Year Activity: 2018 – 2020 YTD

| | 2018 | 2019 | 2020 YTD |
|-----------------------|------------------|-------------------|------------------|
| Loan Approvals | 12 (\$8,519,000) | 12 (\$12,651,000) | 7 (\$3,605,000) |
| Loan Funding | 9 (\$9,242,000) | 13 (\$9,443,000) | 11 (\$9,931,000) |
| Jobs Created/Retained | 115 | 96 | 101 |
| Prepaid Loans | 16 (\$3,350,097) | 16 (\$4,782,297) | 10 (\$2,748,664) |

Portfolio Concentration (as of September 30, 2020)

- Accommodation – 21.25% (\$18,680,402)
- Restaurants – 7.53% (\$6,618,837)



504 LOAN PORTFOLIO OVERVIEW

November 12, 2020

Stressed Loans:

- Loans in Deferment
 - Party Time Plus (as of 11/1/20 pmt)
 - A+ Electric Motor (newly funded – COVID deferment)
 - Camelot Ranch (newly funded – COVID deferment)
 - Gautam Lodging (newly funded – COVID deferment)
 - Montana Linen Supply – RE (newly funded – COVID deferment)
 - Montana Linen Supply – Equip (newly funded – COVID deferment)
 - Pangea Restaurant Group (newly funded – COVID deferment)
- Loans in Catch-Up (off deferment)
 - BSK Grand (Burger King – Billings Grand)
 - BSK Kalispell (Burger King – Kalispell)
 - Popeyes (Popeyes – Billings King Ave East)
- Liquidated Loans
 - Muzzle Loader Café – Short Sale finalized



504 LOAN PORTFOLIO OVERVIEW

November 12, 2020

Watch List Loans:

- All loans on Deferment or Catch-up (not newly funded)
- American Steel, Inc.
- Continue to analyze annual financials and risk rate.

Other:

- All Loans Paid as Agreed
- Additional payoffs forthcoming
- COVID concerns – ongoing
 - Additional deferments?
 - Additional Federal assistance?



504 LOAN PORTFOLIO OVERVIEW November 12, 2020

Attached Reports:

- Current Portfolio
- Loan Approvals – 2020 YTD
- Funded Loans – 2020 YTD
- Industry Concentration Report
- Prepaid Loan Report – through 9/30/20



504 LOAN PORTFOLIO OVERVIEW

Lender Portal Information

June 30, 2020

Lender Purchase Rating (LPR) = 1

- Scale of 1 – 5, with 1 being the best

SMART Score = 28

- As of 12/31/2019 = 24
- Scale of 12-60. Score of 12 is best
 - 12 categories scored on with rating of 1, 3, or 5
- Moderate Risk Items
 - 12-month default rate = 0.70% (Peer 1.00%)
 - 5-year default rate = 0.70% (Peer 0.90%)
 - Stressed Rate = 2.10% (Peer 4.20%)
 - Top Industry Concentration Rate = 23.10% (Peer 18.40%)



504 LOAN PORTFOLIO OVERVIEW Lender Portal Information June 30, 2020

Lender Purchase Rating (LPR) = 1

- Scale of 1 – 5, with 1 being the best

SMART Score = 28

- Higher Risk Items
 - High Risk Origination Rate = 7.90% (Peer 8.0%)
 - Loans in Purchase Status over 3 Year Rate = 84.70% (Peer 35.40%)

Report Attached



Billings, MT

SMART 28 **LRR/LPR 1**

Solvency 7

Management 11

Asset Quality 5

Regulatory Compliance 1

Technical Issues 4

OVERVIEW

SMART BENCHMARKS

| | Lender Results | Lender Benchmark | Score | Peer Group | Portfolio |
|---|----------------|------------------|-------|------------|-----------|
| Solvency | | | | | |
| 5-Year Cumulative Net Yield | 0.80% | Lower Risk | 1 | 1.10% | 1.20% |
| 12-Month Default Rate | 0.70% | Moderate Risk | 3 | 1.00% | 0.70% |
| 5-Year Default Rate | 0.70% | Moderate Risk | 3 | 0.90% | 0.70% |
| Management | | | | | |
| Forecasted Purchase Rate | 0.76% | Lower Risk | 1 | 1.73% | 1.18% |
| High Risk Origination Rate | 13.60% | Higher Risk | 5 | 8.60% | 8.00% |
| Loans in Purchase Status over 3 Year Rate | 84.70% | Higher Risk | 5 | 35.40% | 31.60% |
| Asset Quality | | | | | |
| Stressed Rate | 2.10% | Moderate Risk | 3 | 4.20% | 2.00% |
| 5-Year Charge Off Rate | 1.40% | Lower Risk | 1 | 3.70% | 2.30% |
| Early Problem Loan Rate | 0.00% | Lower Risk | 1 | 2.00% | 1.80% |

| Regulatory Compliance | | | | | |
|--------------------------------------|--------|---------------|---|--------|--------|
| Minimum Level of 504 Activity | 24 | Lower Risk | 1 | 26 | 59 |
| Technical Issues | | | | | |
| Average Portfolio SBPS (\$ Weighted) | 199 | Lower Risk | 1 | 194 | 194 |
| Top Industry Concentration Rate | 23.10% | Moderate Risk | 3 | 18.40% | 14.40% |

SITE INFORMATION

LOANS
OUTSTANDING
174

GROSS
OUTSTANDING
\$84,505,031.37

SBA SHARE \$
OUTSTANDING
\$84,505,031.37

LENDER PEER GROUP \$30MM to < \$100MM

FORECASTED PURCHASE RATE (FPR)

LENDER
0.76%

PEER GROUP
1.73%

SBA PORTFOLIO
1.18%

FPR RATING FACTORS

| | Lender Results | Peer Results | SBA Portfolio Results |
|---|----------------|--------------|-----------------------|
| SBA Stats | | | |
| Avg MOB | 63 | 59 | 54 |
| Business Bureau Stats | | | |
| Avg SBPS Score | 199 | 194 | 194 |
| Avg Business Age | 22 | 17 | 17 |
| Avg Pct of Dollars More Than 30 Days Past Due | 2.02% | 8.60% | 8.76% |
| Avg Pct of Accounts One or More Days Past Due | 10.51% | 16.48% | 16.36% |
| Avg Pct of Current Accounts | 86.26% | 81.32% | 81.00% |
| Avg Pct of Trade Accounts | 58.09% | 65.62% | 60.78% |
| Economic Statistic | | | |
| Avg State Housing Price Index | 1.06% | 1.04% | 1.04% |

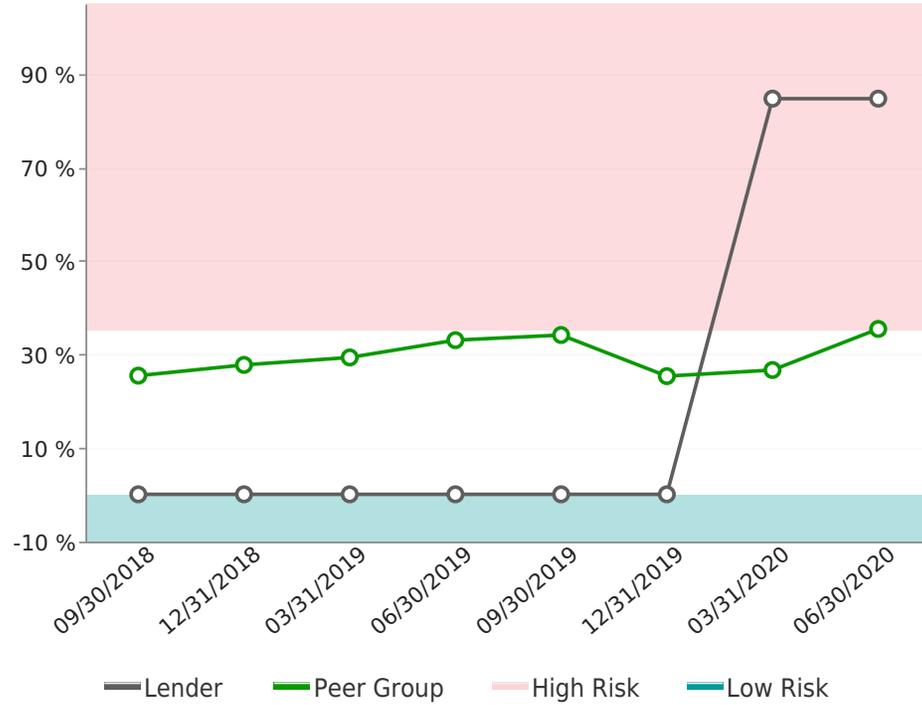
| KEY RATES | # of Loans | Lender \$ | Lender % | Peer % | Risk |
|-------------------------------|------------|----------------|----------|--------|---------------|
| 12 Month Default Rate | 1 | \$558,470.00 | 0.70% | 1.00% | Moderate Risk |
| 5 Year Default Rate | 4 | \$3,055,728.00 | 0.70% | 0.90% | Moderate Risk |
| Last 12 Month Charge Off Rate | 0 | \$0.00 | 0.00% | 0.50% | |

| BALANCE SHEET | # | \$ | % |
|--------------------------------|----------|-----------------------|--------------|
| Gross Committed Loans | 11 | \$8,769,000.00 | |
| Gross Outstanding Loans | 174 | \$84,505,031.37 | |
| Active Regular Servicing Loans | 170 | \$82,350,507.37 | |
| Current | 167 | \$80,613,757.66 | 97.89% |
| Stressed | 3 | \$1,736,749.71 | 2.10% |
| Past Due | - | - | - |
| Delinquent | - | - | - |
| In Catch-Up | 3 | \$1,736,749.71 | 2.11% |
| Deferred | - | - | - |

| ACTIVE PURCHASES | # | \$ | % |
|--|---|----------------|-------|
| Active Purchases - returned to Regular Servicing | 2 | \$665,186.00 | 0.79% |
| Active Purchases - in Liquidation | 2 | \$1,489,338.00 | 1.76% |
| All Active Purchases | 4 | \$2,154,524.00 | 2.55% |

| ANY ACTIVE PCLP LOANS? | - |
|--|---|
| Total Original Debenture Amount of Active PCLP Loans | - |

