

**Big Sky EDA/EDC
Executive Committee Agenda
July 6, 2023
7:00 AM to 9:00 AM**

Venture Conference Room (Lower Level BSED Building)

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.

Committee Members EDC –Kim Jakub, Andy Gott, Nick Pancheau, Ann Kosempa, Jen Kobza
EDA –Judi Powers, Riley Bennett, Debbie Desjarlais, Ken Lutton, George Warmer

7:00 A.M.— Call to Order – Judi Powers, EDA Chair

Public Comments/Board Member and Staff Announcements

Agenda Changes

REGULAR AGENDA

A. Approval of EDA/EDC Minutes

- May 3, 2023 Ex. Committee Meeting (Attachment A) (Action)

B. Approval of EDA/EDC Financials—Tami

- Approve EDA/EDC May Financials (Attachment B) (Action)
- Updated FY '23 Year-End Projections and Recommendations (Attachment C) (Action)
- Update FY '24 Budget/County Hearing (Info)

C. Executive Director Report--Steve

- Re-Org/Staffing Update (Info)
- Executive Director Focus for FY '24 (Handout) (Action)

D. Program Updates/Action Items

1. BSF Loan Policy and Internal Controls /SMART Audit Response—Brandon (Attachment D) (Action)
2. Community Development—Parks/Trails/Rec Strategy—Thom (Handout) (Info)

Consideration of Executive Session (as needed)

- Review Executive Director Performance Interview Results

Report out of Executive Session

Public Comment

Adjourn

Next Executive Committee Meeting – August 2 (Breakfast with Executive Director) (7:00 A.M. to 9:00 A.M.) Location-Venture Conference Room, BSED Building. 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 Economic Development at 406-256-6871.



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ATTACHMENT A

Approval of EDA/EDC Financials-Tami/Steve

Approval of February Financials

Tami presented the 2023 February EDA and EDC financials to the Executive Committee. On the EDA balance sheet current assets decreased by approximately \$137,000. Accounts receivable increased by \$543,000. PTAC was at \$148,000, VBOC at \$71,000, SBDC at \$22,000. Due to/Due from EDC decreased to \$106,000. Fixed assets were \$6,500,000. Accounts payable decreased to \$65,000. Accrued expenses, which consist mostly of salaries and benefits were \$68,000. Deferred revenues were recognized at \$15,000. Tami then reviewed the EDA Profit and Loss and Statement of Operations. Revenue is \$36,000 under budget through February. Grant administration revenue as part of BSTF rewards was over budget by \$33,000. Operating expenses were under budget for most areas. Net operating revenue was recognized at \$776,000.

For the EDC balance sheet current assets are \$1,695,000. Accounts receivable decreased to \$67,000. This represents good collection on some outstanding pledges. The RLF portfolio is at \$212,000, The SSBCI is at \$812,000 SSBCI, our stabilization portfolio is at \$22,000, and Federal EDA RLF \$ 638,000. Tami reviewed the Statement of Operations. The Federal EDA RLF loans were previously on the income statement rather than a temporary restricted net asset on the balance sheet. These have been moved. Tami reclassified these on the balance sheet and recorded a prior period adjustment. \$437,000 was moved into the balance sheet for EDC which reduced retained earnings. Tami reviewed the EDC cash account and performed some reclassifications. On the Statement of Operations, the 504 loan origination line item included loan origination, CDC loan origination, and revenue for attorney fees. Attorney fees are offset in the expense section. Loan origination and closing revenue totaled \$84,000 for February. Loan servicing revenue was at budget at \$262,000. Member Investor revenue was \$179,000. Tami answered the Executive Committee's questions.

Motion: Ken Lutton to approve the February financials as presented to the Executive Committee and forward to the Board for approval.

Second: Jen Kobza

Discussion: None

Motion: Carried

Executive Director Report-Steve

Re-Org/Staffing Update

Steve shared that a candidate accepted an offer for the VBOC Director position. Approval from the SBA is pending, but we do not anticipate any issues with the process. The search process for the Senior Director of Recruitment and Community Development is ongoing with interviews continuing this week. The Business Development Officer position is now open as well. This month the Rock31 Director search will launch. A Marketing Specialist search will be launched soon to support the Engagement quadrant.

Board Planning Follow-Up

Steve thanked the Executive Committee for their participation in Board Planning and gave a few updates on our Strategic Priorities.

June Ex. Committee Meeting Date (June 7th moved to June 1 or 2)

After discussion regarding moving the date of the June Executive Committee Meeting, the Executive Committee came to a consensus to cancel the June Executive Committee Meeting, with the caveat that a balanced budget packet would be presented to the Executive Committee for review in advance of the June EDA/EDC Board meeting.

Motion: Jen Kobza to approve the cancellation of the June Executive Committee meeting with the caveat that the budget is presented balanced, and a budget packet will be sent to the Executive Committee at least three days prior to the full Board packet.

Second: Riley Bennett

Discussion: None

Motion: Carried

Program Action Items/Reports

Big Sky Trust Fund-Lorene

The request on one application is below for the EDA board to approve:

- BSED will be the applicant to apply for the BSTF Job Creation grant on behalf of Arkon Solutions
- Approval of the budgetary authority resolution, as we are a pass through for the grant funds from the Department of Commerce to the business.

Arkon Solutions – Creating 25 net new jobs (\$125,000 Job Creation Grant)

Arkon Solutions is a chemical manufacturer that is looking to expand their business to Billings. Their head office is located in Calgary and their secondary office in Grand Prairie, Canada. Onkar Dhaliwal, CEO & President, has experience in chemical manufacturing since 1984.

Arkon Solutions' primary business drives chemical research, creation, refinement and implementation for the oil & gas, energy, mining, industrial, municipal, and agricultural industries. They partner with companies across a wide range of industries, developing effective solutions for their specific chemical needs.

Onkar is excited to expand Arkon Solutions to Billings, MT. The Arkon Solutions Billings division will serve as a central hub for Montana, Wyoming, and North Dakota. They plan to open by the end of the summer 2023 and aim to hire 25 employees, ranging from chemists to their administrative team.

The jobs they create will meet the wage requirements and will be good paying jobs in Yellowstone County. The company is requesting a Big Sky Trust Fund grant to create 25 new jobs in Yellowstone County; the funds will help with the cost of purchasing additional equipment, material costs, lease hold improvements, and wages.

The request is for the EDA board to approve the application for the grant and the budgetary authority resolution for the funds.

Motion: Ken Lutton to approve application for the \$125,000 Job Creation Grant for Akron Solutions as presented to the Executive Committee and forward to the EDA Board for approval.

Second: Jen Kobza

Discussion: None

Motion: Carried

Abstained: Kim Jakub

Big Sky Finance-Tami

Big Sky EDA-RLF Loan Requests

I. Big Sky EDC Finance Department is requesting approval for the following EDA-RLF request. The Big Sky EDA-RLF Loan Committee has reviewed the request and recommends approval to the full EDC Board. The request meets all the underwriting and eligibility requirements of the program.

