

**BIG SKY ECONOMIC  
DEVELOPMENT CORPORATION**

**FINANCIAL REPORT**

**June 30, 2021 and 2020**

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## 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, 2021 and 2020, 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, 2021 and 2020, 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.

**Emphasis of Matter Regarding Prior Period Adjustment**

As discussed in Note 10 to the financial statements, a revised appraisal was discovered on the property purchased in the prior year and then transferred to Big Sky Economic Development Authority (the Authority), thus causing in-kind support for the purchase of fixed assets and in-kind contribution expense to the Authority on the sale of the property to be understated by \$175,000. Accordingly, the financial statements as of and for the year ended June 30, 2020 were restated to reflect the this matter. Our opinion is not modified with respect to this matter.

*Anderson Zurmuehlen + Co, P.C.*

Billings, Montana  
December 9, 2021

FINANCIAL STATEMENTS

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,866,982	\$ 1,702,901
Accounts receivable	39,152	61,184
Pledges receivable	27,000	-
Prepaid expenses	2,471	8,276
Current portion notes receivable, net	133,450	111,629
Total current assets	2,069,055	1,883,990
<b>NON-CURRENT ASSETS</b>		
Allowance for Loan Losses	(21,626)	(21,934)
Notes receivable, net of current portion	947,833	985,079
Total assets	\$ 2,995,262	\$ 2,847,135
 <u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 23,118	\$ 14,200
Due to related party	62,431	57,548
Deferred revenue	39,674	35,811
Total current liabilities	125,223	107,559
<b>NET ASSETS</b>		
Without Donor Restrictions		
Designated	732,555	740,311
Undesignated	2,003,181	1,949,502
Total Without Donor Restrictions	2,735,736	2,689,813
With Donor Restrictions	134,303	49,763
Total net assets	2,870,039	2,739,576
Total liabilities and net assets	\$ 2,995,262	\$ 2,847,135

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

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Private donor funding	\$ -	\$ 92,540	\$ 92,540
Member-Investor support	275,925	-	275,925
In-kind support from related party	348,228	-	348,228
Loan fees	595,026	-	595,026
Interest income	41,462	-	41,462
Net Assets released from restrictions	8,000	(8,000)	-
Other income	144,477	-	144,477
<b>Total support and revenue</b>	<b>1,413,118</b>	<b>84,540</b>	<b>1,497,658</b>
<b>EXPENSES</b>			
Program expenses			
Business recruitment and retention	202,464	-	202,464
Business Development and Outreach	139,253	-	139,253
Workforce Development	219	-	219
Rock31	5,921	-	5,921
Member-investor relations	152,355	-	152,355
Business financing	692,992	-	692,992
<b>Total program expenses</b>	<b>1,193,204</b>	<b>-</b>	<b>1,193,204</b>
General and administrative	173,991	-	173,991
<b>Total operating expenses</b>	<b>1,367,195</b>	<b>-</b>	<b>1,367,195</b>
Change in Net Assets	45,923	84,540	130,463
Net assets, beginning of year	2,689,813	49,763	2,739,576
<b>Net assets, end of year</b>	<b>\$ 2,735,736</b>	<b>\$ 134,303</b>	<b>\$ 2,870,039</b>

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
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	775,000	-	775,000
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
<b>Total support and revenue</b>	<b>2,377,608</b>	<b>1,500</b>	<b>2,379,108</b>
<b>EXPENSES</b>			
Program expenses			
Business recruitment and retention	229,680	-	229,680
Workforce Development	67,563	-	67,563
Rock31	447,744	-	447,744
Member-investor relations	692,850	-	692,850
Business financing	947,588	-	947,588
<b>Total program expenses</b>	<b>2,385,425</b>	<b>-</b>	<b>2,385,425</b>
General and administrative	474,000	-	474,000
<b>Total operating expenses</b>	<b>2,859,425</b>	<b>-</b>	<b>2,859,425</b>
Change in Net Assets	(481,817)	1,500	(480,317)
Net assets, beginning of year	3,171,630	48,263	3,219,893
<b>Net assets, end of year</b>	<b>\$ 2,689,813</b>	<b>\$ 49,763</b>	<b>\$ 2,739,576</b>