Loans in Purchase Status Over 3yr Rate



AVG CURRENT SBPS SCORE (DOLLAR WEIGHTED) INTO VARIOUS PORTFOLIO SEGMENTS

| | Average | Risk Rating | Active # | Active \$ | % Active Loans |
|---|---------|---------------|----------|-----------------|----------------|
| Legacy (greater than 36 months on book) | 197 | Moderate Risk | 138 | \$59,690,829.75 | 72.50% |
| Emerging (36 months on book or less) | 203 | Lower Risk | 32 | \$22,659,677.62 | 27.50% |
| Over \$750K Loans | 203 | Lower Risk | 48 | \$53,555,476.81 | 65.00% |
| Under \$750K Loans | 191 | Moderate Risk | 122 | \$28,795,030.56 | 35.00% |

ORINATION RISK (LAST 36 MONTHS)

| | \$ | CDC % | Peer | Risk |
|-----------------------|----------------|--------|-------|-------------|
| High Risk Origination | \$3,355,000.00 | 13.60% | 8.60% | Higher Risk |

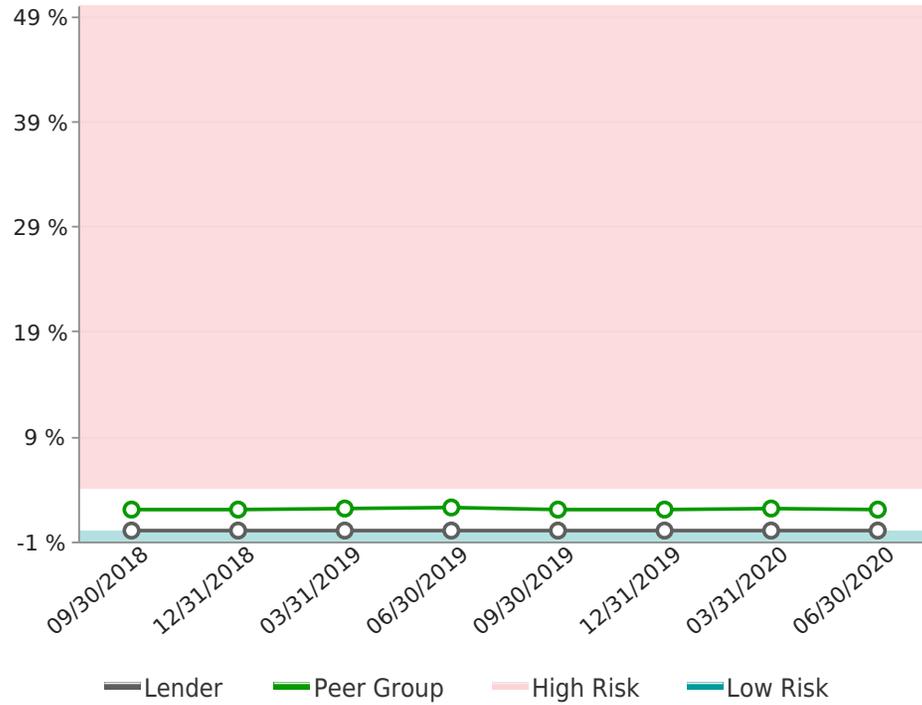
PURCHASE STATUS OVER 3 YEARS

| | # | \$ | % of Purchase Balance | Risk |
|-------------------|---|----------------|-----------------------|-------------|
| In Purch. > 3 yrs | 1 | \$1,261,916.00 | 84.70% | Higher Risk |

FORECASTED PURCHASE RATE

| Forecasted Purchase Rate (FPR) | Peer FPR | Risk |
|--------------------------------|----------|------------|
| 0.76% | 1.73% | Lower Risk |

Early Problem Loan Rate Chart



| UNDISBURSED APPROVALS | Approved # | Approved \$ |
|---|------------|-----------------|
| Approvals not Disbursed in the past 4 years | 17 | \$11,301,000.00 |

| EARLY PROBLEM AND DEFAULT (LAST 36 MONTHS) | | | | | |
|--|---|----|-------|--------|------------|
| | # | \$ | CDC % | Peer % | Risk |
| Early Problem | - | - | 0.00% | 2.00% | Lower Risk |
| Early Default | - | - | 0.00% | 0.40% | |

SERVICING RISK

| | \$ | CDC % | Peer % | Risk |
|--------------------|----------------|-------|--------|---------------|
| Past Due | - | - | 0.41% | |
| Delinquent | - | - | 1.71% | |
| Deferred | - | - | 0.97% | |
| In Catch-Up | \$1,736,749.71 | 2.11% | 1.07% | |
| Projected Purchase | \$625,027.75 | 0.76% | 1.73% | |
| Stressed | \$1,736,749.71 | 2.10% | 4.20% | Moderate Risk |

RESOLUTION RISK

| | # | \$ | CDC % | Peer % |
|--|---|----------------|---------------------|---------------|
| Active Purchases | 4 | \$2,154,524.00 | 2.55% | 4.16% |
| 12 Month Purchase | 1 | \$558,470.00 | 0.67% | 0.98% |
| Average # months of loans in Active Purchase Status | | | | 62 |
| | | | CDC % | Peer % |
| 5-Year Charge Off Rate | | | 1.40% Lower Risk | 3.70% |

VINTAGE ANALYSIS

| Disbursement Fiscal Year | # of Disbursed Loans | Disbursed \$ | Approval \$ for Disbursed Loans | Surrogate Origination Average SBPS | Gross Purchase Amt of Disbursed Loans for Given FYTD |
|--------------------------|----------------------|-----------------|---------------------------------|------------------------------------|--|
| 2007 | 21 | \$8,627,000.00 | \$8,663,000.00 | 196 | \$1,124,136.00 |
| 2008 | 21 | \$8,218,000.00 | \$8,508,000.00 | 200 | \$1,178,808.00 |
| 2009 | 26 | \$14,376,000.00 | \$14,436,000.00 | 192 | \$1,656,167.00 |
| 2010 | 22 | \$10,824,000.00 | \$10,941,000.00 | 209 | \$960,315.00 |
| 2011 | 35 | \$15,308,000.00 | \$15,542,000.00 | 199 | \$787,659.00 |
| 2012 | 21 | \$10,754,000.00 | \$10,797,000.00 | 196 | \$0.00 |
| 2013 | 39 | \$27,665,000.00 | \$27,918,000.00 | 201 | \$1,428,776.00 |
| 2014 | 20 | \$13,047,000.00 | \$13,255,000.00 | 202 | \$0.00 |
| 2015 | 16 | \$12,706,000.00 | \$12,782,000.00 | 196 | \$0.00 |
| 2016 | 17 | \$11,315,000.00 | \$11,674,000.00 | 181 | \$0.00 |
| 2017 | 13 | \$6,285,000.00 | \$6,395,000.00 | 188 | \$0.00 |
| 2018 | 10 | \$7,775,000.00 | \$8,155,000.00 | 181 | \$0.00 |
| 2019 | 10 | \$8,232,000.00 | \$8,599,000.00 | 206 | \$0.00 |
| 2020 | 11 | \$11,285,000.00 | \$11,308,000.00 | 195 | \$0.00 |

REGULAR SERVICING AND RESOLUTIONS

Sum of Dollars ▼

| Delivery Method | Gross # | Gross Outstanding | Current | Past Due | Delinquent | Deferred | In-Catch Up | Active Purch |
|-----------------|---------|-------------------|-----------------|----------|------------|----------|----------------|----------------|
| ALP | 130 | \$60,672,347.15 | \$57,817,854.55 | - | - | - | \$1,147,312.60 | \$1,707,180.00 |
| 504REG | 43 | \$22,734,404.68 | \$21,697,623.57 | - | - | - | \$589,437.11 | \$447,344.00 |
| PCLP | - | - | - | - | - | - | - | - |
| 504RFI | 1 | \$1,098,279.54 | \$1,098,279.54 | - | - | - | - | - |
| 504D | - | - | - | - | - | - | - | - |
| Total | 174 | \$84,505,031.37 | \$80,613,757.66 | - | - | - | \$1,736,749.71 | \$2,154,524.00 |

REGULAR SERVICING AND RESOLUTIONS

% of Total Balance ▼

| Delivery Method | Gross Outstanding | Current | Past Due | Delinquent | Deferred | In-Catch Up | Active Purch |
|-----------------|-------------------|---------|----------|------------|----------|-------------|--------------|
| ALP | 71.80% | 68.42% | - | - | - | 1.36% | 2.02% |
| 504REG | 26.90% | 25.68% | - | - | - | 0.70% | 0.53% |
| PCLP | - | - | - | - | - | - | - |
| 504RFI | 1.30% | 1.30% | - | - | - | - | - |
| 504D | - | - | - | - | - | - | - |
| Total | 100.00% | 95.40% | - | - | - | 2.06% | 2.55% |