1. **Billings Window & Door (Ryan & Sarah Henderson)** – Request is for \$140,500 for the purchase of an existing business, Billings Window & Door, located in Billings. Billings Window & Door has been operating in Billings since 2005. Ryan and Sarah Henderson currently own and operate Henderson Construction. The Henderson's view this acquisition as a natural extension of their current business.

Big Sky EDC will utilize the EDA-RLF funds in partnership with Western Security Bank who will be financing a portion of the purchase. Borrowers are coming in with 10% equity. Financing terms will be 7 years at 7.25% fixed. Big Sky EDC will be taking a 2nd lien position on all business assets behind Western Security Bank. 5 jobs will be retained as a result of this project as new owners plan on retaining existing staff. Loan Committee has reviewed and approved the request.

Motion: Andy Gott to approve the Big Sky EDA-RLF loan request for Billings Window & Door (Ryan & Sarah Henderson) in the amount of \$140,500 and to forward as an electronic vote to the EDC Board for approval.

Second: Judi Powers

Discussion: None

Motion: Carried

Abstained: Ken Lutton

2. **The Design Hair & Tanning Studio.** This request consists of two separate loans, both for the purchase of an existing business, totaling \$145,000. The overall purchase is for the business assets of The Design Hair & Tanning Studio located in Laurel, MT. This existing business was established in the 1970's, and the current owner has operated since 1990. Current owner has recently retired, and Elle Edwards is purchasing the business. Elle has been a booth renter at the studio for four years.

The two loans are structured as follows: (1) \$115,000 for the purchase of the commercial real estate building located at 209 West 6th Street, Laurel, MT. Terms are 20 years at 8.0% fixed. (2) \$30,000 for the purchase of goodwill and business assets. Terms are 5 years at 8.0% fixed. Big Sky EDC will be in a 1st lien position on the commercial real estate and all business assets (both loans will be cross collateralized with the commercial real estate).

Borrower was unable to obtain traditional financing for this purchase. Borrower and Big Sky Finance have worked with the SBDC to obtain this financing. 4 jobs will be retained as a result of this project. Loan Committee has reviewed and approved the request.

Motion: Judi Powers to approve the Big Sky EDA-RLF loan request for The Design Hair & Tanning Salon in the amount of \$145,000 and to forward as an electronic vote to the EDC Board for approval.

Second: George Warmer

Discussion: None

Motion: Carried

Budget Workshop-Tami

Tami presented the following to the Executive Committee regarding the Budget Workshop for fiscal year 2024: BSED's values that guide budget priorities, the budget timeline, Key Assumptions (Revenue and Expenses), Program-Level Commitments, Strategic Priority Commitments, and Opportunities and Challenges that Need Board Commitment. Tami then held a question-and-answer session with the Executive Committee.

Executive Session:

None

Public Comment:

None

Adjourn:

Kim Jakub adjourned the meeting at 9:28A.M.

Next Meeting –July 5, 2023



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ATTACHMENT B

Big Sky Economic Development Authority
Financial Report for Board of Directors – July 13, 2023 Board Meeting
For the Month and Year to Date ended May 31, 2023

The following financial statements for Big Sky EDA consist of the Balance Sheet reporting the assets, liabilities, and net assets as of May 31, 2023, and the Statements of Operations reporting actual revenues and expenses for the month and YTD then ended as compared to budgeted amounts.

Balance Sheet

Current assets at the end of May were approximately \$4,304,590, a decrease of about \$104,500 as compared to the previous month. The decrease is attributed to the decrease in the accounts receivable balance, which ended at \$426,220 as of May 31, 2023, all deemed fully collectible.

Due To/Due From EDC totaled \$65,519 at the end of May and consists of amounts due from EDC for the current month. The Tax levy receivable decreased as monies were collected and put into the Yellowstone County Funds cash account. The Tax Levy receivable is lower by \$452,000 as compared to the previous month. Protested tax levy receivable was collected during April, so both the receivable and its related allowance for doubtful accounts was at \$-0-. Note that the organization records an allowance of 100% of protested tax levy receivable to allow for potentially uncollectible protested tax levy.

Total fixed assets decreased approximately \$21,600 due to the recording of depreciation expense and related accumulated depreciation. There were no new fixed asset additions nor fixed asset dispositions in May.

Current liabilities at the end of May were approximately \$340,700, a decrease of approximately \$52,000 as compared to the previous month. Accrued expenses are primarily for salary/benefits accruals which amount to approximately \$87,500. Compensated absences total approximately \$131,000.

Long Term liabilities remained at approximately \$957,000. This consists primarily of deferred inflow of resources and pension liability, both related to Big Sky EDA's obligation to the Public Employee Retirement System. These amounts are adjusted at the end of each fiscal year in accordance with governmental accounting requirements for recognizing long-term obligations for defined pension benefits, so the amounts will remain unchanged until the end of FY23.

Statements of Operations

For the first eleven months of the fiscal year, Big Sky EDA is in a net operating revenue position of approximately \$575,000, compared to a budget of approximately \$88,600 net operating revenue. The Statement of Operations also shows positive Change in Net Assets of approximately \$446,000 compared to budget of a negative Change in Net Assets of approximately \$181,000.

Most budgeted operating revenue sources are close to meeting budgeted revenues except for EDA – Brownfields which is under budget by about \$148,000. However, the budgeted revenue

for EPA-Brownfields is entirely offset by the budgeted expense for this grant, so it has no net effect on the bottom line. Grant administration, which consists primarily of administration revenues for Big Sky Trust Fund awards, and other intergovernmental revenue, which consists of façade grant awards from the City of Billings, amount to a combined total of approximately \$87,000 which exceeds the budgeted revenue of \$5,000.

Most operating expenses remained under budget for the fiscal year to date through May. Total operating expenses are under budget by about \$568,000. Salaries/wages and employer contributions were under budget by about \$202,000 due to vacancy savings. Professional fees were under budget by approximately \$134,000. Note that the expenses related to EPA-Brownfields would be charged to professional fees, which is approximately \$148,000 of that budget, and directly corresponds to the related revenue.

Non-operating income and expenses consist primarily of contribution revenue and depreciation expense. Big Sky EDA recognized contribution revenue of \$60,300 for the fiscal year to date through May, which is being tracked in the non-operating section. These donations were received for the Big Sky to Sky Point project. Depreciation amounted to approximately \$188,000. The net result is net non-operating expense of approximately \$130,000.