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, 2021

	Business Recruiting	Business Development and Outreach	Workforce Development	Rock31	Member Investor	Business Finance	G&A	Total
<b>EXPENSES</b>								
Contribution Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Dues and subscriptions	4,903	7,364	-	742	7,174	26,028	1,139	47,350
Business Incubation	-	-	-	1,211	-	-	-	1,211
Business Recruitment	3,989	-	-	-	-	-	-	3,989
Bad Debt Expense	-	-	-	-	41,250	(309)	-	40,941
Salaries/Benefits	145,735	75,272	-	-	64,205	503,140	-	788,352
Contingency	-	-	-	-	-	-	4,000	4,000
Healthcare Appreciation	-	-	-	-	-	-	74,590	74,590
Insurance	1,146	592	-	-	505	3,958	10,382	16,583
Marketing	380	26,394	462	-	4,167	2,381	46,170	79,954
Membership development	-	-	-	-	4,121	-	-	4,121
Miscellaneous	3,115	2,162	(5,727)	855	13,965	24,585	9,877	48,832
Program events	-	16,826	2,484	113	-	-	-	19,423
Supplies	1,257	1,813	-	-	554	8,941	5,174	17,739
Sponsorships	178	92	3,000	3,000	6,078	615	-	12,963
Professional fees	19,838	1,105	-	-	3,192	34,007	17,559	75,701
Rent	9,604	3,476	-	-	2,965	59,034	-	75,079
Utilities	1,124	581	-	-	495	3,882	-	6,082
Telephone	4,704	2,366	-	-	2,609	16,702	-	26,381
Travel and training	6,491	1,210	-	-	1,075	10,028	100	18,904
Total expenses	<u>\$ 202,464</u>	<u>\$ 139,253</u>	<u>\$ 219</u>	<u>\$ 5,921</u>	<u>\$ 152,355</u>	<u>\$ 692,992</u>	<u>\$ 173,991</u>	<u>\$1,367,195</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, 2020

	Business Recruiting	Workforce Development	Rock31	Member Investor	Business Finance	G&A	Total
<b>EXPENSES</b>							
Contribution Expense	\$ 50,377	\$ 14,819	\$ 425,001	\$153,466	\$207,838	\$ 425,000	\$1,276,501
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
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	6,512	43,879	8,325	81,580
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>\$229,680</u>	<u>\$ 67,563</u>	<u>\$ 447,744</u>	<u>\$692,850</u>	<u>\$947,588</u>	<u>\$ 474,000</u>	<u>\$2,859,425</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, 2021 and 2020

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2021</u>	<u>2020</u>
Change in net assets	\$130,463	(\$480,317)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in accounts receivable	22,032	(27,025)
Change in pledges receivable	(27,000)	-
Change in contributions receivable	0	44,500
Change in prepaid expenses	5,805	(3,409)
Change in accounts payable	8,918	(68,913)
Change in deferred revenue	3,862	31,875
Change in amounts due to related parties	4,883	(106,410)
Change in allowance for loan losses	(308)	21,934
Net cash flows from operating activities	<u>148,655</u>	<u>(587,765)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Financing of new notes receivable	(265,000)	(367,000)
Payments from notes receivable	280,427	372,162
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>15,427</u>	<u>5,162</u>
Net change in cash and cash equivalents	164,082	(582,603)
Cash and cash equivalents, beginning of year	1,702,901	2,285,504
Cash and cash equivalents, end of year	<u>\$ 1,866,983</u>	<u>\$ 1,702,901</u>
 Noncash investing and financing activities:		
In-kind support for purchase of fixed assets	\$ -	\$ (775,000)
In-kind contribution expense to related party on sale of fixed asset	-	775,000
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, 2021 and 2020

**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, 2021, and 2020, 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 2021, and 2020, the Organization had \$482,555 and \$490,311, 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, 2021 and 2020

**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, 2021 and 2020

**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, 2021, and 2020, the Organization's deposits exceeded the insured limits by \$1,420,638 and \$1,355,077, 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.

**Pledges Receivable**

Pledges 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. Pledges receivable was \$27,000 and \$0 at June 30, 2021 and 2020, 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 notes 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, 2021 and 2020

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

considered delinquent. An allowance has been established for potential uncollectible loans. As of June 30, 2021, and 2020, the allowance totaled \$21,626 and \$21,934, respectively. 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.