% BREAKDOWN OF CURRENT LOAN SBPS SCORES

| | SBPS Range 200-300 | SBPS Range 180-199 | SBPS Range 160-179 | SBPS Range 140-159 | SBPS Range 0-139 | Not Yet Scored |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|----------------|
| By Loan Count | 50.00% | 23.53% | 15.88% | 8.24% | 1.18% | 1.18% |
| By Dollars | 59.75% | 18.29% | 10.90% | 6.48% | 0.00% | 4.58% |

LOAN APPROVALS

| Approval FY | Approved # | Approved \$ |
|-------------|------------|-----------------|
| 2015 | 14 | \$7,359,000.00 |
| 2016 | 26 | \$20,448,000.00 |
| 2017 | 13 | \$9,606,000.00 |
| 2018 | 10 | \$9,989,000.00 |
| 2019 | 16 | \$14,813,000.00 |
| 2020 | 4 | \$2,657,000.00 |
| Total | 83 | \$64,872,000.00 |

TOP INDUSTRY CONCENTRATION RATE

| | | |
|----------------------|-----------------|---------------|
| NAICS Subsector Code | 721 | |
| NAICS Subsector | Accommodation | |
| # of Loans | 20 | |
| \$ | \$19,510,732.71 | |
| % | 23.09% | Moderate Risk |

TOP 10 NAICS

| NAICS Subsector Code | NAICS Subsector | Gross # | Gross \$ | % |
|----------------------|---|---------|-----------------|--------|
| 721 | Accommodation | 20 | \$19,510,732.71 | 23.09% |
| 441 | Motor Vehicle and Parts Dealers | 10 | \$8,599,318.29 | 10.18% |
| 621 | Ambulatory Health Care Services | 21 | \$6,719,267.96 | 7.95% |
| 722 | Food Services and Drinking Places | 12 | \$6,067,170.56 | 7.18% |
| 444 | Building Material and Garden Equipment and Supplies Dealers | 10 | \$5,116,583.01 | 6.05% |
| 453 | Miscellaneous Store Retailers | 4 | \$4,892,712.76 | 5.79% |
| 541 | Professional, Scientific, and Technical Services | 14 | \$3,640,627.76 | 4.31% |
| 713 | Amusement and Recreation Industries | 7 | \$3,366,017.04 | 3.98% |
| 339 | Miscellaneous Manufacturing | 4 | \$2,946,246.63 | 3.49% |
| 452 | General Merchandise Stores | 1 | \$2,467,242.15 | 2.92% |

TOP 5 FRANCHISES

| Franchise Rank | Franchise Name | # of Loans | \$ | % |
|-----------------------------------|-------------------------------|------------|-----------------|--------|
| 1 | HOLIDAY INN EXPRESS | 3 | \$4,283,333.03 | 5.07% |
| 2 | SPRINGHILL SUITES | 1 | \$2,518,129.05 | 2.98% |
| 3 | TOWNEPLACE SUITES BY MARRIOTT | 1 | \$2,100,978.97 | 2.49% |
| 4 | Ace Hardware | 2 | \$1,967,415.29 | 2.33% |
| 5 | BEST WESTERN INN | 1 | \$1,675,125.90 | 1.98% |
| Total Franchise Portfolio: | | 32 | \$26,610,540.01 | 31.49% |

TOP 5 STATES

| State | # of Loans | \$ | % |
|-------|------------|-----------------|---------|
| MT | 174 | \$84,505,031.37 | 100.00% |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |

Report Name:

Funded Loans in Portfolio

Organization Name:

Big Sky Economic Development Corporation

Report Date:

9/30/2020

| Borrower Name | Project City | Current Balance | Funded Date | Maturity Date | Status |
|---|-----------------|-------------------|-------------------|-------------------|--------------------|
| 10th Avenue South Taco John's | Great Falls | 386,300.98 | 10/13/2010 | 10/01/2030 | Current |
| 3G's Convenience Center | Billings | 601,379.16 | 09/11/2013 | 09/01/2033 | Current |
| 3G's Convenience Center | Billings | 658,136.42 | 07/15/2015 | 07/01/2035 | Current |
| A+ ELECTRIC MOTOR, INC. | Billings | 726,000.00 | 09/16/2020 | 09/01/2040 | Deferment * |
| Abatement Contractors of Montana, LLC. | Missoula | 236,670.85 | 03/13/2013 | 03/01/2033 | Current |
| Advanced Rehab, P.C. | Helena | 196,331.31 | 10/16/2013 | 10/01/2033 | Current |
| ADVANCED REHABILITATION SERVICES, LLC | Kalispell | 215,713.57 | 02/15/2012 | 02/01/2032 | Current |
| Advanced Therapy Clinic, LLC | Billings | 392,838.83 | 01/15/2020 | 01/01/2045 | Current |
| Advantage Insurance Agency, LLC | Great Falls | 34,160.83 | 03/17/2010 | 03/01/2030 | Current |
| ADVANTAGE SPRAYING SERVICES, INC. | Bozeman | 153,425.67 | 12/14/2016 | 12/01/2036 | Current |
| Alpha Overhead Door, Inc | Billings | 176,068.59 | 06/11/2014 | 06/01/2034 | Current |
| Alpha-Omega Disaster Restoration, Inc. | Billings | 461,839.35 | 01/16/2019 | 01/01/2044 | Current |
| American Steel, Inc. | Billings | 828,267.12 | 08/11/2010 | 08/01/2030 | Current |
| ANGRY HANK'S MICROBREWERY LLC | Billings | 268,071.10 | 09/12/2012 | 09/01/2032 | Current |
| ANIMAL HOSPITAL OF BILLINGS, INC. | Billings | 210,674.01 | 09/12/2012 | 09/01/2032 | Current |
| Apex Animal Hospital, PLLC | Helena | 146,776.84 | 06/15/2011 | 06/01/2031 | Current |
| Atwood Accounting Services, LLC | Helena | 47,512.63 | 03/16/2011 | 03/01/2031 | Current |
| Automatic Real Estate, L.L.P. | Billings | 305,793.19 | 02/13/2013 | 02/01/2033 | Current |
| Autopilot, Inc. | Bozeman | 24,240.90 | 08/11/2004 | 08/01/2024 | Current |
| BACKCOUNTRY BURGER BAR | Bozeman | 730,751.61 | 06/12/2019 | 06/01/2044 | Current |
| Baxter Creek Veterinary Clinic, P.C. | Bozeman | 175,562.34 | 06/13/2012 | 06/01/2032 | Current |
| Belgrade True Hardware | Belgrade | 489,108.21 | 06/17/2009 | 06/01/2029 | Current |
| Best Friends Animal Hospital & Urgent Care Ce | Billings | 967,971.19 | 06/14/2017 | 06/01/2037 | Current |
| Best Western Plus Havre Inn and Suites | Havre | 1,653,587.36 | 12/16/2015 | 12/01/2035 | Current |
| Big Sky I.V. Care | Kalispell | 90,336.90 | 06/11/2008 | 06/01/2028 | Current |
| Big Sky Psychiatric Services, PC | Billings | 221,839.23 | 03/14/2012 | 05/01/2032 | Current |
| BIG SKY WOODCRAFTERS, INC. | Laurel | 20,411.34 | 11/12/2003 | 11/01/2023 | Current |
| Billings Hardware | Billings | 358,635.38 | 03/12/2014 | 03/01/2034 | Current |
| BioScience Laboratories, Incorporated | Bozeman | 947,352.52 | 12/12/2012 | 12/01/2032 | Current |
| Bliss Beauty Bar Salon LLC | Missoula | 106,333.73 | 08/16/2017 | 08/01/2037 | Current |
| Bozeman Psychiatry, P.C. | Bozeman | 106,274.16 | 06/16/2010 | 06/01/2030 | Current |
| Broadwater Self Storage, Inc. | Billings | 697,973.83 | 06/12/2019 | 06/01/2044 | Current |
| Brooke DeVries, Inc. | Hamilton | 50,173.40 | 12/15/2010 | 12/01/2030 | Current |
| BSK GRAND 2285, LLC | Billings | 592,758.99 | 09/17/2014 | 09/01/2034 | Deferment |
| BSK Kalispell, LLC | Kalispell | 550,778.70 | 11/10/2015 | 11/01/2035 | Deferment |
| BURNT FORK VETERINARY CLINIC, P.C. | Stevensville | 144,129.29 | 04/15/2009 | 04/01/2029 | Current |
| Camelot Ranch LLC | Billings | 727,000.00 | 08/12/2020 | 08/01/2045 | Deferment * |
| Castlerock Excavating, Inc. | Billings | 305,656.47 | 07/13/2016 | 07/01/2036 | Current |
| Cayton Excavation, Inc. | Billings | 97,935.30 | 01/16/2013 | 01/01/2033 | Current |
| Children's Development Center of Bozeman LLC | Bozeman | 310,728.33 | 06/14/2017 | 06/01/2037 | Current |
| Colstrip Inn | Colstrip | 397,132.94 | 06/15/2016 | 06/01/2036 | Current |
| COMMA-Q ARCHITECTURE, INC. | Bozeman | 70,029.17 | 03/16/2005 | 03/01/2025 | Current |
| Creative Horizons Learning Center, LLC | Helena | 90,891.87 | 09/14/2005 | 09/01/2025 | Current |
| Crowley Dentristry LLC | Helena | 252,491.54 | 10/13/2010 | 10/01/2030 | Current |
| Daniels Gourmet Meats & Sausages | Bozeman | 457,128.80 | 08/12/2020 | 08/01/2040 | Current |
| Days Inn Lolo | Lolo | 495,492.65 | 12/13/2017 | 12/01/2037 | Current |
| Dillon Guesthouse, Inc. | Dillon | 285,898.06 | 12/14/2005 | 12/01/2025 | Current |
| Dr. Lawn Landscape Services, Inc | Great Falls | 363,684.14 | 05/17/2017 | 05/01/2037 | Current |
| Eckroth Music Co. | Bozeman | 222,470.70 | 03/13/2013 | 03/01/2033 | Current |
| Elliotts Dough Co. | Bozeman | 88,624.80 | 05/15/2013 | 05/01/2023 | Current |
| Epic Steel Corporation | Missoula | 702,340.24 | 09/17/2014 | 09/01/2034 | Current |
| Excel Physical Therapy | Bozeman | 1,215,690.11 | 04/17/2019 | 04/01/2039 | Current |
| FENCECRAFTERS HELENA, INC. | Helena | 84,017.57 | 08/12/2009 | 08/01/2029 | Current |
| Filmlites Montana LLC | Bozeman | 161,705.14 | 12/11/2013 | 12/01/2033 | Current |
| FISHER CONSTRUCTION, INC. | Billings | 408,457.19 | 03/15/2017 | 03/01/2037 | Current |
| Florence Therapy and Wellness Incorporated | Florence | 226,061.15 | 04/17/2013 | 04/01/2033 | Current |
| Gallatin Psychotherapy, Inc. | Bozeman | 78,395.54 | 12/14/2011 | 12/01/2031 | Current |
| GALLATIN VALLEY CHIROPRACTIC LLC | Bozeman | 100,535.43 | 02/15/2017 | 02/01/2037 | Current |
| GALLATIN VALLEY FURNITURE COMPANY | Bozeman | 371,911.33 | 03/13/2013 | 03/01/2033 | Current |

