



LEADING

AN ECONOMIC RESURGENCE

2012 Annual Report



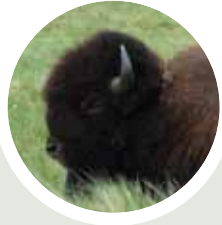
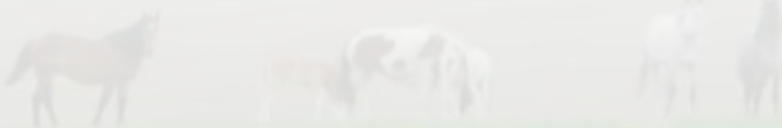


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OUR MISSION

Lakota Funds is a community development financial institution (CDFI) leading an economic resurgence of the Oglala Lakota Oyate on the Pine Ridge Reservation through culturally appropriate strategies reigniting the traditional Lakota spirit of productivity, commerce, and trade.





EXECUTIVE DIRECTOR'S MESSAGE

What an outstanding year for Lakota Funds and the Oglala Lakota Oyate we serve! As I reflect on Lakota Funds' achievements in 2012, I am overwhelmed with a sense of gratitude. A sense of being so thankful for the opportunity to be helping Lakota families living on the Pine Ridge Reservation pursue economic self-sufficiency through business growth and job creation, financial empowerment, and asset development. Lakota Funds' numbers indicate that we are on the right path - more accurately, that the families we serve - are on the right path to economic security and a better awareness and control of their economic conditions.

In 2012, Lakota Funds approved a record number of loans totaling \$603,636.18. This includes business loans up to \$200,000, to new or existing, expanding businesses, term loans, and lines of credit. It also includes over \$35,000 in consumer loans: credit builder loans, tool loans, and gardening loans. We are especially happy with our lines of credit which have enabled local contractors to secure bonding and successfully bid multi-million dollar jobs.

A record was set in our Individual Development Account (IDA) program as well. Cash outs for business development exceeded any previous year total. In 2012, 20 clients completed the IDA program, which requires participation in financial literacy and asset specific trainings to qualify for the 3:1 cash match, turning their \$34,000 in savings into \$120,000. Nearly \$40,000 in matched savings was utilized to start six new businesses. Other amounts were used for individuals to pursue post secondary education and homeownership.

With support from the Northwest Area Foundation, Lakota Funds launched our Child Development Account (CDA) program, a matched savings program specifically for grade school kids. A Lakota child opens the savings account when they are in Kindergarten or 1st Grade. Lakota Funds seeds the account with \$50 and then matches the family's deposits (up to \$125) at a ratio of 3:1. The

participating child receives financial literacy monthly in the classroom through a partnership with the schools and the family participates quarterly in trainings provided by Lakota Funds all focusing on the benefits of saving and instilling wise money management skills. The child could potentially have \$4,050 saved by the time they're in 8th Grade. More importantly, the child and his family will be empowered to face the future knowing they have a solid understanding of saving, budgeting, spending wisely, and making well-informed choices about money, together. Lakota Funds looks forward to witnessing the economic and social impact of this project in the years to come.

2012 was solidified as a most stellar year though, when the Lakota Federal Credit Union received its charter from the National Credit Union Administration on August 29th, making it the only federally insured financial institution on the Pine Ridge Reservation. Finally, we have access to the kinds of financial products and services the rest of the country takes for granted, being offered right here at home. Besides providing all of the basic tools to encourage Lakota families to save and start building assets, Lakota Federal Credit Union also acts as a springboard for members who are ready to take the next step towards financial security by encouraging them to utilize Lakota Funds' business loan products and services.

2012 has been a year marked by amazing milestones. I can't imagine what 2013 will bring, but the staff here at Lakota Funds will continue in the years ahead to develop and improve upon the new programs launched this year. We look forward to continuing to serve the Oglala Lakota Oyate and innovating new strategies that will catapult our local economy into the next phase of development.

Sincerely,

Tawney Brunsch
Executive Director

SUCCESS ON THE PINE RIDGE RESERVATION



MURDOCK ELECTRIC

Murdock Electric was one of only six local Native contractors selected for the new \$28.5 million justice center project that broke ground April 20, 2012. Joe Murdock cites his competitive edge on the project as an increased line of credit to \$200,000 from Lakota Funds which enabled them to obtain the required \$2 million bond. “It was really that increase on our line of credit that got our foot in the door. This opens up more markets to us,” states Murdock.

Murdock attributes their success to perseverance. Since they started out of a garage in 1982, Murdock Electric has steadily been building their business. Over the years they have worked closely with Lakota Funds to secure loans for their building, vehicles, and equipment, as well as to participate in training that has helped them develop their estimating skills to be more competitive in the bidding process.