Big Sky EDA
Balance Sheet - Comparison with Previous Year
As of May 31, 2023

	May 31, 2023	May 31, 2022	\$ Change	% Change
ASSETS				
Current Assets				
Checking/Savings				
First Interstate Bank	\$ 387,425	\$ 232,335	\$ 155,090	67%
FIB - Recovered Property Taxes	626	150,626	(150,000)	(100%)
FIB - Operating Reserve	64,531	251,068	(186,537)	(74%)
Opportunity Fund - FIB	59,530	101,906	(42,376)	(42%)
Opportunity Fund - Stockman	86,272	85,493	779	1%
Opportunity Fund - Opportunity	288,390	628,111	(339,721)	(54%)
Stockman GE Maintenance	15,128	15,128	-	0%
Rocky Mountain - Money Market	43,286	43,303	(17)	(0%)
Valley Federal - Savings	25	25	-	0%
Valley Federal - Money Market	300,810	300,660	150	0%
Opportunity Fund CDs-current	1,734,416	2,225,441	(491,025)	(22%)
Altana - Savings	25	25	-	0%
Yellowstone County Funds	732,570	599,069	133,501	22%
Clearing Account	19	-	19	100%
Total Checking/Savings	3,713,053	4,633,190	(920,137)	(20%)
Accounts Receivable				
Accounts Receivable	255,300	194,718	60,582	31%
Accounts Receivable - PTAC	110,102	118,367	(8,265)	(7%)
Accounts Receivable - SBDC	48	34,794	(34,746)	(100%)
Accounts Receivable - VBOC	60,770	149,142	(88,372)	(59%)
Total Accounts Receivable	426,220	497,021	(70,801)	(14%)
Other Current Assets				
Due To/Due From EDC	65,519	59,402	6,117	10%
Grants Receivable	-	50,000	(50,000)	(100%)
Tax Levy Receivable	89,776	59,633	30,143	51%
Tax Levy Receivable - Protested	-	20,675	(20,675)	(100%)
Allowance for Doubtful Accts	-	(20,675)	20,675	100%
American Revenue Guarantee	6,887	6,887	-	0%
Prepaid Expenses	3,135	14,804	(11,669)	(79%)
Total Other Current Assets	165,317	190,726	(25,409)	(13%)
Total Current Assets	4,304,590	5,320,937	(1,016,347)	(19%)
Fixed Assets				
Construction in Progress	-	3,499,091	(3,499,091)	(100%)
Bank Building - Land	301,750	301,750	-	0%
Bank Building - Building	6,291,462	1,473,250	4,818,212	327%
Furniture	227,169	-	227,169	100%
Equipment	6,700	-	6,700	100%
Barista Equipment	12,000	-	12,000	100%
Accumulated Depreciation	(235,500)	(47,220)	(188,280)	(399%)
Total Fixed Assets	6,603,581	5,226,871	1,376,710	26%
Other Assets				
Deferred Outflow of Resources	129,336	249,285	(119,949)	(48%)
Opportunity Fund CDs-Noncurrent	642,380	150,952	491,428	326%
Deposit	5,181	5,181	-	0%
Cabelas Conduit x0603	4,895	4,984	(89)	(2%)
Right of Use Asset	6,790	-	6,790	100%
Total Other Assets	788,582	410,402	378,180	92%
TOTAL ASSETS	\$ 11,696,753	\$ 10,958,210	\$ 738,543	7%

Big Sky EDA
Balance Sheet - Comparison with Previous Year
As of May 31, 2023

	May 31, 2023	May 31, 2022	\$ Change	% Change
LIABILITIES & NET ASSETS				
Liabilities				
Current Liabilities				
Accounts Payable	\$ 103,769	\$ 148,042	\$ (44,273)	(30%)
Credit Cards	16,915	14,621	2,294	16%
Other Current Liabilities				
Accrued Expenses	87,581	103,929	(16,348)	(16%)
Compensated Absences	130,673	161,464	(30,791)	(19%)
Payroll Liabilities	(4,153)	969	(5,122)	(529%)
Deferred Revenues	6,000	50,000	(44,000)	(88%)
Total Other Current Liabilities	220,101	316,362	(96,261)	(30%)
Total Current Liabilities	340,785	479,025	(138,240)	(29%)
Long Term Liabilities				
Deferred Inflow of Resources	386,724	32,238	354,486	1,100%
Pension Liability	563,223	1,127,529	(564,306)	(50%)
Lease Liability	6,791	-	6,791	100%
Total Long Term Liabilities	956,738	1,159,767	(203,029)	(18%)
Total Liabilities	1,297,523	1,638,792	(341,269)	(21%)
Net Assets				
Net Assets beginning of Year	7,242,523	5,222,746	2,019,777	39%
Contributed Capital	3,193,580	3,193,580	-	0%
Prior Period Adjustment	(482,470)	(482,470)	-	0%
Change in Net Assets	445,597	1,385,562	(939,965)	(68%)
Total Net Assets	10,399,230	9,319,418	1,079,812	12%
TOTAL LIABILITIES & NET ASSETS	\$ 11,696,753	\$ 10,958,210	\$ 738,543	7%

Big Sky EDA
Statements of Operations-Actual vs Budget
For the Month and YTD Ended May 31, 2023

	Month			YTD			Fiscal Year
	Actual	Budget	Variance	Actual	Budget	Variance	Annual Budget
Operating Revenue							
County Taxes Mill Levy Revenue	\$ 34,457	\$ -	\$ 34,457	\$ 1,374,074	\$ 1,365,620	\$ 8,454	\$ 1,365,620
Entitlement	-	-	-	191,551	186,567	4,984	248,756
Health Ins Mill Levy Revenue	6,095	8,966	(2,871)	78,970	98,624	(19,654)	107,590
Recovery of Protested Taxes	-	-	-	13,600	-	13,600	-
Department of Defense	55,000	54,401	599	592,243	598,408	(6,165)	652,809
EDC Reimbursement	58,945	60,077	(1,132)	669,614	660,847	8,767	720,924
EPA - Brownfields	-	13,889	(13,889)	4,730	152,778	(148,048)	166,667
PTAC Advisor Agreement Support	3,000	-	3,000	30,000	-	30,000	-
SBA/MT Dept of Commerce	11,250	13,542	(2,292)	147,552	148,958	(1,406)	162,500
SBDC Program Income	1,255	-	1,255	2,064	-	2,064	-
VBOC	275	25,000	(24,725)	207,930	275,000	(67,070)	300,000
Rock31 Membership Revenue	7,057	5,052	2,005	57,722	40,668	17,054	45,720
Zoot/Other Room Rent Revenue	2,446	800	1,646	6,261	6,400	(139)	7,200
Rock31 Barista Rent Revenue	-	765	(765)	-	6,885	(6,885)	7,650
Grant Administration	350	417	(67)	32,620	4,583	28,037	5,000
Other Intergovernmental Revenue	-	-	-	54,736	-	54,736	-
Miscellaneous Revenue	75	-	75	4,213	4,470	(257)	4,470
Total Operating Revenue	180,205	182,909	(2,704)	3,467,880	3,549,808	(81,928)	3,794,906
Operating Expense							
Salaries/Wages	126,444	148,898	(22,454)	1,486,194	1,637,880	(151,686)	1,786,778
Employer Contributions	38,244	47,385	(9,141)	470,950	521,234	(50,284)	568,619
Advertising	180	20	160	1,770	453	1,317	472
Barista Equipment Maintenance	-	-	-	3,138	-	3,138	-
Barista Supplies	28	-	28	538	-	538	-
Board Expenses	108	-	108	386	-	386	-
Building Operations/Maintenance	5,499	8,554	(3,055)	67,552	94,094	(26,542)	102,648
Conferences	(774)	-	(774)	16,365	10,090	6,275	10,090
Contingency	-	5,000	(5,000)	-	55,000	(55,000)	60,000
Community Development Projects	20,034	5,000	15,034	19,024	10,000	9,024	35,000
Dues and Subscriptions	2,757	4,233	(1,476)	51,527	69,270	(17,743)	72,038
Event Expense	1,701	833	868	12,077	9,167	2,910	10,000
Hosted Meetings	317	1,378	(1,061)	4,971	16,412	(11,441)	17,700
Insurance	3,134	2,672	462	38,044	32,967	5,077	35,639
Marketing	1,006	7,520	(6,514)	62,168	82,725	(20,557)	90,245
Office Equip & Furn < \$5000	-	-	-	5,837	6,500	(663)	10,000
Office Expense and Supplies	1,995	2,042	(47)	42,354	23,659	18,695	25,701
Professional Development	2,467	163	2,304	10,678	6,288	4,390	6,450
Professional Fees	17,559	17,321	238	108,211	242,128	(133,917)	271,267
Property Tax Protests	-	-	-	12,320	34,141	(21,821)	34,141
PTAC Subcenter	28,000	37,233	(9,233)	322,383	409,563	(87,180)	446,796
Rent	877	-	877	28,064	1,700	26,364	2,100
Repairs	2,106	833	1,273	4,647	9,167	(4,520)	10,000
Special Assessments BID	-	1,788	(1,788)	1,900	3,688	(1,788)	3,800
Sponsorships	300	417	(117)	3,800	4,583	(783)	5,000
Staff Expenses	1,939	-	1,939	3,624	-	3,624	-
Strategic Priorities	-	1,250	(1,250)	5,000	13,750	(8,750)	15,000
Suspense	-	-	-	(126)	-	(126)	-
TEDD	-	-	-	18	1,500	(1,482)	2,000
Telecommunications	4,133	3,914	219	44,627	42,721	1,906	46,635
Travel	4,732	3,575	1,157	56,791	78,446	(21,655)	76,588
Miscellaneous	955	1,375	(420)	7,762	44,012	(36,250)	45,187
Total Operating Expense	263,741	301,404	(37,663)	2,892,594	3,461,138	(568,544)	3,789,894
Net Operating Revenue (Expense)	(83,536)	(118,495)	34,959	575,286	88,670	486,616	5,012