| Borrower Name | Project City | Current Balance | Funded Date | Maturity Date | Status |
|---|----------------|-----------------|-------------|---------------|-------------|
| Gautam Lodging, LLC | Sheridan | 701,000.00 | 08/12/2020 | 08/01/2045 | Deferment * |
| Glacier Hardwoods LLC | Kalispell | 222,413.51 | 11/14/2018 | 11/01/2043 | Current |
| GLACIER STONE FABRICATION, INC. | Kalispell | 185,190.66 | 12/11/2019 | 12/01/2039 | Current |
| GLACIER VALLEY ENDODONTICS, INC. | Kalispell | 101,097.28 | 09/12/2012 | 09/01/2032 | Current |
| Good Vibrations | Billings | 226,579.12 | 07/16/2014 | 07/01/2034 | Current |
| Grains of Montana Bakery Operations, Inc. | Billings | 382,637.35 | 02/17/2010 | 02/01/2030 | Current |
| Great Harvest Bread Co. | Billings | 133,652.44 | 03/12/2014 | 03/01/2034 | Current |
| GuestHouse Inn & Suites | Missoula | 446,433.41 | 10/12/2011 | 10/01/2031 | Current |
| HARDIN CHEVROLET, INC. | Hardin | 295,243.14 | 07/17/2013 | 07/01/2033 | Current |
| HEADFRAME SPIRITS, INC. | Butte | 106,194.48 | 10/17/2012 | 10/01/2032 | Current |
| Health In Motion Physical Therapy, Inc. | Bozeman | 166,970.52 | 10/13/2010 | 10/01/2030 | Current |
| Helena Athletic Club, Inc | Helena | 344,390.39 | 12/17/2014 | 12/01/2034 | Current |
| Highline Moulding & Millwork, Inc. | Kalispell | 109,372.81 | 10/15/2008 | 05/01/2028 | Current |
| Holiday Inn Express | Helena | 1,237,189.40 | 09/14/2011 | 09/01/2031 | Current |
| Holiday Inn Express - Missoula | Missoula | 1,169,252.80 | 01/11/2012 | 01/01/2032 | Current |
| Holiday Inn Express Hotel & Suites | Butte | 1,804,487.48 | 12/11/2013 | 12/01/2033 | Current |
| Homesite Designers, Inc. | Billings | 136,853.63 | 10/14/2009 | 10/01/2029 | Current |
| Honcoop Technology Services | Billings | 159,594.48 | 10/14/2015 | 10/01/2035 | Current |
| IMOC BUILDING SUPPLIES, INC. | Laurin | 76,122.69 | 07/17/2013 | 07/01/2033 | Current |
| J. C. BILLION, INC. | Bozeman | 613,992.55 | 03/13/2013 | 03/01/2033 | Current |
| J. C. BILLION, INC. | Bozeman | 1,976,283.72 | 12/12/2012 | 12/01/2032 | Current |
| J. C. BILLION, INC. | Bozeman | 2,052,277.02 | 03/13/2013 | 03/01/2033 | Current |
| J/fit.com, LLC | Columbia Falls | 611,619.21 | 03/11/2020 | 03/01/2045 | Current |
| Jump Time Montana LLC | Bozeman | 865,029.28 | 01/15/2020 | 01/01/2045 | Current |
| JZ Parts and Service, LLC | Culbertson | 758,219.94 | 06/11/2014 | 06/01/2034 | Current |
| Kids World Child Enrichment Center, Inc. | Billings | 70,654.34 | 06/16/2010 | 06/01/2030 | Current |
| King's Ace Hardware | Billings | 751,079.55 | 12/14/2011 | 12/01/2031 | Current |
| KING'S HARDWARE CENTRAL, INC. | Billings | 291,030.44 | 11/13/2013 | 11/01/2033 | Current |
| KNICK MACHINING, INC. | Bozeman | 151,352.53 | 01/12/2011 | 01/01/2031 | Current |
| Kosmann, Inc. | Billings | 177,949.38 | 04/13/2016 | 04/01/2036 | Current |
| Kurt S. Lindemann, D.D.S., P.C. | Kalispell | 137,606.24 | 06/11/2008 | 02/01/2028 | Current |
| La Quinta Inn & Suites | Glendive | 812,517.74 | 02/11/2015 | 02/01/2035 | Current |
| la stella blu, llc | Missoula | 273,186.08 | 10/15/2014 | 10/01/2034 | Current |
| LAKE'S FAMILY CHIROPRACTIC, P.C. | Kalispell | 83,153.30 | 06/12/2013 | 06/01/2033 | Current |
| Laurel Ace Hardware | Laurel | 752,375.65 | 04/11/2018 | 04/01/2038 | Current |
| Lexington Inn & Suites | Billings | 1,367,984.55 | 11/12/2014 | 11/01/2034 | Current |
| LJ Fitness, Inc. | Big Timber | 80,381.56 | 06/12/2013 | 06/01/2033 | Current |
| LOCKWOOD HARDWARE INC | Billings | 808,043.75 | 12/14/2016 | 12/01/2036 | Current |
| Lone Mountain Gymnastics and Swim School | Bozeman | 251,149.77 | 02/14/2007 | 02/01/2027 | Current |
| Lone Mountain Gymnastics and Swim School | Bozeman | 142,616.03 | 01/16/2008 | 01/01/2028 | Current |
| LouLa's Cafe | Whitefish | 130,522.06 | 10/15/2014 | 10/01/2034 | Current |
| M3 Meats, Inc. | Sidney | 178,138.73 | 10/15/2008 | 10/01/2028 | Current |
| Main Street Grind | Miles City | 203,417.36 | 01/13/2016 | 01/01/2036 | Current |
| MAP BREWING COMPANY, LLC | Bozeman | 786,239.52 | 02/15/2017 | 02/01/2037 | Current |
| MARKETPLACE 3301 LLC | Billings | 322,986.47 | 03/13/2019 | 03/01/2039 | Current |
| MARS of Billings | Billings | 1,253,474.74 | 08/15/2018 | 08/01/2038 | Current |
| Mast Dentistry, P.C. | Helena | 163,654.29 | 12/14/2016 | 12/01/2036 | Current |
| Matriarch Construction, Inc. | Laurel | 17,788.33 | 05/11/2011 | 05/01/2021 | Current |
| MATT'S OLD FASHIONED BUTCHER SHOP & DELI | Livingston | 234,537.68 | 04/15/2015 | 04/01/2035 | Current |
| Mint Dental LLC | Bozeman | 705,686.31 | 06/12/2019 | 06/01/2044 | Current |
| Montana Center for Somatic Psychotherapy PLLC | Missoula | 141,540.22 | 08/12/2020 | 08/01/2045 | Current |
| Montana Creative Architecture and Design | Whitefish | 84,524.87 | 03/13/2013 | 03/01/2033 | Current |
| MONTANA LINEN SUPPLY, LLC | Belgrade | 2,327,000.00 | 06/17/2020 | 06/01/2045 | Deferment * |
| MONTANA LINEN SUPPLY, LLC | Belgrade | 2,107,000.00 | 06/17/2020 | 06/01/2040 | Deferment * |
| Montana Mobile Document Shredding, Inc. | Billings | 81,335.00 | 05/16/2012 | 05/01/2032 | Current |
| Montana Periodontics & Dental Implants, PLLC | Kalispell | 467,420.45 | 10/11/2017 | 10/01/2037 | Current |
| Montana Peterbilt LLC | Billings | 1,539,531.34 | 09/11/2013 | 09/01/2033 | Current |
| MONTANA TIRE DISTRIBUTOR, INC. | Billings | 73,645.08 | 11/17/2004 | 11/01/2024 | Current |
| Montessori Children's House, LLC | Bozeman | 311,579.89 | 12/13/2017 | 12/01/2037 | Current |
| Mother Moose Enterprises, Inc. | Missoula | 150,680.37 | 10/13/2010 | 09/01/2030 | Current |
| Mountain Hot Tub | Bozeman | 2,115,689.63 | 11/13/2019 | 11/01/2044 | Current |
| Mountain Plains Equity Group, Inc. | Billings | 355,237.80 | 04/11/2018 | 04/01/2038 | Current |
| Mountain Supply Co. | Billings | 535,344.77 | 05/13/2015 | 05/01/2035 | Current |
| Mountain View Hearth Products Inc. | Columbia Falls | 376,130.79 | 10/14/2015 | 10/01/2035 | Current |