**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. 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 at 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 December 9, 2021 the date which the financial statements were available for issue.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
June 30, 2021 and 2020

**NOTE 3. NOTES RECEIVABLE**

Notes receivable consist of the following as of June 30, 2021 and 2020:

	<u>Current Portion</u>	<u>Non-Current Portion</u>	<u>Total</u>
<u>2021:</u>			
Revolving loan program	58,761	\$ 307,760	\$ 366,521
SSBCI loan Program	31,058	588,055	619,113
Stabilization loan program	<u>43,631</u>	<u>52,018</u>	<u>95,649</u>
	<u>\$ 133,450</u>	<u>\$ 947,833</u>	<u>\$ 1,081,283</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>



BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
June 30, 2021 and 2020

**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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Loan #1		
Matures 8/1/2023, Interest Rate 6.50%	\$81,480	\$87,635
Loan #2		
Matures 08/01/2024, Interest Rate 6.50%	90,154	95,775
Loan #3		
Matures 05/01/2022, Interest Rate 6.50%	16,032	28,972
Loan #4		
Matures 02/01/2025, Interest Rate 6.50%	90,524	97,968
Loan #5		
Matures 08/01/2025, Interest Rate 6.00%	88,331	-
Total notes receivable	<u>366,521</u>	<u>310,350</u>
Less current portion	<u>(58,761)</u>	<u>(32,036)</u>
Non-current portion	<u>\$307,760</u>	<u>\$278,314</u>

The annual note receivable requirements to maturity, as of June 30, 2021, for the revolving loan fund 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>Total</u>
2022	\$ 8,514	\$ 7,920	\$ 16,032	\$ 7,895	\$ 18,400	\$ 58,761
2023	9,413	8,822	-	8,541	19,731	46,507
2024	63,553	9,413	-	9,113	20,948	103,027
2025	-	63,999	-	64,975	22,240	151,214
2026	-	-	-	-	7,013	7,013
Thereafter	-	-	-	-	-	-
Total Principal	<u>81,480</u>	<u>90,154</u>	<u>16,032</u>	<u>90,524</u>	<u>88,331</u>	<u>366,521</u>
Less Current Portion	<u>(8,514)</u>	<u>(7,920)</u>	<u>(16,032)</u>	<u>(7,895)</u>	<u>(18,400)</u>	<u>(58,761)</u>
Long-term Portion	<u>\$ 72,966</u>	<u>\$82,234</u>	<u>\$0</u>	<u>\$82,629</u>	<u>\$69,931</u>	<u>\$ 307,760</u>

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
June 30, 2021 and 2020

**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, 2021 and 2020, related to the State Small Business Credit Initiative funds:

	<u>2021</u>	<u>2020</u>
<u>Loan #1</u>		
Matures 11/07/2022, Interest Rate 1.31%	\$ -	\$ 21,603
<u>Loan #2</u>		
Matures 12/03/2027, Interest Rate 1.89%	-	150,409
<u>Loan #3</u>		
Matures 4/1/2035, Interest Rate 3.62%	388,699	390,124
<u>Loan #4</u>		
Matures 10/17/2037, Interest Rate 2.38%	82,187	87,222
<u>Loan #5</u>		
Matures 02/10/2041, Interest Rate 2.15%	148,227	-
Total notes receivable	<u>619,113</u>	<u>649,358</u>
Less current portion	<u>(31,058)</u>	<u>(47,744)</u>
Non-current portion	<u>\$588,055</u>	<u>\$601,614</u>

The annual note receivable requirements to maturity as of June 30, 2021, 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>Total</u>
2022	\$ 20,063	\$ 5,178	\$ 5,816	\$ 25,242
2023	20,724	6,095	5,972	26,819
2024	21,594	6,414	6,123	28,008
2025	22,501	6,752	6,297	29,253
2026	23,445	7,095	6,466	30,540
Thereafter	<u>280,372</u>	<u>50,653</u>	<u>117,553</u>	<u>331,025</u>
Total Principal	388,699	82,187	148,227	619,113
Less Current Portion	<u>(20,063)</u>	<u>(5,178)</u>	<u>(5,816)</u>	<u>(31,058)</u>
Long-term Portion	<u>\$368,636</u>	<u>\$77,009</u>	<u>\$142,411</u>	<u>\$588,055</u>