Murdock Electric currently employs 45 individuals on several job sites throughout the reservation, including Rockyford School, Loneman School, and the Housing Administration building. As these projects wrap up, Murdock plans to transfer employees to the justice center site to complete the electrical work on the 93,642 square-foot building that will house the Oglala Sioux Tribe’s jail, police force, and judicial system.



HAAS FAMILY

Abigail Haas, a Kindergartener at Red Cloud School in Pine Ridge, South Dakota, is the most recent participant to open a savings account through Lakota Funds’ Child Development Account Program, a unique matched savings program that focuses on building the family core. Abigail’s parents, Steph and Barrett, plan to make annual withdrawals from the account to help pay for school clothes and supplies but will set aside half of the savings for Abigail’s college education.

As graduates from Lakota Funds’ financial literacy course, Steph and Barrett have been emphasizing the importance of saving to their children. In addition, Barrett was able to improve his credit by using Lakota Funds’ Credit Builder Loan to pay off debt. All of this has prepared Barrett and Steph for their current endeavor – saving for a home. In order to achieve this goal, Barrett enrolled in Lakota Funds’ adult matched savings program. Steph adds, “I grew up in a trailer, and although it was home, I am so excited to have something permanent.” Steph and Barrett are also excited that this home will remain in their family. “It will be a place for our girls to come home to after college,” says Barrett.

Barrett Haas was named the first Lakota Funds “All Star” for his participation in multiple programs designed to build assets for Lakota individuals and families.



JOHN YELLOW HAWK

John Yellow Hawk remembers his grandfather and his parents farming potatoes on the very same plot of land where he lives now. “Growing up there were no jobs. I don’t know how my mom and dad raised us, but I think it was on potatoes,” he chuckles. Continuing the tradition, John used a loan and a grant through the Su Owojupi (They’re Planting) Project to plant a garden made up mostly of potatoes.

John sold most of his harvest at the local farmers market, but he also kept enough potatoes to feed his family until next year’s harvest. He estimates this will save approximately \$100 per month in food expenses.

For John gardening is a family affair - even the youngest of children help pull weeds and water. “It gives them something to do,” comments John. He hopes that his children and grandchildren will keep his family tradition of potato farming alive.

Gardening also offers a type of therapy to the gardener. For John, gardening is a way to help him grieve the loss of his wife who died last year. “After being married twenty-nine years it is like losing your right arm,” he explains. His garden helps take his mind off of things and get through the grieving process.

LAKOTA FEDERAL CREDIT UNION



In January 2009, several community leaders started in pursuit of a dream to establish the Lakota Federal Credit Union that would provide basic banking services to help the Oglala Lakota Oyate (people) achieve their financial goals, and in turn help the local economy on the Pine Ridge Reservation to thrive. This was a huge undertaking, as the Pine Ridge Reservation had not had a financial institution of its own since the Oglala Sioux Tribe accepted the Indian Recognition Act in 1935.

Lakota Funds anxiously agreed to sponsor the proposed Lakota Federal Credit Union. A steering committee comprised of knowledgeable, energetic, and hard-working individuals began the long and arduous process of establishing the first and only federally-insured financial institution on the 2.2 million acre Pine Ridge Reservation.

In August of 2012, the Lakota Federal Credit Union received its charter from the National Credit Union Administration and officially opened its doors in November 2012. Lakota Federal Credit Union offers savings accounts, check cashing, direct deposit and consumer loans, both secured and unsecured, to members who live, work, worship, attend school, or volunteer on the Pine Ridge Reservation. In the seven weeks the credit union has been open, more than 260 new members have opened savings accounts, 49 of which have been approved for loans totaling over \$107K.



CIRCLE OF HONOR AWARD

On October 17, 2012 Lakota Funds was presented with the Circle of Honor Award during the national Native CDFI Awards Ceremony in San Antonio, Texas. The Circle of Honor Award recognizes a Native CDFI that is successfully increasing access to capital and financial resources in Native communities by developing innovative loan products, promoting community development, and overcoming challenges.

Lakota Funds was selected from a highly competitive group of Native CDFI nominees and was awarded for demonstrating strong financial performance, diversity in creating lending products and development services to serve its target market and the commitment to advancing asset building efforts for Native communities on a local, state, and national level.