| Borrower Name | Project City | Current Balance | Funded Date | Maturity Date | Status |
|--|------------------|----------------------|-------------------|-------------------|--------------------|
| N W CONSTRUCTION, INC. | Bozeman | 148,849.12 | 02/17/2016 | 02/01/2036 | Current |
| NAPA AUTO PARTS | Helena | 458,673.34 | 08/14/2013 | 08/01/2033 | Current |
| NAPA Auto Parts | West Yellowstone | 105,889.29 | 12/16/2009 | 12/01/2029 | Current |
| NCI Quality Windows and Doors | Billings | 78,027.18 | 07/16/2014 | 07/01/2034 | Current |
| Nelson's ACE Hardware | Whitefish | 1,198,240.76 | 11/13/2019 | 11/01/2044 | Current |
| Northern Rockies Glass & Detailing | Laurel | 60,449.96 | 12/15/2010 | 12/01/2030 | Current |
| Northside Wholesale Liquors & Wines | Helena | 177,498.72 | 06/13/2012 | 06/01/2032 | Current |
| Northwest Ballet, Inc. | Kalispell | 97,844.18 | 06/15/2016 | 06/01/2036 | Current |
| NORTHWEST SCIENTIFIC, INC. | Billings | 602,865.18 | 06/12/2013 | 06/01/2033 | Current |
| OPHTHALMIC ASSOCIATES OF BILLINGS, LLC | Billings | 471,122.82 | 02/13/2013 | 02/01/2033 | Current |
| PANGEA RESTAURANT GROUP, LLC | Missoula | 836,000.00 | 06/17/2020 | 06/01/2045 | Deferment * |
| Party Time Plus | Billings | 713,535.26 | 02/16/2011 | 02/01/2031 | Current |
| Pizza Ranch | Billings | 698,517.43 | 03/13/2013 | 03/01/2033 | Current |
| Plonk Missoula | Missoula | 505,246.66 | 03/16/2016 | 03/01/2036 | Current |
| Popeyes Louisiana Kitchen | Billings | 587,761.87 | 10/14/2015 | 10/01/2035 | Deferment |
| Prewett Interiors | Glasgow | 45,931.73 | 12/12/2007 | 10/01/2027 | Current |
| Prime View Dental, PC | Kalispell | 282,938.64 | 07/13/2011 | 07/01/2031 | Current |
| PS Mini Mart | Missoula | 119,498.42 | 08/14/2013 | 08/01/2033 | Current |
| Quail Partners, LLC | Livingston | 314,739.95 | 05/16/2007 | 05/01/2027 | Current |
| QUILICI GLASS, LLC | Butte | 17,733.55 | 11/16/2011 | 11/01/2021 | Current |
| Qwik Signs & Classic Creations LLC | Helena | 90,516.14 | 08/13/2014 | 08/01/2034 | Current |
| R.M.D. DEVELOPMENT & INVESTMENT GROUP, INC. | Bozeman | 98,855.78 | 01/14/2004 | 01/01/2024 | Current |
| Red Lodge Inn Management Company | Red Lodge | 186,061.13 | 02/17/2016 | 02/01/2036 | Current |
| RED OXX MFG INCORPORATED | Billings | 443,066.26 | 05/15/2013 | 05/01/2033 | Current |
| Resodyn Corporation | Butte | 241,304.53 | 06/14/2006 | 06/01/2026 | Current |
| RESTYLE CLOTHING EXCHANGE | Missoula | 291,230.06 | 12/11/2019 | 12/01/2044 | Current |
| Roxy's Market | Big Sky | 1,223,075.36 | 08/12/2015 | 08/01/2035 | Current |
| SCS Unlimited Inc | Bozeman | 604,333.20 | 06/15/2016 | 06/01/2036 | Current |
| Shipton's Big R, Inc. | Billings | 2,434,826.87 | 10/14/2015 | 10/01/2035 | Current |
| Silver Springs Assisted Living Limited Liability Company | Townsend | 264,468.34 | 06/14/2017 | 06/01/2037 | Current |
| Simms Fishing Products LLC | Bozeman | 1,530,992.05 | 04/17/2013 | 04/01/2033 | Current |
| SNYDER MOTORS INC. | Bozeman | 782,094.56 | 09/11/2019 | 09/01/2039 | Current |
| Springhill Suites by Marriott | Billings | 2,494,710.28 | 11/14/2018 | 11/01/2038 | Current |
| Staybridge Suites | Missoula | 1,078,549.63 | 06/13/2012 | 06/01/2032 | Current |
| STEEPWORLD Climbing & Fitness, LLC | Billings | 467,635.88 | 05/16/2018 | 05/01/2038 | Current |
| Suelto, Inc. | Bozeman | 45,827.19 | 06/13/2012 | 06/01/2032 | Current |
| Super 8 Great Falls MT | Great Falls | 721,654.92 | 09/11/2013 | 09/01/2033 | Current |
| Super 8 Miles City | Miles City | 486,860.00 | 07/11/2018 | 07/01/2038 | Current |
| SWIM LLC | Bozeman | 1,216,217.40 | 06/13/2018 | 06/01/2038 | Current |
| T Bunch, Inc. | Billings | 183,536.11 | 04/17/2019 | 04/01/2039 | Current |
| The Haufbrau | Anaconda | 180,563.88 | 06/11/2014 | 06/01/2034 | Current |
| The Mountain Project | Bozeman | 214,278.27 | 12/11/2019 | 12/01/2039 | Current |
| Three Brothers Plumbing & Heating Inc. | Montana City | 136,912.39 | 03/16/2011 | 03/01/2031 | Current |
| TIRE WORLD, LLC | Bozeman | 422,828.94 | 10/12/2016 | 10/01/2036 | Current |
| TownePlace Suites | Missoula | 2,073,207.10 | 06/17/2015 | 06/01/2035 | Current |
| U-STORE IT, INC. | Laurel | 337,061.77 | 04/17/2013 | 04/01/2033 | Current |
| Valet Today Cleaners | Billings | 614,421.27 | 12/16/2015 | 12/01/2035 | Current |
| WEST FORK CREATIONS, INC. | Red Lodge | 65,561.46 | 06/11/2003 | 06/01/2023 | Current |
| West Paw | Bozeman | 735,694.48 | 07/14/2010 | 07/01/2030 | Current |
| WESTERN RANCH SUPPLY CO. | Billings | 1,155,448.92 | 10/16/2013 | 10/01/2033 | Current |
| WGM GROUP, INC. | Missoula | 660,745.50 | 08/11/2010 | 08/01/2030 | Current |
| Wildfire Autobody, Inc. | Billings | 233,919.08 | 05/13/2015 | 05/01/2035 | Current |
| YELLOWSTONE GATEWAY INN, LLC | Gardiner | 195,422.40 | 03/13/2013 | 03/01/2033 | Current |
| Zero In Indoor Shooting Center | Bozeman | 1,305,278.78 | 08/15/2018 | 08/01/2038 | Current |
| Sum | | 87,923,265.91 | | | |
| Average | | 496,741.62 | | | |
| # Loans | | 177 | | | |

* Newly funded loans in deferment due to COVID

Approved 504 Loans - 2020 YTD
 Big Sky Economic Development Corporation
 9/30/2020

| Primary OC Name | Project Address City | First Lender Name | Project Total Costs Amount | Primary Gross Debenture | Processing Fee | SBA Approval Date | Jobs Created | Jobs Retained |
|---|----------------------|-------------------------------------|----------------------------|-------------------------|------------------|-------------------|--------------|---------------|
| Daniels Gourmet Meats LLC | Bozeman | First Montana Bank, Inc. | 1,111,550.00 | 459,000.00 | 6,669.30 | 02/24/2020 | 6.00 | 0.00 |
| Camelot Ranch LLC | Billings | Stockman Bank of Montana - Billings | 1,800,000.00 | 727,000.00 | 10,581.92 | 03/03/2020 | 0.00 | 0.00 |
| FUN AND FANCY FREE LEARNING CENTER, LLC | Polson | Glacier Bank | 1,867,150.00 | 770,000.00 | 11,202.90 | 03/18/2020 | 10.00 | 0.00 |
| Gautam Lodging, LLC | Sheridan | First Federal Bank & Trust | 2,265,778.00 | 701,000.00 | 10,196.00 | 04/14/2020 | 3.00 | 0.00 |
| Weaver Enterprises LLC | Columbia Falls | Glacier Bank | 280,215.00 | 118,000.00 | 1,681.29 | 07/23/2020 | 0.00 | 0.00 |
| FLORAL COTTAGE INC | Helena | Stockman Bank of Montana - Billings | 413,485.00 | 130,000.00 | 1,860.69 | 09/11/2020 | 0.00 | 0.00 |
| Lake Helena Storage LLC | Helena | Bank Five Nine | 1,940,000.00 | 700,000.00 | 10,185.00 | 10/06/2020 | 1.00 | 0.00 |
| Sum | | | 9,678,178.00 | 3,605,000.00 | 52,377.10 | | 20.00 | 0.00 |
| Average | | | 1,382,596.86 | 515,000.00 | 7,482.44 | | 2.86 | 0.00 |