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**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, 2021 and 2020 related to the stabilization loan funds:

	<u>2021</u>	<u>2020</u>
Loan #1		
Matures 05/21/2023, Interest Rate 2%	\$0	\$15,000
Loan #2		
Matures 05/01/2023, Interest Rate 2%	13,043	15,000
Loan #3		
Matures 04/01/2023, Interest Rate 2%	-	15,000
Loan #4		
Matures 05/01/2023, Interest Rate 2%	13,043	15,000
Loan #5		
Matures 05/01/2023, Interest Rate 2%	13,043	15,000
Loan #6		
Matures 05/01/2023, Interest Rate 2%	13,043	15,000
Loan #7		
Matures 05/01/2023, Interest Rate 2%	13,043	15,000
Loan #8		
Matures 05/01/2023, Interest Rate 2%	4,348	5,000
Loan #9		
Matures 05/01/2023, Interest Rate 2%	-	12,000
Loan #10		
Matures 06/01/2023, Interest Rate 2%	13,043	15,000
Loan #11		
Matures 08/01/2023, Interest Rate 2%	13,043	-
Total notes receivable	95,649	137,000
Less current portion	(43,631)	(31,849)
Non-current portion	<u>\$52,018</u>	<u>\$105,151</u>

The annual note receivable requirements to maturity as of June 30, 2021, for the stabilization loan funds are as follows:

<u>Year Ending</u>	<u>Loan #2</u>	<u>Loan #4</u>	<u>Loan #5</u>	<u>Loan #6</u>	<u>Loan #7</u>	<u>Loan #8</u>	<u>Loan #10</u>	<u>Loan #11</u>	<u>Total</u>
2021	\$5,950	\$5,950	\$5,950	\$5,950	\$5,950	\$1,983	\$5,950	\$5,950	\$43,631
2022	6,070	6,070	6,070	6,070	6,070	2,023	6,070	6,070	44,512
2023	1,023	1,023	1,023	1,023	1,023	341	1,023	1,023	7,506
Total Principal	13,043	13,043	13,043	13,043	13,043	4,348	13,043	13,043	95,649
Less Current Portion	(5,950)	(5,950)	(5,950)	(5,950)	(5,950)	(1,983)	(5,950)	(5,950)	(43,631)
Long-term Portion	<u>\$7,093</u>	<u>\$7,093</u>	<u>\$7,093</u>	<u>\$7,093</u>	<u>\$7,093</u>	<u>\$2,364</u>	<u>\$7,093</u>	<u>\$7,093</u>	<u>\$ 52,018</u>

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3. NOTES RECEIVABLE (CONTINUED)**

Interest income for the RLF, SSBCI, and stabilization programs for the years ended June 30, 2021 and 2020, amounted to \$41,453 and \$38,290, 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. The allowance for the years ended June 30, 2021 and 2020, totaled \$21,626 and \$21,934, respectively. 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.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
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June 30, 2021 and 2020

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

In April 2017, the State of Montana SSBCI Loan Committee determined that the 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's financial assets within one year of the balance sheet dates for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Total assets at June 30, 2021	\$2,995,262	\$2,847,135
Less:		
Prepaid expenses and non-current assets	928,678	971,421
Financial assets available for expenditures	<u>2,066,584</u>	<u>1,875,714</u>
Less:		
Donor-imposed restrictions	134,303	49,763
Board Designations:		
Liquidity reserves	250,000	250,000
Revolving loan funds	482,555	490,311
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,199,726</u>	<u>\$1,085,640</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 had \$1,839,537 and \$1,791,925 in assets from its SSBCI loan program (see Note 5) held as cash or loans at June 30, 2021 and 2020, respectively, that are not restricted by donor stipulation or designated by Board resolution.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
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June 30, 2021 and 2020

**NOTE 7. NET ASSETS**

Net assets with donor purpose restrictions consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Private Donor Funding		
Billings Public Schools	\$15,000	\$15,000
BillingsNow (community visioning)	9,063	9,063
Rock31	500	3,500
Opportunity Fund	22,200	22,200
Coulson Park	51,500	-
Big Sky to Sky Point	36,040	-
	<u>\$134,303</u>	<u>\$49,763</u>