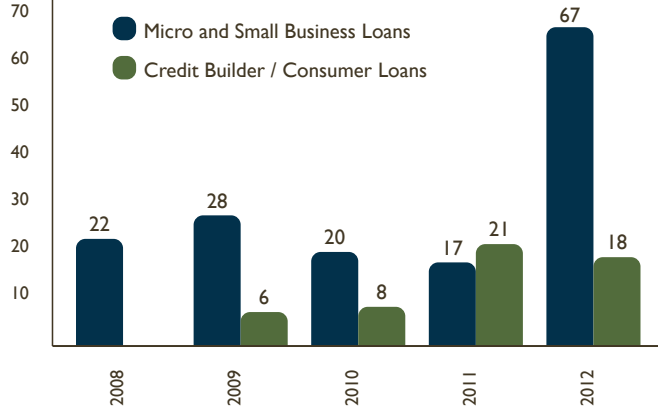




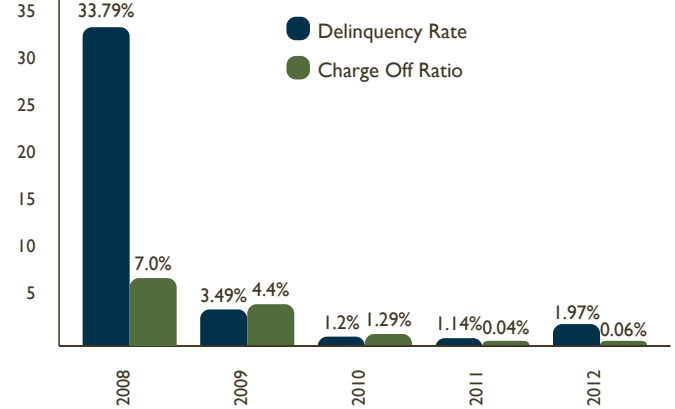
MAKING A DIFFERENCE

This past year, Lakota Funds experienced record-breaking numbers in the performance of our loan portfolio as well as in our community impact. While we have approved more micro and small business loans than any other year, our charge off ratio remains lower than ever. Our business lending has directly impacted the creation or retention of over **450** jobs in the past five years alone. The cash outs from our matched savings program have nearly tripled over the past three years, resulting in **56** people achieving an asset-based savings goals.

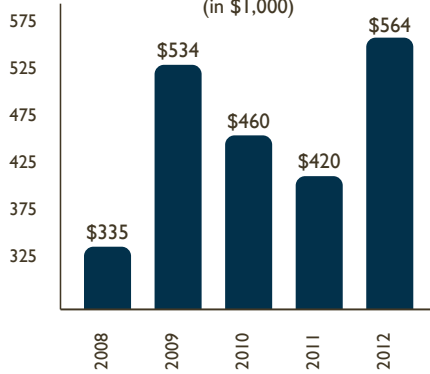
NUMBER OF LOANS APPROVED



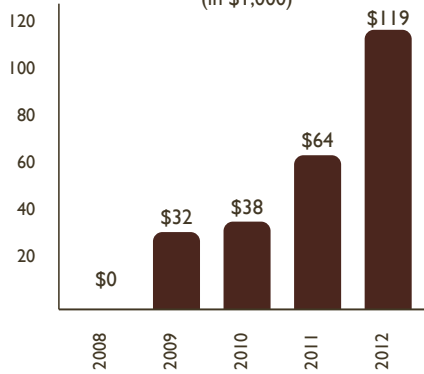
DELINQUENCY & CHARGE OFF



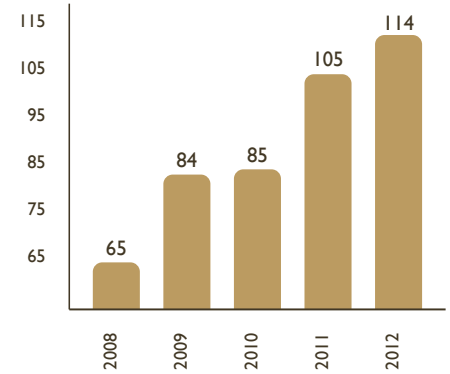
MICRO & SMALL BUSINESS LOANS APPROVED (in \$1,000)



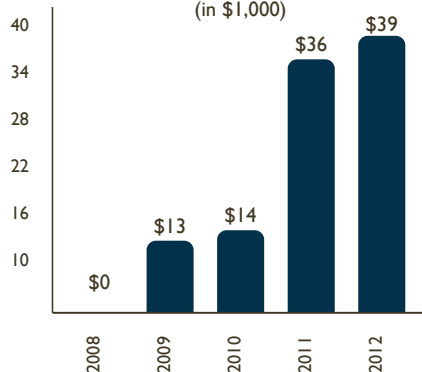
IDA CASH OUTS (in \$1,000)