Funded Loans - 2020 YTD
 Big Sky Economic Development Corporation
 9/30/2020

| Funded Date | Reference Name | Project Address City | Primary Gross Debenture | Processing Fee | Jobs Created | Jobs Retained |
|----------------|---|----------------------|-------------------------|-------------------|---------------|---------------|
| 01/15/2020 | Jump Time Montana LLC | Bozeman | 883,000.00 | 12,855.74 | 13.00 | 0.00 |
| 01/15/2020 | Advanced Therapy Clinic, LLC | Billings | 401,000.00 | 5,814.03 | 6.00 | 0.00 |
| 03/11/2020 | J/fit.com, LLC | Columbia Falls | 622,000.00 | 9,038.33 | 8.00 | 0.00 |
| 06/17/2020 | PANGEA RESTAURANT GROUP, LLC | Missoula | 836,000.00 | 12,166.88 | 25.00 | 0.00 |
| 06/17/2020 | MONTANA LINEN SUPPLY, LLC | Belgrade | 2,327,000.00 | 33,960.00 | 15.00 | 0.00 |
| 06/17/2020 | MONTANA LINEN SUPPLY, LLC | Belgrade | 2,107,000.00 | 30,736.74 | 15.00 | 0.00 |
| 08/12/2020 | Montana Center for Somatic Psychotherapy PLLC | Missoula | 142,000.00 | 2,024.72 | 2.00 | 0.00 |
| 08/12/2020 | Gautam Lodging, LLC | Sheridan | 701,000.00 | 10,196.00 | 3.00 | 0.00 |
| 08/12/2020 | Camelot Ranch LLC | Billings | 727,000.00 | 10,581.92 | 0.00 | 0.00 |
| 08/12/2020 | Daniels Gourmet Meats & Sausages | Bozeman | 459,000.00 | 6,669.30 | 6.00 | 0.00 |
| 09/16/2020 | A+ ELECTRIC MOTOR, INC. | Billings | 726,000.00 | 10,567.20 | 8.00 | 0.00 |
| Sum | | | 9,931,000.00 | 144,610.86 | 101.00 | 0.00 |
| Average | | | 902,818.18 | 13,146.44 | 9.18 | 0.00 |

Management Report - Industry Concentration
 Big Sky Economic Development Corporation
 9/30/2020

| Reference Name | Project Address City | NAICS Description | NAICS Code | Project Total Costs Amount | Primary Loan Balance | Loan Sub Status | | |
|--|----------------------|--|------------|----------------------------|----------------------|-----------------|------------------|--------|
| 10th Avenue South Taco John's | Great Falls | Limited-Service Restaurants | 722513 | 1,801,279.41 | 386,300.98 | Current | | |
| BSK GRAND 2285, LLC | Billings | Limited-Service Restaurants | 722513 | 2,243,165.40 | 592,758.99 | Deferment | | |
| Main Street Grind | Miles City | Limited-Service Restaurants | 722513 | 600,750.00 | 203,417.36 | Current | | |
| BSK Kalispell, LLC | Kalispell | Limited-Service Restaurants | 722513 | 1,818,955.56 | 550,778.70 | Deferment | | |
| Popeyes Louisiana Kitchen | Billings | Limited-Service Restaurants | 722513 | 1,950,986.07 | 587,761.87 | Deferment | | |
| The Haufbrau | Anaconda | Full-Service Restaurants | 722511 | 579,000.00 | 180,563.88 | Current | | |
| LouLa's Cafe | Whitefish | Full-Service Restaurants | 722511 | 411,850.00 | 130,522.06 | Current | | |
| Plonk Missoula | Missoula | Full-Service Restaurants | 722511 | 1,507,940.00 | 505,246.66 | Current | | |
| Pizza Ranch | Billings | Full-Service Restaurants | 722511 | 2,507,361.75 | 698,517.43 | Current | | |
| SWIM LLC | Bozeman | Full-Service Restaurants | 722511 | 3,691,287.08 | 1,216,217.40 | Current | | |
| BACKCOUNTRY BURGER BAR | Bozeman | Full-Service Restaurants | 722511 | 1,851,891.36 | 730,751.61 | Current | | 12 |
| PANGEA RESTAURANT GROUP, LLC | Missoula | Full-Service Restaurants | 722511 | 2,317,500.00 | 836,000.00 | Deferment | \$ 6,618,836.94 | 7.53% |
| JZ Parts and Service, LLC | Culbertson | Hotels (except Casino Hotels) and Motels | 721110 | 2,806,978.93 | 758,219.94 | Current | | |
| Dillon Guesthouse, Inc. | Dillon | Hotels (except Casino Hotels) and Motels | 721110 | 2,480,000.00 | 285,898.06 | Current | | |
| Quail Partners, LLC | Livingston | Hotels (except Casino Hotels) and Motels | 721110 | 2,229,400.00 | 314,739.95 | Current | | |
| Holiday Inn Express - Missoula | Missoula | Hotels (except Casino Hotels) and Motels | 721110 | 7,038,400.00 | 1,169,252.80 | Current | | |
| YELLOWSTONE GATEWAY INN, LLC | Gardiner | Hotels (except Casino Hotels) and Motels | 721110 | 932,118.65 | 195,422.40 | Current | | |
| Best Western Plus Havre Inn and Suites | Havre | Hotels (except Casino Hotels) and Motels | 721110 | 6,612,478.00 | 1,653,587.36 | Current | | |
| Staybridge Suites | Missoula | Hotels (except Casino Hotels) and Motels | 721110 | 14,900,000.00 | 1,078,549.63 | Current | | |
| Super 8 Great Falls MT | Great Falls | Hotels (except Casino Hotels) and Motels | 721110 | 3,204,750.00 | 721,654.92 | Current | | |
| La Quinta Inn & Suites | Glendive | Hotels (except Casino Hotels) and Motels | 721110 | 3,423,000.00 | 812,517.74 | Current | | |
| Lexington Inn & Suites | Billings | Hotels (except Casino Hotels) and Motels | 721110 | 5,805,250.00 | 1,367,984.55 | Current | | |
| Holiday Inn Express | Helena | Hotels (except Casino Hotels) and Motels | 721110 | 7,629,052.37 | 1,237,189.40 | Current | | |
| Holiday Inn Express Hotel & Suites | Butte | Hotels (except Casino Hotels) and Motels | 721110 | 7,999,875.00 | 1,804,487.48 | Current | | |
| GuestHouse Inn & Suites | Missoula | Hotels (except Casino Hotels) and Motels | 721110 | 2,000,000.00 | 446,433.41 | Current | | |
| TownePlace Suites | Missoula | Hotels (except Casino Hotels) and Motels | 721110 | 8,491,836.54 | 2,073,207.10 | Current | | |
| Red Lodge Inn Management Company | Red Lodge | Hotels (except Casino Hotels) and Motels | 721110 | 735,446.86 | 186,061.13 | Current | | |
| Colstrip Inn | Colstrip | Hotels (except Casino Hotels) and Motels | 721110 | 1,341,905.45 | 397,132.94 | Current | | |
| Days Inn Lolo | Lolo | Hotels (except Casino Hotels) and Motels | 721110 | 1,800,000.00 | 495,492.65 | Current | | |
| Springhill Suites by Marriott | Billings | Hotels (except Casino Hotels) and Motels | 721110 | 7,445,500.00 | 2,494,710.28 | Current | | |
| Super 8 Miles City | Miles City | Hotels (except Casino Hotels) and Motels | 721110 | 1,467,975.00 | 486,860.00 | Current | | 20 |
| Gautam Lodging, LLC | Sheridan | Hotels (except Casino Hotels) and Motels | 721110 | 2,265,778.00 | 701,000.00 | Deferment | \$ 18,680,401.74 | 21.25% |
| Sum | | | | 323,356,793.54 | 87,923,265.91 | | | |
| Average | | | | 1,826,874.54 | 496,741.62 | | | |

Report Name: Prepaid Report (Copied)
Organization Name: Big Sky Economic Development Corporation
Report Date: 11/4/2020

| Reference Name | Funded Date | Out of Portfolio Date | Gross Debenture | Primary Loan Balance |
|--|-------------|-----------------------|---------------------|----------------------|
| Glacier Guides Lodge | 12/15/2010 | 01/16/2020 | 269,000.00 | 172,219.06 |
| Dent Works, Inc. | 01/16/2008 | 02/20/2020 | 106,000.00 | 55,756.46 |
| Ottun Chiropractic, P.C. | 09/12/2012 | 02/20/2020 | 94,000.00 | 64,257.47 |
| Midwest Steel Industries, Inc. | 07/15/2009 | 03/11/2020 | 394,000.00 | 227,595.36 |
| Big Sky Cyclery - Helena, Inc. | 04/13/2011 | 03/18/2020 | 239,000.00 | 156,719.52 |
| DAVID P. BAKER DDS, PLLC | 01/11/2012 | 03/19/2020 | 419,000.00 | 277,053.22 |
| Division Mortgage Group Inc. | 03/13/2013 | 04/16/2020 | 258,000.00 | 181,460.61 |
| Taco Treat | 05/13/2015 | 06/09/2020 | 349,000.00 | 280,201.99 |
| Double Diamond Veterinary Hospital, P.C. | 01/11/2006 | 09/17/2020 | 235,000.00 | 89,463.85 |
| 360 Office Solutions, Inc. | 07/16/2014 | 10/08/2020 | 1,658,000.00 | 1,243,936.79 |
| Sum | | | 4,021,000.00 | 2,748,664.33 |
| Average | | | 402,100.00 | 274,866.43 |