Net assets without donor restrictions consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Undesignated	\$2,003,181	\$1,949,502
Board-designated for cash reserves	250,000	250,000
Board-designated as loan funds	482,555	490,311
	<u>\$2,735,736</u>	<u>\$2,689,813</u>

Net assets of \$8,000 and \$12,500 were released from restrictions in 2021 and 2020, 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, 2021 and 2020, the Organization paid \$570,051 and \$571,305, respectively, to the Authority for salaries and wages, insurance, and rent, of which \$62,431 and \$57,548 was reported as due to a related party in the accompanying statements of financial position of June 30, 2021 and 2020, respectively.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2021 and 2020. In-kind support for each fiscal year was comprised of the following:

	<u>2021</u>	<u>2020</u>
Salaries and wages	\$208,225	\$211,579
Employer contributions	51,149	57,117
Insurance	3,259	5,008
Professional fees	11,569	20,923
Dues and subscriptions	16,578	18,690
Miscellaneous	12,594	5,379
Marketing	2,056	62,257
Travel	1,918	5,993
Sponsorships	963	1,827
Telephone	8,859	9,411
Rent	24,259	22,493
Office expense	6,799	5,142
Other	-	-
	<u>\$348,228</u>	<u>\$425,819</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.

In fiscal year 2021, Big Sky EDC received notice that seller obtained an updated appraisal upon the sale of the building. The updated appraisal reflected a value of \$1,775,000. The seller recognized a donation amount of \$775,000 for the sale of the historic Montana National Bank building to Big Sky EDC. The fiscal year 2020 financials were updated to reflect this additional in-kind donation from the seller, for a total in-kind donation of \$775,000 versus \$600,000 originally recorded in fiscal year 2020.

In fiscal year 2021, an EDC board member pledged \$27,000 for the purchase of office equipment for the new facility. This furniture will be purchased in fiscal year 2022. In addition, payments of \$38,495 and \$34,618 were made in FY21 and FY20, respectively, to a marketing company owned by an EDC board member.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9. OPERATING LEASE**

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 a collaborative 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. The Organization occupies office space in Helena, Montana. Rent expense under this lease for the year ended June 30, 2021 amounted to \$29,454. Future minimum lease payments for the rent under this lease are \$14,826 for fiscal year 2022.

**NOTE 10. PRIOR PERIOD ADJUSTMENT**

During the fiscal year ended June 30, 2021, the Organization recorded a prior period adjustment to account for an updated appraisal on the Montana National Bank Building property purchased in fiscal year 2020. As described in Note 8, Big Sky EDC was the original purchaser of the property. The property was subsequently transferred to the Authority with a corresponding \$600,000 recorded as an in-kind contribution from Big Sky EDC.

The original appraisal, dated May 31, 2019, reported a value of \$1,600,000 on the property and the updated appraisal, dated February 28, 2020, reported an increased value of \$1,775,000 on the property. The Organization was not made aware of the updated appraisal until after the audited June 30, 2020 financial statements had been issued. Accordingly, adjustments were recorded in the prior period as follows:

	As Previously Stated <u>June 30, 2020</u>	Prior Period <u>Adjustment</u>	As Restated <u>June 30, 2020</u>
Statement of Activities			
In-kind support from unrelated party	\$ 600,000	\$ 175,000	\$ 775,000
Contribution Expense	1,101,500	175,000	1,276,500
Statement of Cash Flows			
In-kind support for purchase of fixed assets	(600,000)	(175,000)	(775,000)
In-kind contribution expense to related party on sale of fixed asset	600,000	175,000	775,000



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**NOTE 11. FEDERAL EDA REVOLVING LOAN FUND GRANT**

In 2021, the Organization received a \$1,800,000 Federal EDA Revolving Loan Fund Grant (RLF). This EDA investment supports the Big Sky EDC with establishing an RLF to support economic recovery from the COVID-19 pandemic in the eastern Montana region of Yellowstone County. The RLF will provide financing options and gap financing to small businesses impacted by the pandemic and support the development of new entrepreneurial business opportunities arising from, or related to, recovery or future resiliency.

The total project cost is \$2,000,000 and includes \$1,800,000 in Federal EDA investment and a \$200,000 investment from Big Sky EDC. All RLF funds are to be segregated into a separate restricted account, including all funds received from loan repayments. Big Sky EDC satisfied all requirements to begin making loans from the RLF beginning in fiscal year 2022.