Big Sky EDA
Statements of Operations-Actual vs Budget
For the Month and YTD Ended May 31, 2023

	Month			YTD			Fiscal Year
	Actual	Budget	Variance	Actual	Budget	Variance	Annual Budget
Non-Operating Income/Expense							
Other Income							
Non-Operating Income							
Capital Campaign	-	-	-	100	-	100	-
Contribution Revenue	-	-	-	60,300	-	60,300	-
Interest Income	3,345	1,022	2,323	14,700	11,246	3,454	12,269
Total Non-Operating Income	3,345	1,022	2,323	75,100	11,246	63,854	12,269
Non-Operating Expense							
Amortization Expense	114	-	114	1,201	-	1,201	-
Depreciation Expense	21,574	18,820	2,754	188,280	207,015	(18,735)	225,835
Interest Expense	59	-	59	705	-	705	-
Relocation/BSTSP Transformation	-	-	-	14,603	73,710	(59,107)	73,710
Total Non-Operating Expense	21,747	18,820	2,927	204,789	280,725	(75,936)	299,545
Net Non-Operating Income (Expense)	(18,402)	(17,798)	(604)	(129,689)	(269,479)	139,790	(287,276)
Change in Net Assets	\$ (101,938)	\$ (136,293)	\$ 34,355	\$ 445,597	\$ (180,809)	\$ 626,406	\$ (282,264)

Big Sky Economic Development Corporation
Financial Report for Board of Directors – July 13, 2023 Board Meeting
For the Month and Year to Date ended May 31, 2023

The following financial statements for Big Sky EDC consist of the Balance Sheet reporting the assets, liabilities, and net assets as of May 31, 2023, and the Statements of Operations reporting actual revenues and expenses for the month and YTD then ended as compared to budgeted amounts.

Balance Sheet

Current assets at the end of May were approximately \$1,935,000, an increase of about \$11,000 as compared to the previous month. Cash used in operations increased approximately \$51,000 and accounts receivable decreased approximately \$40,500. Member investor pledges of \$82,250 are deemed collectible but will be evaluated again as part of the year-end financial reporting procedures.

Other assets consist of Big Sky Finance loan portfolios. The portfolios are reported in the balance sheet with the current portion included in other current assets and the balance extending beyond the fiscal year reported as other assets. The total Federal EDA RLF portfolio was \$831,404, total RLF portfolio was \$204,288, the total Stabilization Loan portfolio was \$11,249, and the total SSBCI portfolio was \$802,613.

Accounts payable totaled approximately \$174,500 at the end of May, a decrease of about \$5,000. Due to/Due from EDA totaled \$65,519 and represents the amount owed to EDA from EDC for May reimbursements.

The Balance Sheet for Big Sky EDC was updated in February 2023 to include a line item in the equity section to report the Federal EDA RLF funds as temporarily restricted net assets since they must remain segregated until the funds have been de-federalized. These loan funds were previously being reported as non-operating income at the time the funds were received, which overstated the statement of operations for both FY22 and for the first 7 months of the current fiscal year through January 2023. We have since corrected the accounting for Federal EDA RLF funds. To recognize the effect that the misstatement had on FY22 financial statements, a prior period adjustment was made in the equity section to reduce retained earnings.

Statement of Operations

For the first eleven months of the fiscal year, Big Sky EDC was in a net operating revenue position of approximately \$27,000, compared to a budgeted net operating expense position of approximately \$10,800. The Statement of Operations also shows a negative Change in Net Assets of approximately \$42,000 compared to the positive budget position of approximately \$5,600.

Total operating revenue exceeded budget by approximately \$27,000. Loan origination, servicing, closing revenue, and float income totaled approximately \$645,000 through May and exceeded budget by about \$60,400. Member investment revenue totaled approximately \$271,000, which was below budget by about \$10,800. Grant administration revenue was

anticipated to be collected for the administration of the Federal EDA RLF grant and was budgeted at \$50,000, but only \$4,893 has been realized so far in FY23.

Total operating expenses amount to approximately \$965,000 and are under budget by about \$10,700.

Non-operating income and expense consist primarily of Big Sky to Sky Point capital campaign income, contribution expenses, and bad debt expense. Big Sky EDC recognized \$36,000 in income from Capital Campaign pledges in FY23. Contribution expense relates to contributions made by Big Sky EDC for some construction costs of the new building. It amounts to approximately \$92,800 and was not budgeted. Bad debt expense consists of write-offs of aged member investment pledges that are deemed uncollectible. The amount written off is \$14,500.

