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ANNUAL
REPORT



 **Lakota Funds**
Investing in the Oyate



OUR MISSION

Lakota Funds' mission is to promote economic sustainability on the Pine Ridge Reservation and geographic service area, through business loans, technical assistance, and wealth building education for families and businesses.

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MESSAGE FROM OUR **EXECUTIVE DIRECTOR**

Lakota Funds is pleased to report another year of growth in our lending portfolio! Our portfolio is stronger today than it has ever been, and we can attribute this to a set of strategic programmatic developments we have rolled out over the past few years. Many of those key decisions have involved expanding and growing our agricultural program.

In 2015, we were the first Native community development financial institution (CDFI) on a reservation to be approved as a lender for Farm Service Agency (FSA) guaranteed loans. This not only enabled us to provide up to \$300,000 in capital for eligible Indian-owned agricultural businesses, but the FSA loan guarantees have also helped us mitigate risk and strengthen our portfolio. That same year we expanded our service area to reach 50 miles beyond the exterior boundaries of the Pine Ridge Reservation. With this key move, we have been able to serve more entrepreneurs, including on the neighboring Rosebud Reservation, which currently does not have an active Native CDFI.

This year, we were awarded \$2.6M from the Native American Agricultural Fund, an organization that was born out of the Keepseagle vs. Vilsack settlement. With this funding, we are on track to support approximately 30 farmers, ranchers, and gardeners as they either start or expand operations over the next two years, increasing their income by an average of 25% and creating approximately 25 new jobs.

Agriculture is deeply rooted in our economy on the Pine Ridge Reservation and adjacent areas, and expanding our agricultural program has provided our local ag-entrepreneurs with more financing options. Most importantly, it has strengthened our connections to land, community, culture, and traditions. This report highlights those connections as they are being realized through our agricultural and other programs.

Sincerely,

A handwritten signature in cursive script that reads "Tawney Brunsch".

Tawney Brunsch
Executive Director



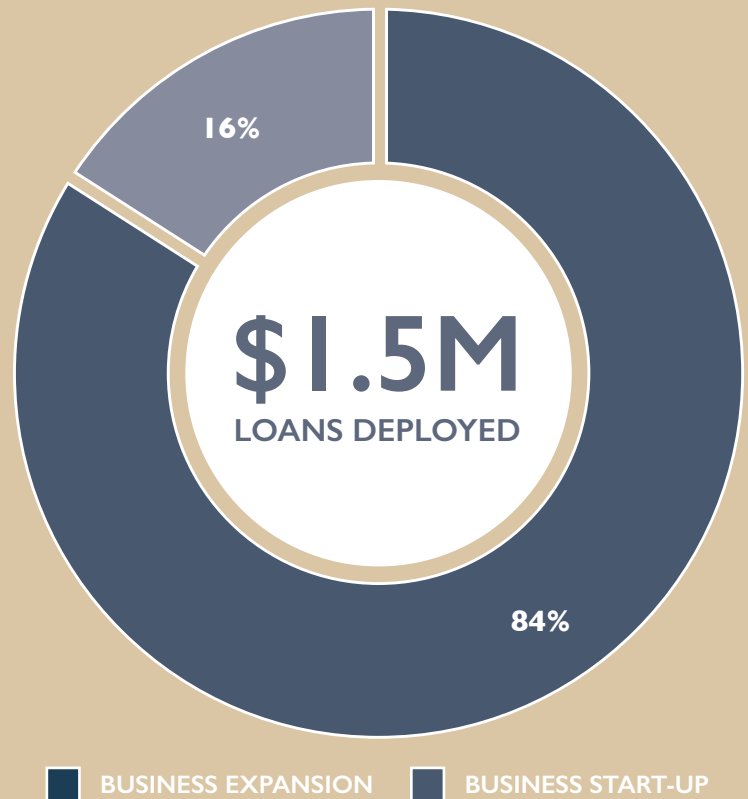
LENDING

In 2018, Lakota Funds deployed **58 loans totaling \$1,515,311**. This was **38% more** than we deployed the year before! Our portfolio has grown substantially in agricultural lending. This year, we deployed **4.5 times** the amount – **\$662,608** – of agricultural loan capital as we did in 2017. In 2016, only 5% of our loans were used for agricultural operations.