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT 2

**Big Sky Economic Development Authority
Big Sky Economic Development Corporation
amended Agreement for Professional Services**

Section 1 Parties to the Agreement

This amended agreement, originally approved on June 13, 2019, is made and entered into in Billings, Yellowstone County, Montana, this 12th day of November 2020 by and between Big Sky Economic Development Authority, a local government entity, hereinafter referred to as Big Sky EDA, and Big Sky Economic Development Corporation, a Montana Non-Profit Corporation, hereinafter referred to as Big Sky EDC. This agreement in no way diminishes the responsibility of the Big Sky EDC Board of Directors for the operations of the certified development company that is Big Sky EDC.

Section 2 Purpose of Agreement

The purpose of this agreement is to secure from Big Sky EDA staff and support services for Big Sky EDC necessary for continuous effective operations and to comply with applicable regulations of the Small Business Administration.

Section 3 Services Performed

3.1 Staff Services

- Big Sky EDA will provide to Big Sky EDC the services of five employees (Director of Business Finance, two Loan Officers and one Loan Specialist) who will conduct business finance marketing, packaging and processing activities in support of Big Sky EDC's lending programs.
- Big Sky EDA will provide to Big Sky EDC the services of two employees (Director of Member-Investors and Organizational Communications and the Marketing and Outreach Program Manager) that will conduct overall organizational marketing and outreach for EDA and EDC as well as Member-Investor recruitment, management, policy coordination and communication activities with the purpose of maintaining and expanding Big Sky EDC's Member-Investor base.
- Big Sky EDA will provide to Big Sky EDC the services of an employee (Executive Director) who will conduct overall executive-level management of Big Sky EDC.
- Big Sky EDA will provide to Big Sky EDC the services of an employee (Controller) who will oversee overall financial management of Big Sky EDC.

- 3.2 Support Services
- Big Sky EDA will provide other necessary general and administrative support services including operations, reception and support to the Big Sky EDA Executive Director.

Section 4 Other

- 4.1 Big Sky EDA will provide office space including telephone and internet access for employees who will conduct Big Sky EDC’s lending, marketing and Member-Investor programs.
- 4.2 Big Sky EDA will provide liability insurance allocable to employees who will conduct Big Sky EDC’s lending, marketing and Member-Investor programs.

Section 5 Reimbursement

- 5.1 Reimbursement of Staff and Other Services

Big Sky EDC shall reimburse Big Sky EDA, on a monthly basis for the following expenses associated with services in Section 4 above:

| | Salary | Fringe | Rent | Phone & Internet | Liability Insurance |
|---|----------------------|---------------|-------------|-----------------------------|----------------------------|
| Director-Business Finance | 100% (\$42.81/hr) | 100% | 100% | 100% | 100% |
| Loan Officer (2) | 100% (\$71.30/hr) | 100% | 100% | 100% | 100% |
| Loan Specialist (1) | 100% (\$21.42/hr) | 100% | 100% | 100% | 100% |
| Director-MI/Org Communications | 50% (\$19.51/hr) | 50% | 50% | 50% | 50% |
| Marketing and Outreach Program Manager | 50% (\$12.02/hr) | 50% | 50% | 50% | 50% |
| Executive Director | 25% (\$18.60/hr) | 25% | - | - | - |
| Controller | 25% (\$10.89/hr) | 25% | - | - | - |
| Operations Director | - | - | - | - | - |
| Receptionist | - | - | - | - | - |

- Compensation under this agreement is for services performed, and payment is for services actually performed.
 - Sources of compensation for services under this contract include Member-Investor funds, program income, and reserves. All compensation will be paid to Big Sky EDA directly by Big Sky EDC, and not by any borrower.
 - Based on prevailing area wage rates and on professional knowledge and expertise of board members, Big Sky EDC has determined that the compensation rates charged by Big Sky EDA are customary and reasonable for similar services in the area.
 - Contract payments for professional services will not exceed 65 to 75 percent of Big Sky EDC's income.
- 5.2 Big Sky EDA is prohibited from imposing any requirement on any applicant or borrower to purchase any other services from Big Sky EDA as a condition of Big Sky EDA performance of any staff or management functions of Big Sky EDC.
- 5.3 Additional compensation from CDC fee income such as multipliers or bonuses are not permitted.
- 5.4 All compensation paid to Big Sky EDA will be paid by Big Sky EDC and Big Sky EDA cannot charge the borrower for the same services.

Section 6 Term of Agreement, Termination

- 6.1 Term: This agreement shall remain in effect for the period July 1, 2019 to June 30, 2021 unless modified by mutual agreement between the parties, or terminated by either party in accordance with provisions of this section. This agreement shall also provide for one 2-year option for renewal at the expiration of the initial term of this agreement on the same terms and conditions set forth herein.
- 6.2 Termination: Either party, without penalty, may terminate this agreement by delivery to the other party a written notice of termination within 30 days of the effective termination date. In the event of notice of termination, Big Sky EDC shall be entitled to receive services and Big Sky EDA shall be eligible to receive reimbursement for costs incurred pursuant to this agreement until the effective termination date.

Section 7 Miscellaneous Provision

- 7.1 Conflict of Interest: No member of the governing body of Big Sky EDC and no member of the governing body of Big Sky EDA shall have any personal financial interest in this agreement.
- 7.2 Breach: It is expressly understood that the only remedy in the event of breach of terms of this agreement shall be termination of the agreement in accordance with Section 6.2
- 7.3 Entire Agreement: This agreement constitutes the entire agreement between parties relating to the rights herein granted and the obligations herein assumed. The parties hereto agree that the laws of the State of Montana shall govern this agreement.
- 7.4 Independent Contractors: It is expressly understood and agreed by the parties hereto that they are independent contractors and that nothing contained herein should be construed as giving rise to a partnership or joint venture.
- 7.5 The CDC's Board of Directors specifically acknowledges and retains the ultimate responsibility for all loan approvals and loan servicing actions, 13 CFR paragraph 120.823, and that such responsibility must be carried out independently of any control by a contractor.
- 7.6 No contractor or associate of a contractor may be a voting or non-voting member of the CDC's Board of Directors.
- 7.7 Confidentiality: All notes, correspondence, entity documentation, financial information, credit Memoranda, loan authorizations, drafts, photographs, papers, documents and records as defined in their broadest sense (collectively "Records") which CDC allows Service Provider (Big Sky EDA) to review and/or otherwise inspect or utilize in connection with this Agreement shall be considered confidential.

Service Provider agrees, represents, and warrants that it will only use the Records in performing the functions of and duties as set forth herein and/or otherwise in relation to his/her association with CDC. Service Provider shall not appropriate or otherwise use any of the Records and/or any information contained in any of the Records provided by CDC for any purpose other than as set forth herein. This prohibition applies to, without limitation, appropriating, or disclosing, names of CDC customers, trade secrets, vendor names, financial information, and personal information.

CDC agrees not to disclose to any third party (other than those parties specifically related to assignments to be performed under this Agreement)

the name, address, or telephone number of Service Provider without Service Provider's prior approval. CDC agrees not to disclose to any party other than SBA, the party the terms of compensation paid to Service Provider pursuant to this Agreement."

Big Sky EDA is a public entity and subject to Montana's public records and public information and laws. Notwithstanding anything to the contrary in this Section 7.7, to the extent the Records are public records or public information under those laws, the confidentiality provisions of this Section 7.7 does not apply.

Execution

Executed this 12th day of November 2020

Big Sky Economic Development Authority

Robin Rude, Board Chair Big Sky EDA

Big Sky Economic Development Corporation

Mike Seppala, Board Chair Big Sky EDC

A RESOLUTION

BIG SKY ECONOMIC DEVELOPMENT CORPORATION

Whereas, the Board of Directors of BIG SKY ECONOMIC DEVELOPMENT CORPORATION, a Montana Non-Profit Corporation (BIG SKY EDC), desires to maximize the level of coordination between BIG SKY EDC and other regional economic development programs in its service area; and

WHEREAS, Big Sky Economic Development Authority, a Montana Non-Profit Corporation (BIG SKY EDA), is the regional economic development organization in the BIG SKY EDC service area; and

WHEREAS, the Board of Directors of BIG SKY EDC desires to maintain its long standing, mutually beneficial relationship with BIG SKY EDA which was responsible for the creation and development of BIG SKY EDC;

NOW, THEREFORE, BE IT RESOLVED:

Section 1.