Big Sky Economic Development Corporation

Balance Sheet - Previous Year Comparison

As of May 31, 2023

	May 31, 2023	May 31, 2022	\$ Change	% Change
ASSETS				
Current Assets				
Checking/Savings				
First Interstate Bank	\$ 249,838	\$ 196,029	\$ 53,809	27%
FIB/Stockman - SSBCI Principal	508,483	766,141	(257,658)	(34%)
FIB - Long Term Reserve	250,000	250,000	-	0%
FIB - Opportunity Fund	60,920	60,896	24	0%
FIB - Federal EDA RLF	422,438	196,066	226,372	115%
FIB - RLF	296,397	190,200	106,197	56%
Total Checking/Savings	<u>1,788,076</u>	<u>1,659,332</u>	<u>128,744</u>	<u>8%</u>
Accounts Receivable				
Pledges Receivable	12,500	89,100	(76,600)	(86%)
Accounts Receivable	82,250	348,562	(266,312)	(76%)
Total Accounts Receivable	<u>94,750</u>	<u>437,662</u>	<u>(342,912)</u>	<u>(78%)</u>
Other Current Assets				
Undeposited Funds	23,405	-	23,405	100%
Fed EDA RLF Portfolio - Current	14,157	197,549	(183,392)	(93%)
RLF Portfolio - Current	3,339	80,414	(77,075)	(96%)
SSBCI Portfolio - Current	7,245	253,436	(246,191)	(97%)
Stabilization - Current	3,743	3,669	74	2%
Prepaid Expenses	-	2,545	(2,545)	(100%)
Total Other Current Assets	<u>51,889</u>	<u>537,613</u>	<u>(485,724)</u>	<u>(90%)</u>
Total Current Assets	<u>1,934,715</u>	<u>2,634,607</u>	<u>(699,892)</u>	<u>(27%)</u>
Other Assets				
Fed EDA RLF - Non-Current	817,247	-	817,247	100%
RLF Portfolio - Non-Current	200,949	225,131	(24,182)	(11%)
SSBCI Portfolio - Non-Current	795,368	588,055	207,313	35%
Stabilization - Non-Current	7,506	52,018	(44,512)	(86%)
Allowance for Loan Losses	(23,856)	(21,626)	(2,230)	(10%)
Total Other Assets	<u>1,797,214</u>	<u>843,578</u>	<u>953,636</u>	<u>113%</u>
TOTAL ASSETS	<u>\$ 3,731,929</u>	<u>\$ 3,478,185</u>	<u>\$ 253,744</u>	<u>7%</u>
LIABILITIES & NET ASSETS				
Liabilities				
Current Liabilities				
Accounts Payable	\$ 174,537	\$ 7,353	\$ 167,184	2,274%
Credit Cards	5,597	8,565	(2,968)	(35%)
Other Current Liabilities				
Due to/Due From EDA	65,519	59,402	6,117	10%
Accrued Expenses	10,000	20,044	(10,044)	(50%)
Deferred 504 Revenue	-	28,194	(28,194)	(100%)
Total Other Current Liabilities	<u>75,519</u>	<u>107,640</u>	<u>(32,121)</u>	<u>(30%)</u>
Total Current Liabilities	<u>255,653</u>	<u>123,558</u>	<u>132,095</u>	<u>107%</u>
Total Liabilities	<u>255,653</u>	<u>123,558</u>	<u>132,095</u>	<u>107%</u>
Net Assets				
Net Assets Beginning of Year	2,939,820	2,870,030	69,790	2%
Federal EDA RLF Temp Restricted	1,015,934	-	1,015,934	100%
Prior Period Adjustment	(437,034)	-	(437,034)	(100%)
Change in Net Assets	(42,444)	484,597	(527,041)	(109%)
Total Net Assets	<u>3,476,276</u>	<u>3,354,627</u>	<u>121,649</u>	<u>4%</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 3,731,929</u>	<u>\$ 3,478,185</u>	<u>\$ 253,744</u>	<u>7%</u>

Big Sky Economic Development Corporation
Statement of Operations - Actual vs Budget
For the Month and YTD Ended

	Month			YTD			Fiscal Year
	Actual	Budget	Variance	Actual	Budget	Variance	Annual Budget
Operating Revenue							
504 Loan Servicing	\$ 34,470	\$ 33,050	\$ 1,420	\$ 364,191	\$ 363,555	\$ 636	\$ 396,605
504 Loan Origination	13,270	15,000	(1,730)	185,135	165,000	20,135	180,000
504 Loan Closing Attorney Fees	2,500	4,167	(1,667)	22,500	45,833	(23,333)	50,000
Federal EDA RLF Loan Orig	-	-	-	2,837	-	2,837	-
Float Income	49,111	5,000	44,111	73,000	10,000	63,000	10,000
Member Investment	3,500	-	3,500	271,171	282,000	(10,829)	282,000
Federal EDA RLF Loan Interest	2,515	-	2,515	18,738	-	18,738	-
RLF Business Loan Interest	1,002	1,300	(298)	11,957	14,300	(2,343)	15,600
Stabilization Loan Interest	29	25	4	615	615	-	634
SSBCI Orig Fees/Loan Interest	1,373	1,500	(127)	23,849	16,500	7,349	18,000
Loan Processing Fee Income	-	1,969	(1,969)	12,880	21,659	(8,779)	23,628
Grant Administration	-	4,167	(4,167)	4,893	45,833	(40,940)	50,000
Donation Income	180	-	180	780	-	780	-
Miscellaneous Income	-	-	-	-	-	-	15,000
Total Operating Revenue	107,950	66,178	41,772	992,546	965,295	27,251	1,041,467
Operating Expense							
Advertising	-	-	-	150	-	150	-
Board Expenses	-	83	(83)	3,651	4,767	(1,116)	4,850
Business Accelerator	10,000	833	9,167	10,000	9,167	833	10,000
Business Recruitment	48	1,250	(1,202)	2,647	13,750	(11,103)	15,000
Conferences	-	-	-	11,733	4,810	6,923	6,455
Contingency	-	833	(833)	-	9,167	(9,167)	10,000
Dues and Subscriptions	1,140	305	835	21,884	21,362	522	21,667
EDA Reimbursement	58,945	60,077	(1,132)	669,614	660,847	8,767	720,924
Event Expense	2,567	2,500	67	20,942	25,500	(4,558)	25,500
Hosted Meeting Expense	534	367	167	9,089	11,633	(2,544)	12,000
Insurance	871	921	(50)	10,567	11,329	(762)	12,250
Investment in Economic Activity	-	-	-	-	-	-	2,500
Loan Expenses	(1,630)	1,000	(2,630)	20,598	11,000	9,598	12,000
Marketing	1,433	2,625	(1,192)	43,565	29,953	13,612	32,578
Membership Development	332	1,100	(768)	1,634	12,100	(10,466)	13,200
Office Supplies	280	200	80	8,333	2,400	5,933	2,600
Postage	2	70	(68)	1,696	770	926	840
Professional Development	995	375	620	995	4,125	(3,130)	4,500
Professional Fees	9,763	4,333	5,430	67,647	85,517	(17,870)	89,850
Rent	416	340	76	7,204	6,469	735	6,809
Rock31 Outreach	-	-	-	1,715	-	1,715	-
Sponsorships	4,435	-	4,435	9,065	5,000	4,065	7,000
Staff Expenses	166	483	(317)	6,325	8,317	(1,992)	8,800
Telecommunications	280	695	(415)	4,080	7,592	(3,512)	8,286
Travel	5,986	1,700	4,286	30,384	28,143	2,241	25,843
Miscellaneous	15	207	(192)	1,958	2,454	(496)	2,660
Total Operating Expense	96,578	80,297	16,281	965,476	976,172	(10,696)	1,056,112
Net Operating Revenue (Expense)	11,372	(14,119)	25,491	27,070	(10,877)	37,947	(14,645)