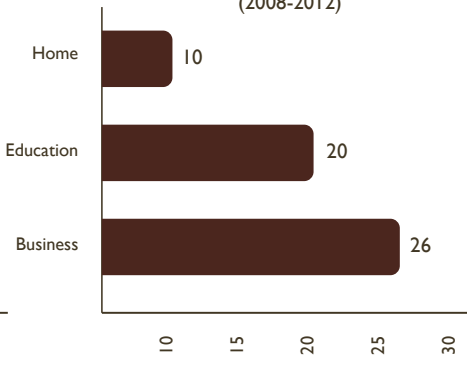
JOBS CREATED/RETAINED



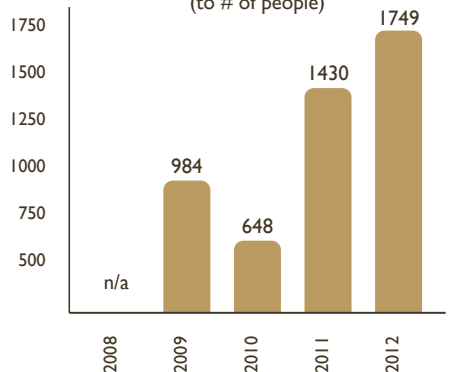
CREDIT BUILDER/CONSUMER LOANS APPROVED (in \$1,000)



IDA ASSET PURCHASES (2008-2012)



TRAINING DELIVERED (to # of people)



UNAUDITED STATEMENT OF FINANCIAL POSITION

	2012	2011
ASSETS		
Current Assets		
Checking/Savings		
Lending Accounts	1,426,837	1,809,109
Operating Accounts	952,542	765,117
Total Checking/Savings	2,379,379	2,574,226
Accounts Receivable		
Accounts Receivable	559,113	1,496,435
Total Accounts Receivable	559,113	1,496,234
Other Current Assets		
Certificates of Deposit	250,000	0
Loan Receivable - Loan Acct.	1,203,787	1,099,978
Loan Receivable - TLF	83,792	80,328
Loan Receivable - Rsve for Loss	(236,388)	(288,006)
Acct Receivable - Miscellaneous	1,225	773
Accrued Interest Receivable	4,908	1,221
Prepaid Insurance	5,511	5,603
Total Other Current Assets	1,312,835	899,896
Total Current Assets	4,251,327	4,970,356
Fixed Assets		
Bldgs/Improvements	1,417,809	1,284,986
Equipment/Furnishings	57,868	49,525
PPE - Accumulated Depreciation	(688,484)	(634,173)
Total Fixed Assets	787,193	700,338
Other Assets		
Investment NANF	(62,498)	23,483
Investment - RBC Dain Rauscher	0	63,330
Investment in Land	12,020	12,020
Due From Ltd Partnerships	281,887	283,198
Investment in LI Housing	646,437	646,437
Loan Receivable - Ltd Partnership	254,058	254,058
Asset Impairment Allowance	(969,976)	(969,976)
Total Other Assets	161,928	312,550
TOTAL ASSETS	5,200,448	5,983,244
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	5,537	16,700
Total Accounts Payable	5,537	16,700
Other Current Liabilities		
Accrued Vacation Payable	8,635	8,344
Due to Loan Acct. from LTC	73,532	80,328
Prepaid Rental Income	2,189	1,014
Accounts Payable, TLF, Inc.	20,000	20,000
Accounts Payable - Ltd. Partnerships	3,552	3,552
Customer Deposits	1,616	4,478
Accrued Payroll	6,797	6,661
Payroll Liabilities	1,637	1,637
Note Payable - Northwest Area	60,500	60,500
Accrued Interest Payable	10,116	10,542
Lakota Land Alliance - Fiscal Age	0	0
Defenders of the Black Hills	0	0
Total Other Current Liabilities	188,575	197,056
Total Current Liabilities	194,112	213,756
Long-Term Liabilities		
Notes Payable/RMAP Loans	69,047	0
Notes Payable/Investors	1,400,735	1,303,707
Notes Payable/Rural Development	57,164	58,475
Circle Escrow Savings	0	528
Inner Circle	0	462
Total Long-Term Liabilities	1,526,946	1,363,172
Total Liabilities	1,721,058	1,576,928
Equity		
Retained Earnings	2,157,794	1,966,394
Net Assets	2,218,995	2,218,191
Net Income	(897,399)	221,731
Total Equity	3,479,390	4,406,316
TOTAL LIABILITIES & EQUITY	5,200,488	5,983,244

*A complete 2011 audit is available upon request.
A complete 2012 will be available upon request by
May 2013.*

Lakota Funds is rated by CARS, a third party assessment and rating system for Community Development Financial Institutions to document organizational performance and financial strength. Visit www.carsratingsystem.net.



WOPILA TANKA (Thank You)

Lakota Funds would like to thank the following entities for supporting our work.

Citi Foundation

Clover Charitable

Eighth Day Faith Community

First Nations Oweesta Corporation

Golden West

Health & Human Services,
Administration for Children &
Families

HRK Foundation

Kola Foundation

Opportunity Finance Network

Shakopee Mdewakanton Sioux
Community

South Dakota Governor's Office of Economic Development

Starbucks

USDA Rural Development

US Department of Treasury's
CDFI Fund

Walton



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