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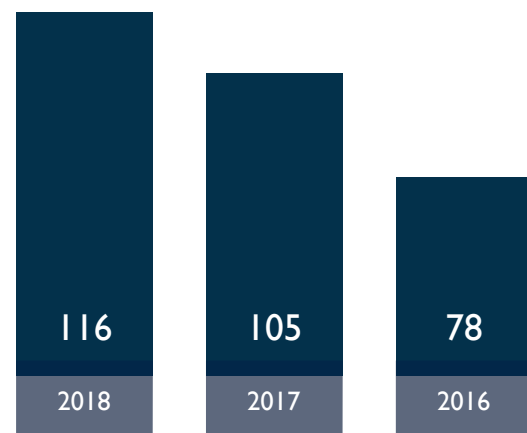
Our business lending remains strong as well, and we continue to deploy a significant amount of larger loans above \$25,000. In 2018, we deployed **\$767,544** in large business loans and business lines of credit combined.

This year, the majority (**84%**) of the lending capital we deployed was used to start a business. This tells us that, although we serve an economically distressed area, our local entrepreneurs are still finding ways to capitalize on opportunity.

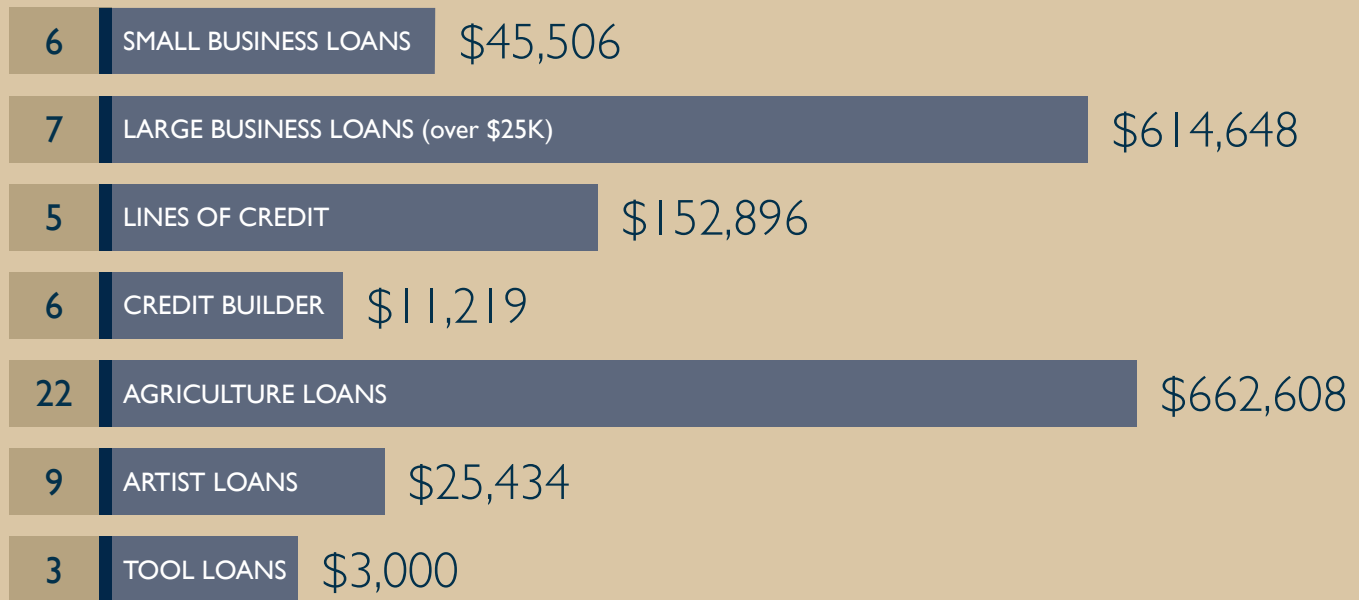


JOB CREATION

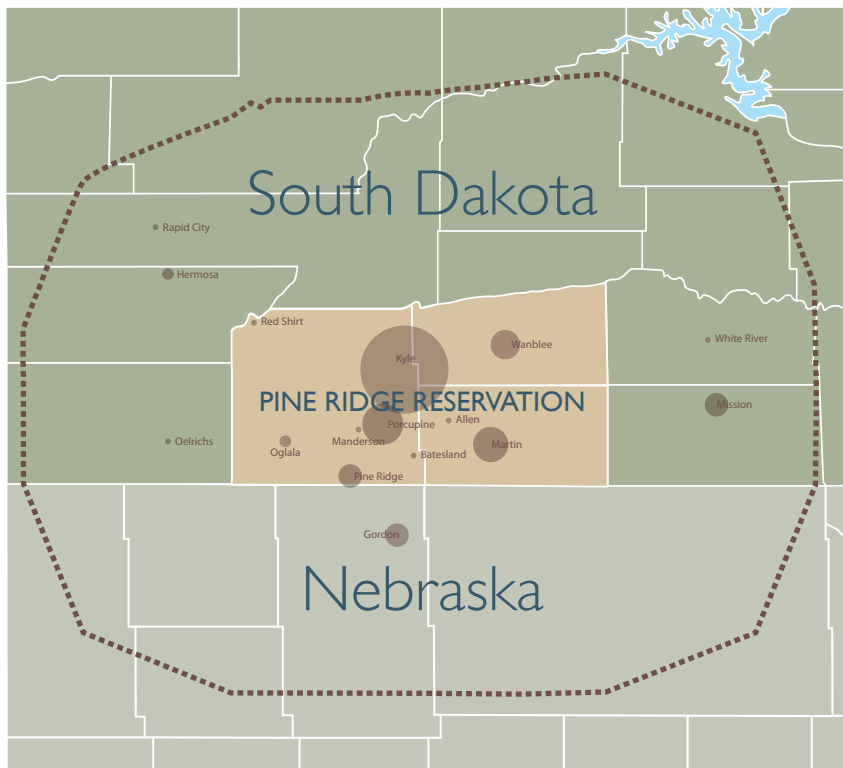
In 2018, **116 jobs** were created as a result of our lending activity. We continue to increase our job creation numbers year over year.



TYPES OF LOANS DEPLOYED



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EXPANDED SERVICE AREA

By expanding our service area 50 miles beyond the exterior boundaries of the Pine Ridge Reservation, we have been able to reach more Native American entrepreneurs than ever before!

While our core client base remains strong on the Reservation, we have deployed loans as far away as Rapid City and Mission, South Dakota.



4 FRANK HUNTER BANKS LOCAL, EXPANDS CATTLE OPERATION

Frank Hunter, a life-long resident of Kyle, South Dakota, grew up in a ranching family on the Pine Ridge Reservation. And, that's still what he's doing today. Frank's cattle operation consists of about 40 cow-calf pairs and some hay ground.

After banking in Gordon, Nebraska for 40 years, he recently began banking in Kyle at the Lakota Federal Credit Union, which is much closer to home.

"I changed over to Kyle because it is more convenient, and they've been treating me pretty fair so far," he says.

Before the Credit Union opened its doors, there wasn't a depository institution on the Reservation. Most people had to do their banking off the Reservation in neighboring towns, such as Martin and Philip, or Gordon just on the other side of the state line.

Frank explains, "I reduced my miles to the bank. I used to have to drive 50 miles before."