**Big Sky Economic Development Corporation
Statement of Operations - Actual vs Budget
For the Month and YTD Ended**

	Month			YTD			Fiscal Year
	Actual	Budget	Variance	Actual	Budget	Variance	Annual Budget
Non-Operating Income/Expense							
Non-Operating Income							
BSTSP Capital Campaign	10,000	-	10,000	36,000	-	36,000	-
Interest Income	185	1,500	(1,315)	1,786	16,500	(14,714)	18,000
Total Non-Operating Income	10,185	1,500	8,685	37,786	16,500	21,286	18,000
Non-Operating Expense							
Bad Debt Expense	-	-	-	14,500	-	14,500	-
Contribution Expense	-	-	-	92,800	-	92,800	-
Total Non-Operating Expense	-	-	-	107,300	-	107,300	-
Net Non-Operating Income (Expense)	10,185	1,500	8,685	(69,514)	16,500	(86,014)	18,000
Change in Net Assets	\$ 21,557	\$ (12,619)	\$ 34,176	\$ (42,444)	\$ 5,623	\$ (48,067)	\$ 3,355



BIG SKY
ECONOMIC DEVELOPMENT

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ATTACHMENT C

Big Sky EDA
Projected Year-End Budget Performance
For the Fiscal Year Ending June 30, 2023

	Projected	Annual Budget	Variance
Operating Revenue			
County Taxes Mill Levy Revenue	\$ 1,365,620	\$ 1,365,620	\$ -
Entitlement	248,756	248,756	-
Health Ins Mill Levy Revenue	95,533	107,590	(12,057)
Recovery of Protested Taxes	13,600	-	13,600
Department of Defense	640,000	652,809	(12,809)
EDC Reimbursement	707,024	720,924	(13,900)
EPA - Brownfields	4,730	166,667	(161,937)
PTAC Advisor Agreement Support	36,000	-	36,000
SBA/MT Dept of Commerce	158,800	162,500	(3,700)
SBDC Program Income	3,514	-	3,514
VBOC	208,500	300,000	(91,500)
Rock31 Membership Revenue	64,000	45,720	18,280
Zoot/Other Room Rent Revenue	6,181	7,200	(1,019)
Rock31 Barista Rent Revenue	-	7,650	(7,650)
Grant Administration	26,246	5,000	21,246
Other Intergovernmental Revenue	54,736	-	54,736
Miscellaneous Revenue	4,213	4,470	(257)
Total Operating Revenue	3,637,453	3,794,906	(157,453)
Operating Expense			
Salaries/Wages	1,631,349	1,786,776	(155,427)
Employer Contributions	511,724	568,620	(56,896)
Advertising	1,876	472	1,404
Barista Equipment Maintenance	4,348	-	4,348
Barista Supplies	600	-	600
Board Expenses	425	-	425
Building Operations/Maintenance	81,000	102,649	(21,649)
Conferences	19,095	10,090	9,005
Contingency	-	60,000	(60,000)
Community Development Projects	20,000	35,000	(15,000)
Dues and Subscriptions	59,382	72,039	(12,657)
Event Expense	12,100	10,000	2,100
Hosted Meetings	5,500	17,700	(12,200)
Insurance	48,398	35,639	12,759
Marketing	70,000	90,245	(20,245)
Office Equipment	7,000	10,000	(3,000)
Office Expense and Supplies	46,987	25,701	21,286
Professional Development	12,000	6,450	5,550
Professional Fees	138,645	271,267	(132,622)
Property Tax Protests	16,427	34,141	(17,714)
PTAC Subcenter	353,000	446,796	(93,796)
Rent	30,403	2,100	28,303
Repairs	6,000	10,000	(4,000)
Special Assessments BID	3,800	3,799	1
Sponsorships	4,500	5,000	(500)
Staff Expenses	4,500	-	4,500
Strategic Priorities	10,000	15,000	(5,000)
Suspense	-	-	-
TEDD	19	2,000	(1,981)

Big Sky EDA
Projected Year-End Budget Performance
For the Fiscal Year Ending June 30, 2023

	<u>Projected</u>	<u>Annual Budget</u>	<u>Variance</u>
Telecommunications	50,978	46,635	4,343
Travel	62,725	76,588	(13,863)
Miscellaneous	9,700	45,187	(35,487)
Total Operating Expense	<u>3,222,481</u>	<u>3,789,894</u>	<u>(567,413)</u>
Net Operating Revenue (Expense)	<u>414,972</u>	<u>5,012</u>	<u>409,960</u>
Non-Operating Income/Expense			
Non-Operating Income			
Capital Campaign	100	-	100
Contribution Revenue	60,300	-	60,300
Interest Income	17,700	12,269	5,431
Total Non-Operating Income	<u>78,100</u>	<u>12,269</u>	<u>65,831</u>
Other Expense			
Non-Operating Expense			
Amortization Expense	1,313	-	1,313
Depreciation Expense	205,218	225,837	(20,619)
Interest Expense	706	-	706
Relocation/BSTSP Transformation	19,281	73,710	(54,429)
Total Non-Operating Expense	<u>226,518</u>	<u>299,547</u>	<u>(73,029)</u>
Net Non-Operating Income (Expense)	<u>(148,418)</u>	<u>(287,278)</u>	<u>138,860</u>
Change in Net Assets	<u>\$ 266,554</u>	<u>\$ (282,266)</u>	<u>\$ 548,820</u>

Big Sky Economic Development Corporation
 Projected Year-End Budget Performance
 For the Fiscal Year Ending June 30, 2023