That for the following reasons the Board of Directors of BIG SKY EDC believes it to be in the best interests of BIG SKY EDC to secure from BIG SKY EDA all management services, all marketing, packaging, processing, closing, servicing, and liquidation functions attendant to BIG SKY EDC lending activities, and all necessary support services:

- BIG SKY EDA staff who are engaged in lending and other regional economic development activities are fully knowledgeable of BIG SKY EDC and of the rules and regulations governing its lending operations, having been the staff for BIG SKY EDC since its inception.
- As the regional economic development agency, BIG SKY EDA brings a high degree of public accountability to BIG SKY EDC activities.
- BIG SKY EDA provides a level of visibility and a range of contacts across the BIG SKY EDC service area that BIG SKY EDC alone could not readily develop and sustain.
- BIG SKY EDA has provided all necessary facilities and staff services to BIG SKY EDC, and the organizations have been co-located since BIG SKY EDC's inception.

Section 2.

This agreement between BIG SKY EDC and BIG SKY EDA is in compliance with 13 CFR §120.824 and §120.825 and with the requirements of the U. S. Small Business Administration Loan Program.

That the agreement between BIG SKY EDC and BIG SKY EDA is subject to pre-approval and yearly review by the U.S. Small Business Administration; and,

That BIG SKY EDC and its Board of Directors understand that annual submission of the agreement between BIG SKY EDC and BIG SKY EDA to the U.S. Small Business Administration is required with submission of the Annual Report.

Approved by the Board of Directors of the BIG SKY EDC on the 12th day of November 2020.

BIG SKY ECONOMIC DEVELOPMENT
CORPORATION

Attest: _____
Name: Ann Kosempa
Title: Secretary

By: _____
Name: Mike Seppala
Title: Board Chair



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT 3

| Legislative Priority <u>Support Local/Regional Economic Recovery</u> | Economic Development Nexus | History in MT Legislature | Partnering Orgs./ Working Groups/ Bill Sponsor | BSED Role | Local Delegation Lead |
|--|--|--|--|---|--------------------------|
| Push for State support for a Broadband/5G network infrastructure needs assessment for Yellowstone county (may be able to make this ask to the Coronavirus Relief Fund; and it is consistent with MEDA Next Generation Project recommendations) | Montana ranks poorly when it comes to broadband service and capacity. MT will need to bolster its broadband service for businesses, educators, healthcare providers, and the new generation of people working from home. | Most recently, SB 239, carried by Jason Ellsworth (R) of Hamilton in 2019. Bill was vetoed by Gov. citing \$3.1m budget impact. Also says the property tax exemption only benefits large companies. | MEDA Broadband Working Group, Technology Firms in Billings | Leading role in partnership with MEDA Working Group | TBD |
| Encourage public/private partnerships to drive new investment —support the County’s effort to gain legislative flexibility to consider long term leases of county properties to partner with possible new private investment | Allowing counties to enter long-term lease agreements encourages public/private partnerships and redevelopment in areas like Metra Park | | Yellowstone Co., Jason Rittel (MaCO) | Lead in partnership with Commissioners of YC, Partner with MaCO | TBD |
| Advocate for resources that support the reengagement and retraining of our workforce as an underpinning to our economic recovery; including, workforce housing, public-private partnership incentives, and incentives for talent retention and recruitment | Finding strategies to keep and retain talent as well as retrain talent is vitally important. MT may consider the Build Dakota Scholarship as an example. | SB 335 from 2017 Jeff Welborn from Dillon. A bill generally revising laws promoting PPPs. | SD2 (Bruinsma), MSUB, Rocky, MUS, Billings Chamber, City of Billings, Yellowstone County | Lead with help from BillingsWorks, others | TBD |

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| Support the economic and community development needs of our rural, regional partners, with a focus on infrastructure development and share interests in workforce development | Billings is a regional trade hub that succeeds to an even greater extent when the communities around it succeed as well. Focusing on supporting needs such as value added Ag and Broadband will help them. | | Beartooth RC&D, SEMDC, Snowy Mountain, MMEC | Support MT Infrastructure Coalition (Darryl James) | TBD |
| Legislative Priority <u>Sustain Healthcare/Medicaid Funding</u> | Economic Development Nexus | History in MT Legislature | Partnering Orgs. | BSED Role | Local Delegation Lead |
| Work in partnership with MHA and local providers to keep Medicaid funding intact for local and regional healthcare providers | The hospital corridor in Billings employs thousands of Yellowstone County workers and provides an enormous economic boost to our region | SB 658 in 2019 sponsored by Rep. Buttrey from Great Falls. Permanently expanded Medicaid. | Billings Clinic, St. Vs, Riverstone Health, Advanced Care | Lead with MHA (Rich Rasmussen: Board Members include Steve L and Judi P) | TBD |
| Legislative Priority <u>MSUB Leadership and Infrastructure</u> | Economic Development Nexus | History in MT Legislature | Partnering Orgs. | BSED Role | Local Delegation Lead |
| Encourage and support the Billings-area delegation to rally behind new investment at MSUB (additional investment is needed in the health professions and science areas) | Strong universities drive innovation and produce high achieving students that help to fill workforce gaps | | MSUB, MSUB Foundation | Steve and new Chancellor | TBD |

| Legislative Priority Protect Tax Increment Financing | Economic Development Nexus | History in MT Legislature | Partnering Orgs. | BSED Role | Local Delegation Lead |
|--|--|---|---|--|-----------------------|
| <p>urban renewal and target economic development districts need to be supported as one of the few economic development tools available to support the redevelopment of our downtown core and to build infrastructure that supports the growth of value-added industry</p> | <p>TIF funds can be used across a diverse spectrum of projects and often catalyze redevelopment efforts that otherwise wouldn't happen</p> | <p>TIF is often debated in the legislature with multiple bills each session attempting to reduce the appropriation allotted to them</p> | <p>Billings Chamber, City of Billings, Down Town Billings, League of Cities and Towns, Yellowstone County</p> | <p>Partner with DBA and League Allison (Dianne in the loop) Kelly Lynch with League is point</p> | <p>TBD</p> |
| Priorities for Current and Future Consideration (MEDA Next Gen Analysis) | Economic Development Nexus | History in MT Legislature | Partnering Orgs. | BSED Role | Local Delegation Lead |
| <p>Support reorganization of State economic development strategies with sector-specific focus on key industries; adjust existing job creation incentives for target industries, including tax credits for new, high-paying job creation in these target sectors</p> | <p>With the new Governor's administration taking them helm, we will need to advocate for new, more focused strategy that targets areas with high growth opportunity for MT</p> | <p>SB 266 – Mark Blasdel (Kalispell) Revise taxation to promote new business and economic activity</p> | <p>Governor's Administration, other Departments, EDOs across the state; MT Chamber</p> | <p>Support if/when called on</p> | <p>TBD</p> |
| <p>Encourage the realignment of roles and responsibilities of the Department of Commerce and the Governor's Office of Economic Development as a part of an updated economic development</p> | <p><i>Nexus defined in previous cell</i></p> | | <p>MEDA</p> | <p>Support if/when called on</p> | <p>TBD</p> |

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| <p>strategy (consider Wyoming Business Council model); consider centralizing workforce development and economic development strategies under a single vision and brand</p> | | | | | |
| <p>Encourage statewide talent recruitment and retention programs, including incentives for the attraction of remote workers, and the retention of Montana’s college graduates in key sectors (consider Build Dakota Scholarships model)</p> | <p><i>Nexus defined in previous cell</i></p> | | <p>Partners at the State level, Chambers of Commerce; MT Chamber</p> | <p>Partner/Lead</p> | <p>TBD</p> |
| <p>Support legislation that encourages venture capital investments into Montana-based start-ups</p> | <p>Growing the entrepreneurial ecosystem in Montana is vital to our economic growth. Creating an incentive to invest in MT entrepreneurs would position the state capitalize on new technologies and emerging sectors. BSED is also deeply invested in entrepreneurship with the Rock31 Program.</p> | <p>House Bill 187 in 2017 – Jim Hamilton – Bozeman</p> <p>House Bill 702 in 2019 – Joel Krautter – Sidney</p> <p>Establishing angel investor/venture capital and business income tax credits</p> | <p>Frontier Angels, Pat LaPointe, Steve A.; MT Chamber</p> | <p>Steve, Kevin Scharfe, Keith Lauver</p> | <p>TBD</p> |

| <p>Identify potential, unique dedicated revenue sources for economic development tools for consideration in future legislative sessions; including, a tool for investment in infrastructure and community development assets that directly support private investment and new job creation;</p> | <p><i>Nexus defined in previous cell</i></p> | <p>Senate Bill 340 in 2019 Legislature – Roger Webb, Billings</p> <p>Establishing impact districts in Montana</p> | <p>Strategy Partners; and, identify willing MEDA colleagues</p> | <p>Allison (see how the city moves on this issue)</p> <p>Montana Chamber/MEDA</p> | <p>TBD</p> |
|---|---|---|---|---|-------------------------------------|
| <p>Priorities for Future Consideration</p> | <p>Economic Development Nexus</p> | <p>History in MT Legislature</p> | <p>Partnering Orgs.</p> | <p>BSED Role</p> | <p>Local Delegation Lead</p> |
| <p>Create a tax exemption for military pensions in support of our efforts through VBOC to attract veterans and their spouses to entrepreneurship in Montana</p> | <p>BSED Houses the Veterans Business Outreach Center. This bill would also coincide with talent attraction efforts.</p> | <p>House Bill 130 from Rep. John Fuller failed last session. Intends to bring issue forward again in 2019</p> | <p>Dan Brooks, VBOC, VFW</p> | <p>Support/testify for potential bill</p> | |