With Lakota Funds launching our agricultural program a couple of years ago, Frank transitioned all of his lending activity closer to home as well. Between Lakota Funds and the Credit Union, Frank is able to handle all of his banking and financing needs.

Lakota Funds' operating line of credit has become an integral part of growing his ag operation. Frank used it to purchase feed to sustain 38 bred cows through the winter, which was longer and colder than usual. The line of credit offered him the flexibility he needed to cover increased costs incurred because of the extreme weather.

In addition to the cows, Frank has about 20 head of heifers that he plans to breed.

"I'll have about 60 head to feed next winter," he says.

Although there will be more expenses associated with growing his herd, it's a move that will dramatically expand his operation, and generate more income.





BUILDING ASSETS

INVESTING IN OUR YOUTH

Our **Child Development Program**, a unique long-term matched savings program for grade school children, is in its sixth year of implementation. **Nineteen** of the participants have been active in the program since the initial launch, and will complete the full eight-year program in 2020.

Some of the youth's savings accounts now **exceed \$3,000**, which is establishing a solid foundation for their future education. Our **23 participants** have saved a cumulative total of **\$49,312** to date.

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MAXIMIZING TAX REFUNDS

In partnership with the Lakota Federal Credit Union, we host an annual **Volunteer Income Tax Assistance (VITA)** site that not only saves individuals and families the cost of commercial tax preparation, but offers alternatives to Refund Anticipation Loans (RALs) and promotes the use of the Earned Income Tax Credit (EITC).

Through a survey we conducted, we found that tax refunds are a critical resource that help the low-income families we serve to stay afloat financially. The majority (**72%**) of survey respondents said they planned to use their refund to catch up on bills, and **41%** planned on using it to buy groceries.