	Projected	Annual Budget	Variance
Operating Revenue			
504 Loan Servicing	\$ 398,900	\$ 396,605	\$ 2,295
504 Loan Origination	189,798	180,000	9,798
504 Loan Closing Attorney Fees	22,500	50,000	(27,500)
Federal EDA RLF Loan Orig	3,000	-	3,000
Float Income	73,000	10,000	63,000
Member Investment	279,171	282,000	(2,829)
Federal EDA RLF Loan Interest	20,042	-	20,042
RLF Business Loan Interest	12,937	15,600	(2,663)
Stabilization Loan Interest	633	634	(1)
SSBCI Orig Fees/Loan Interest	25,777	18,000	7,777
Loan Processing Fee Income	12,880	23,628	(10,748)
Grant Administration	19,327	50,000	(30,673)
Donation Income	780	-	780
Miscellaneous Income	-	15,000	(15,000)
Total Operating Revenue	1,058,745	1,041,467	17,278
Operating Expense			
Advertising	200	-	200
Board Expenses	4,051	4,850	(799)
Business Accelerator	10,000	10,000	-
Business Recruitment	2,650	15,000	(12,350)
Conferences/Professional Devel	12,928	10,955	1,973
Contingency	-	10,000	(10,000)
Dues and Subscriptions	24,150	21,666	2,484
EDA Reimbursement	719,368	720,924	(1,556)
Event Expense	21,405	25,500	(4,095)
Hosted Meeting Expense	9,415	12,000	(2,585)
Insurance	11,448	12,250	(802)
Investment in Economic Activity	-	2,500	(2,500)
Loan Expenses	21,000	12,000	9,000
Marketing	44,848	32,578	12,270
Membership Development	4,257	13,200	(8,943)
Office Supplies	9,011	2,600	6,411
Postage	1,849	840	1,009
Professional Fees	71,100	89,850	(18,750)
Rent	7,620	6,809	811
Rock31 Outreach	1,715	-	1,715
Sponsorships	10,265	7,000	3,265
Staff Expenses	6,964	8,800	(1,836)
Telecommunications	4,405	8,286	(3,881)
Travel	32,487	25,843	6,644
Miscellaneous	2,092	2,661	(569)
Total Operating Expense	1,033,228	1,056,112	(22,884)
Net Operating Revenue (Expense)	25,517	(14,645)	40,162
Non-Operating Income/Expense			
Non-Operating Income			
BSTSP Capital Campaign	36,000	-	36,000
Interest Income	1,867	18,000	(16,133)
Total Non-Operating Income	37,867	18,000	19,867
Non-Operating Expense			
Bad Debt Expense	14,500	-	14,500
Contribution Expense	92,800	-	92,800
Total Non-Operating Expense	107,300	-	107,300
Net Non-Operating Income (Expense)	(69,433)	18,000	(87,433)
Change in Net Assets	\$ (43,916)	\$ 3,355	\$ (47,271)



BIG SKY
ECONOMIC DEVELOPMENT

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ATTACHMENT D

ATTACHMENT:

**SMART Analytical Review - 2022
Big Sky Economic Development Corporation
Final Response (draft)**

Findings:

1. Finding: Big Sky Economic Development Corporation did not consistently provide the Board with reports on the 504 loan portfolio asset quality and industry concentrations on at least a semi-annual basis as required by 13 CFR 120.823(d)(8).

- *Action Taken:* The Loan Policy Manual for Big Sky Finance (Big Sky EDC) along with its Internal Control Policy have been updated to account for the semi-annual reporting of the SBA 504 Loan portfolio to the Board of Directors. The Internal Control Policy now specifically states this report will be presented to the Board semi-annually, at its March and September Board meetings. Big Sky Economic Development has an organizational calendar in which any recurring event is placed, and these reporting items have been included on the calendar. This report will provide, at a minimum, detail on the portfolios industry concentration, overview of the portfolio, and a copy of the most recent quarterly SBA Lender Portal Report. This reporting will be reflected in the Board meeting minutes.

- *Loan Policy updated on page 7 and 23*
- *Internal Control Policy updated on page 3*

2. Finding: Big Sky Economic Development Corporation did not submit Statements of Personal History (SBA Form 1081) to SBA in a timely manner for three new staff members as required by 13 CFR 120.830(b) and SOP 50 10 6, Part 1, Section B, Ch. 1, Para, E.1.

- *Action Taken:* BSEDC has updated its policies, procedures and internal controls to ensure it: 1) submits SBA Form 1081s and fingerprint cards to SBA for all new officers, Board members, professional staff and contractors; 2) obtains SBA's written approval of the forms submitted prior to any staff working on 504 loans, and within 30 days of Board members being appointed; and 3) retains copies of the approval documentation. This function will be administered by the CDC Finance Director.

CDC Finance Director works with the Operations Director who has the role of new Board Member orientation in obtaining the required SBA documentation. Form 1081 is provided to new Board Member and any new professional staff as soon as they are elected or hired. New staff will be provided with Form 1081 and fingerprint procedures as soon as notice of hire has been provided (notice of hire occurs prior to new staff coming on board with organization). CDC Finance Director will work with both new staff and Board members to schedule a time to have their fingerprints completed via LiveScan. Operations Director works to have completed form 1081 returned to CDC Director within 30 days. Upon completion of fingerprints and Form 1081, Finance Director submits Form 1081 to SBA and notifies SBA of the completion of the fingerprints.

- *Loan Policy updated on page 7*
- *Internal Control Policy updated on page 2*

3. Finding: Big Sky Economic Development Corporation did not consistently risk rate loans on an annual basis as required by 13 CFR 120.970, SOP 50 10 6, Part 1, Section B, Ch. 1, Para.D.13.d., and SOP 50 55, Ch. 3, Para. H.

- *Action Taken:* Loan Policy and Procedures and Internal Control Policy have had additional verbiage added pertaining to risk rating. It is the policy of CDC to annually risk rate each loan upon the receipt of annual financial statements. Loan Specialist sends requests to all borrowers upon tax return filing date for their annual business tax return. Upon receipt of information, the loan software database is updated, and Loan Officer notified of receipt. If financials not received in timely manner, follow up email or calls made to borrower. If notice of extension provided, then follow up to occur at extension deadline. Should financials not be received by the extension filing deadline, the risk rating will be completed based on general lending servicing requirements.

CDC is currently in the process of requesting annual financials of its borrowers. As the request is made, the loan file is reviewed for any servicing delinquencies. The Finance Director is reviewing current risk ratings, and all will be updated as part of our annual risk rating. Prior years' rating will be assessed during this current review period for any not previously completed.

- *Loan Policy updated on page 25*
- *Internal Control Policy updated on page 6*

4. Finding: Big Sky Economic Development Corporation's 2021 audit report did not include the CPA's letter to management on internal control weaknesses as required by 13 CFR 120.823(d)(6) and 120.823(a)(1)(i)(E).

- *Action Taken:* The Internal Control Policy of BSEDC has been updated to include all requirements of the CPA's letter to management on internal control weaknesses.

CDC did obtain this letter from the CPA for the 06/30/22 Audit after submission of the SMART audit report to SBA. This information was uploaded into the CDC's Corporate Governance database within CAFS as part of its FYE 2022 CDC Annual Report. Management letter included with this response. Big Sky EDC's FYE 2023 audit has not yet been engaged in with the CPA. An engagement letter containing this requirement will be provided to SBA as part of CDC's annual report. CDC management and the auditor have been made aware of this requirement per last year's reporting.

- *Internal Control Policy updated on page 2*

Recommendations for Improvement:

- 1. Big Sky Economic Development Corporation should prepare a Board-Approved plan which outlines the specific steps the CDC will take to improve the quality of its loan packages. Big Sky Economic Development Corporation should provide its Board of Directors with 504-related training.**
 - Response: CDC Finance Director established a First Pass Procedures document which was presented to the Board of Directors and approved on 06/10/2021. This report was also presented to SBA and approved. CDC is not making changes to these procedures at this time. CDC has had turnover in its Loan Officer position. We currently have a very strong team in place, particularly with our new loan underwriter brought on within the last year. CDC continues to follow its procedures and has improved its first pass rating with SBA. Furthermore, it is of our opinion, and our Loan Committee's opinion (who review every credit) that the quality of our financial analysis has greatly improved and is very strong. Furthermore, Finance Director has created within the past year a CDC networking group with 6 other CDC's of similar size to discuss processes, eligibility and other 504 related topics. This group meets virtually on a monthly basis.
 - 504-related training is provided to all new Board of Directors as they are appointed as part of their orientation. This is provided by the CDC Finance Director in a one-on-one setting. Updates to the 504 program are provided to the Board of Directors at regularly scheduled meetings as the updates arise. Furthermore, sufficient detail on the 504 loan portfolio will be provided to the Board of Directors semi-annually as part of the Board reporting. All Board members are required to review and sign the Board of Directors Annual Certification annually and upon appointment to the Board.
- 2. Big Sky Economic Development Corporation should update its Conflict of Interest Policy to include requirements specific to management of conflicts related to its professional service contracts. Further, staff members should sign an acknowledgement of the policy when they join the CDC.**
 - Response: Current practice is in place, organizationally, for all Board members to sign the Conflict of Interest Policy on an annual basis. New staff members are provided the Conflict of Interest Policy as part of their new hire packet. Conflict of Interest policy is reviewed annually by management. No update to Internal Control Policy.
- 3. Big Sky Economic Development Corporation should submit evidence of the Board's review of the 2022 Independent Loan Review Report to SBA as part of its responses to this Review.**
 - Response: Independent Loan Review was completed in November 2022, by Advisors. The review was presented to the Board of Directors at the November 10, 2022, meeting. The report was approved by the Board at this meeting and signed board minutes are being provided. This information was all provided as part of the CDC's annual report and uploaded into its Corporate Governance database within CAFS.

4. Big Sky Economic Development Corporation should work with the 504 Central Servicing Agent to ensure that the past due balance issues affecting the two loans driving the Stressed Loan Rate are resolved.

- Response: CDC has cured the past due balances. These past-due items were minimal and resulted from the Cares Act payments. CDC currently has no past due accounts and 45-day delinquency report attached showing no delinquency. Additionally, CDC's Loan Portal report as of 3/31/2023 shows no Stressed Loans (page from report attached).

5. Big Sky Economic Development Corporation should review and update its Loan Policy Manual as necessary to ensure that it incorporates recent changes in regulatory requirements, business practices, and key SBA Loan Program Requirements for eligibility, underwriting, closing and servicing.

- Response: CDC has made changes to its Loan Policy and is attached. CDC will review its Loan Policy annually. A more complete review will be completed upon CDC's full review of the new SOP 50 10 7 being released in August 2023.

BIG SKY EDC LOAN POLICY MANUAL and INTERNAL CONTROL POLICY
Proposed Amendments

Big Sky EDC Loan Policy Manual

Changes required as result of SBA SMART Audit (Findings):

- Page 7 – Policy With Respect to Board Reports
 - Verbiage added that semi-annual Board update will be noted in Board minutes
- Page 7 – CDC Specific Guidelines as to CDC Staff
 - Verbiage added that CDC staff must obtain prior written approval from SBA of the submission of Form 1081 (Statement of Personal History) prior to the individual working on 504 loans.
- Page 23 – Policy Statement on Reporting
 - Added – At a minimum, CDC Finance Director will present semi-annually to the Board the current status of the SBA 504 loan portfolio. Finance Director will also report to the Board any material changes to its Loan Policy and Procedures or Internal Control Policy.
 - Added – Industry Concentration to the reporting.
- Page 25 – Financial Statement Collection and Analysis
 - Added – Annual Risk rating will be completed for each borrower based on their prior year financial information provided, along with all required servicing matters. Should annual financials not be received from borrower, loan will be risk rated based on servicing requirements.

Changes/updates to the Big Sky EDC Loan Policy Manual:

- Updated throughout SOP reference from SOP 50-10-5 to SOP 50-10-7
- Updated throughout SOP reference from Authorization for Debenture Guarantee to Terms and Conditions
- Page 6 – Board Member Reporting/Documentation Requirements
 - Updated fingerprint procedure using LiveScan (electronic fingerprint service). Finance Director will coordinate with Board Member on completion of fingerprints for timely submission to SBA. Finance Director will retain approval documentation from SBA electronically.
- Page 14 – Policy Statement on Guarantors
 - Added – Should the Third Party Lender take an additional guarantor, one not required by SBA, then CDC must take that additional guarantor matching that of the Third Party Lender.
- Page 15, item 6 – CDC Application Deposit
 - Added – In lieu of this deposit, CDC may collect 1/3 of the CDC processing fee from borrower upon loan approval.
- Page 18, item 17 – Policy Statement on Credit Approval
 - Added requirement of SAM verification along with CAIVRS.
- Page 19 – Credit Scoring
 - Added – Loans will be risk rated at loan origination by the Loan Officer per the risk rating scoring in the appendix.

- Page 25 – Policy Statement on Monitoring of Financial Condition – Financial Statement Collection and Analysis
 - Added – Annual Risk rating will be completed for each borrower based on their prior year financial information provided, along with all required servicing matters. Should annual financials not be received from borrower, loan will be risk rated based on servicing requirements.
- Page 27 – Policy Statement on Loan Grading
 - Added – A separate loan risk rating scale will be utilized for loans where financials have not been received. This scale is included in the appendix.
 - Added – Loans with Risk Rating of 4 or above will be added to Watch List
- Page 36 – Policy Statement on Loan File Maintenance
 - Updated file retention guidelines
- Page 51 – Risk Rating Scale
 - Added Annual Risk Rating – No Financials scale

Big Sky EDC Internal Control Policy

Changes required as result of SBA SMART Audit (Findings):

- Page 2 – CDC Staff and Board Form 1081 & Fingerprint Card File
 - Updated Fingerprint procedures for new staff and Board members.
- Page 2 – Big Sky EDC Financial Audit
 - Added – Audit must contain CPA's letter to management on internal control weaknesses as required by 13 CFR 120.823(d)(6) and 120.830(a)(1)(i)(E).
- Page 3 – Board Reports
 - Added – The Board's review of these reports will be documented in the Board minutes. Semi-annual reports will be provided at the March and September Board meetings and will be placed on the organizational calendar annually.
- Page 6 – Annual Loan Grading per CDC Policy
 - Procedures updated for annual risk rating. More specific language for ongoing annual risk rating and risk rating if no annual financials received. Exhibit D added showing scale for Annual Risk Rating – No Financials.

Changes/updates to the Big Sky EDC Internal Control Policy:

- Pages 9–10 – Independent Loan Review
 - Updated to review every 2 years.
 - Added – Presentation and approval of the Annual Review by the Board of Directors will be documented in the Board minutes.