This year, staff prepared **502** returns bringing a total of **\$1,348,451** in refund dollars back to our community – more than ever before. Of that, **\$543,744** was a result of the EITC.

115

PEOPLE INCREASED
FINANCIAL LITERACY
THROUGH 20 TRAININGS
DELIVERED IN 2018



HOMEOWNERSHIP

INCREASING FINANCIAL SECURITY

For many aspiring homeowners our **Individual Development Account** program, also known as a matched savings program, is a critical part of their homeownership journey. It provides the capital, incentive, and support necessary to help individuals achieve their savings goals. In 2018, **five participants** utilized a total of **\$21,600 to build assets** that will help them create a more secure financial future. Of those, three used their savings to purchase a home in our Eagle Nest Housing Development.

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HOMEOWNERSHIP TRAININGS

This year, we delivered **10 training events** that equipped **51 attendees** with the knowledge necessary to become successful homeowners.

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HOMEBUYER EDUCATION

38

EAGLE NEST HOMEOWNERSHIP

In the midst of an extreme housing shortage, it is estimated that the Pine Ridge Reservation needs an additional 4,000 homes to provide adequate housing for residents. With a virtually nonexistent residential real estate market, families are commonly on the waiting list for low-income tribal housing for two-plus years. In the meantime, they are “doubling up” or even “tripling up” – terms used to describe multiple families living in a single-family residence – so that their basic needs for shelter are met. As a situation that has spanned several generations, this has become a way of life on the Reservation.

However, that is beginning to change. As the first Native American Low-Income Housing Tax Credit (LIHTC) project in the country, our Eagle Nest Housing Development has provided affordable rental housing through its 30 single-family units since 1999. When the tax credit agreements reached maturity a few years ago, we began converting the rental units into privately-owned homes.

Since then, we have been working with tenants to prepare them for homeownership by providing financial coaching, homebuyer readiness training, and other resources. The first sale in Eagle Nest closed in late 2017, and to date eight homes have sold. Increasing housing stock on the Reservation is critical to reducing outmigration, and therefore strengthening our economy.



CARRIE SITTING UP BECOMES 8th HOMEOWNER IN EAGLE NEST

"A lot of people don't know anything about homeownership or mortgages. We hear about homeowners in the city, but not here," explains Carrie Sitting Up who rented a home in the Eagle Nest Housing Development, located in the northeast corner of the Reservation.

Seeing another tenant become a homeowner inspired Carrie. She says, "I liked the outcome of her home. I didn't think it was possible until I talked to her about it, and it gave me some motivation."

Carrie's homeownership journey began with getting her finances in order. She says this took some time, because she needed to clear up some debt. But, she was able to utilize Lakota Fund's Credit Builder Loan to help her with this step.

"It was a beautiful experience, because I was able to figure out my finances on my own and take care of myself," says Carrie.

She was moving through the loan application process with Mazaska Owecaso Otipi Financial, a community loan fund in Pine Ridge, when her father passed away in September 2018. After a time of grieving, she says she gathered herself together and sealed the deal.



She reflects on her loan signing, "I really cried, because my dad would have been so proud of me."

As the first in her family to become a homeowner, Carrie says, "I feel like I won a grand prize buying this home."

Carrie rolled several improvements – new windows, doors, siding, and roof – into the purchase of her home. There were other minor repairs, but she wanted to fix those on her own so she could experience the real meaning of homeownership. That is a decision that also kept her mortgage payment, which is comparable to her rental payment, more affordable.

"I'm still learning. Owning a home is a big deal, and I have experienced a bit of a struggle. But I knew I had to do it, because it was important to me," says Carrie. Although it wasn't easy, she says homeownership has given her structure in her life and it has been a positive step.

Carrie is planning a house warming party to celebrate her one-year anniversary of homeownership this Fall. She hopes her story will inspire other people to achieve homeownership.

"I love my home, and I'm really happy living here," she says.



BUILDING

In partnership with the South Dakota Native Homeownership Coalition, Lakota Funds continued our Construction Internship Program, in which Oglala Lakota College Vocational Education students were paired with local contractors to gain on the job experience. The program has been highly successful in building our local workforce and the capacity

of our contractors, which in turn work toward increasing our housing stock. Interns worked 40 hours per week for 10 weeks over the summer, and received a stipend of \$10/hour for a total of \$4,000. In addition, they completed a series of financial education classes and were required to open a bank account at a local financial institution if they didn't already have one.

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CONSTRUCTION INTERN ACCOMPLISHMENTS

- 15 STARTED PROGRAM
- 8 COMPLETED PROGRAM
- 5 RECEIVED EMPLOYMENT OFFERS
- 4 OPENED BANK ACCOUNTS
- 9 COMPLETED 10 HOURS OF PERSONAL FINANCE TRAINING





SOD'S MECHANICAL GROWS BUSINESS, BUILDS WORKFORCE

Ken Soderlin began Sod's Mechanical, a plumbing and heating business on the Pine Ridge Reservation, in 1989 with one employee and one truck. Today, his business employs 14 full-time staff members and operates a fleet of six trucks. Early in his company's history, he took on some big jobs that put Sod's Mechanical on a strong growth trend. But, Ken also attributes some of his company's growth to working with Lakota Funds.

"Using all of the programs that Lakota Funds has offered, we've been able to grow the business some. They have even helped when things fluctuate, and getting through some of the rough times," says Ken.

Sod's Mechanical became a client of Lakota Funds over 15 years ago when they obtained a small business loan to purchase some equipment. Since then they have also utilized a line of credit and participated in business programs that Lakota Funds has offered.

"It's been a great resource for me – for expanding my business and establishing my credit to grow my business," says Ken.

More recently, Sod's Mechanical was one of the contractors to participate in the pilot of the Construction Internship Program facilitated by Lakota Funds in partnership with the South Dakota Native Homeownership Coalition. Ken explains this has helped the company broaden its horizons, because "it's a struggle to find young men and women that want to take our trade on."

Although he believes the plumbing and heating industry can be a great profession, not enough youth have been exposed to it. As an active member in the community, Ken is an advocate for the trades professions.

He says, "We have an untapped resource on the Reservation. Our young men and women need to know that this is a great profession, and they can still stay close to home."

Having a limited workforce can equate to lost opportunities for Sod's Mechanical as well as other local contractors. It's a hard hit when a large project is awarded to an off-reservation company.

"It can be tough as the bigger jobs come in – because of technology and having the skilled craftsmen to tackle those jobs," Ken explains.

This past summer Ken participated in the Construction Internship again. He has been happy with the results, and has even gained a permanent employee through the program, which he says is a great asset.

Ken emphasizes the Construction Internship Program is critical to building the Reservation workforce, "On the job training is the best education you can get."

Sod's Mechanical plans to continue its participation in the Construction Internship Program again next year.

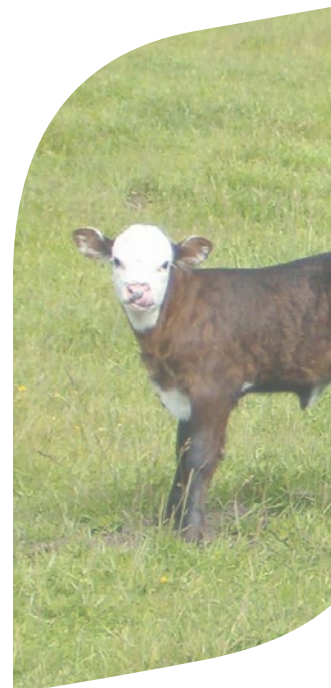
"It's been a win-win for me," says Ken.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

December 31, 2018

	2018	2017
ASSETS		
Cash and cash equivalents	\$5,153,138	\$2,913,072
Certificates of deposit	248,889	250,238
Other receivables	84,197	65,336
Loan receivable, net	1,996,616	1,813,002
Fixed assets, net	798,607	837,861
Total Assets	<u>\$8,281,446</u>	<u>\$5,879,509</u>
LIABILITIES AND NET ASSETS		
Accounts payable & accrued expenses	\$15,342	\$6,216
Notes payable	2,487,874	2,196,617
Net Assets	5,778,230	3,676,675
Total Liabilities and Net Assets	<u>\$8,281,446</u>	<u>\$5,879,509</u>

Complete audit available upon request.





THANK YOU

Lakota Funds would like to extend our gratitude to the funders that supported our work in 2018.

Catena Foundation

Citi Foundation

Clover Charitable

First Nations Oweesta Corporation

First Peoples Fund

Keepseagle Cy Press Fund

HRK Foundation

US Department of Treasury,
Community Development Financial
Institution Fund



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LaVonne Randall
Financial Manager



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