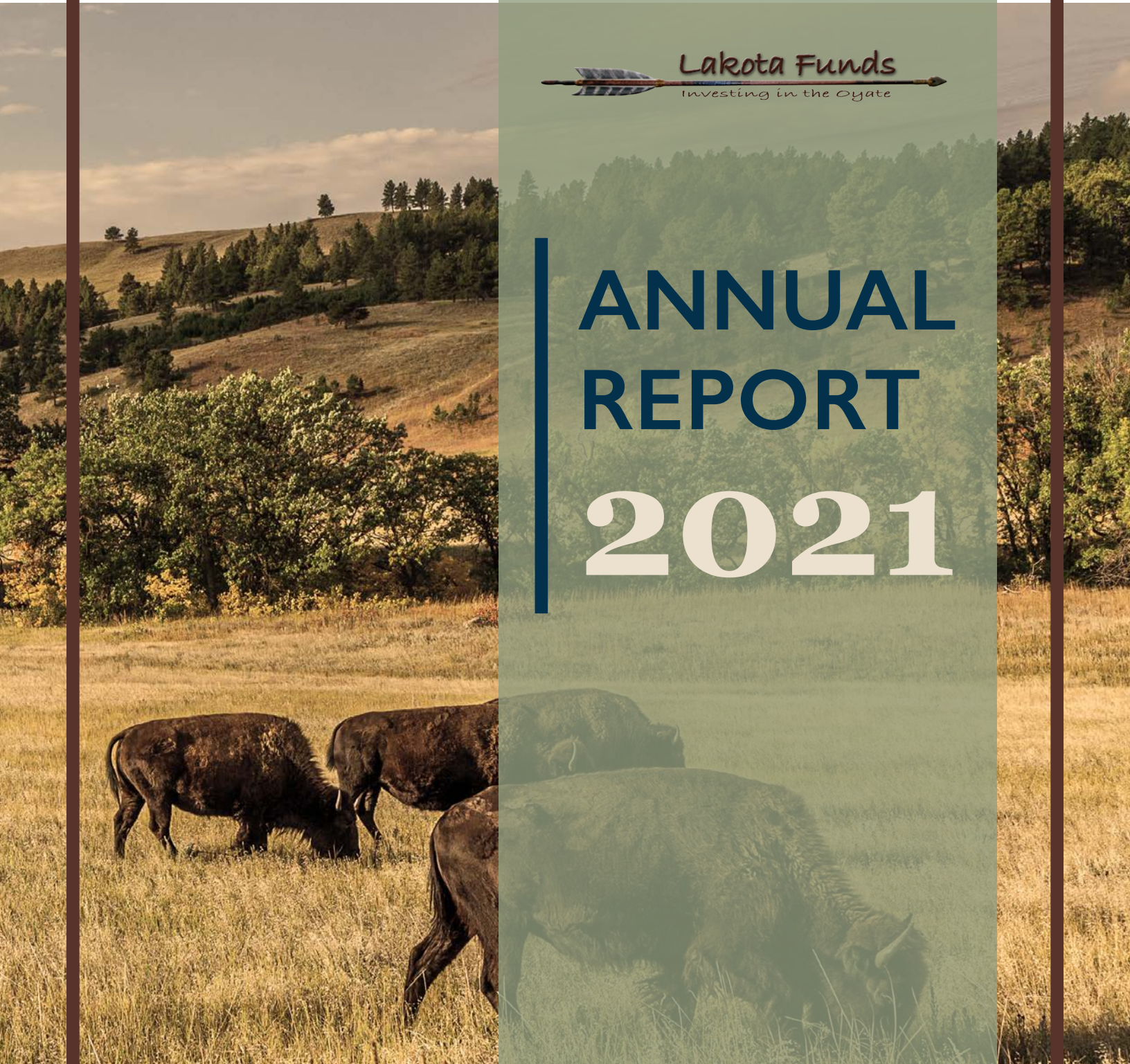




ANNUAL REPORT 2021





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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POWER IN PARTNERSHIPS

2





MESSAGE FROM OUR **EXECUTIVE DIRECTOR**

Despite the uncertainty that the COVID-19 pandemic brought, 2021 was a stellar year for Lakota Funds. We saw a 177% increase in our portfolio, growing our balance to \$7.6 million. We also saw significant increases in portfolio performance, bringing our delinquency rate down to 0.69%. The best part is that all of these numbers translate into real impacts for the individuals, families, and communities we serve. From 2020 to 2021, our borrowers improved their credit scores an average of 3.5%, and their household income rose 24%. The businesses we invested in created or retained 149 jobs, which will extend these impacts further and deeper into the community, resulting in new income streams and lower unemployment rates.

Many of these increases and improvements can be traced back to a theme that emerged in 2021 – **power in partnerships**. This year, we brought our collaborations to the next level. We partnered with a few other Native American community development financial institutions (CDFIs) and a community bank on four different participation loans. Through these innovations, we were able to deploy larger amounts of capital to Native businesses and organizations, stimulating more economic growth than ever before.

Expanding and formalizing a long-standing partnership, we are pleased to announce that Lakota Funds was designated as a NeighborWorks America® Chartered Member. NeighborWorks America® builds skills, supplements resources, and amplifies the reach of grassroots organizations to transform communities. This partnership will leverage the strengths of both organizations to develop and preserve affordable housing, revitalize and sustain neighborhoods, and create jobs.

Through these partnerships, we are looking forward to improving the lives of more of our Lakota Oyate on the Pine Ridge Reservation and neighboring communities!

Sincerely,

Tawney Brunsch
Executive Director

HISTORIC WATER, LIGHT AND POWER

4

JASON (OGLALA LAKOTA) AND RESA RUTZ recently purchased one of the Picture City's historic sandstone structures, the Water, Light and Power Company building located on North River Street. Polished Salon & Spa, owned by Resa, relocated to the building's newly remodeled ground floor suite this summer. The couple completed an extensive remodel of the upper floor and opened it in November as a vacation rental known as The Loft.

“We tried to keep as much of the original features as we could in the entire building,” says Resa of the remodel work, which took a total of eight months.

Much of the test kitchen that was installed in the upper floor during the mid-twentieth century was still intact when the Rutz's purchased the building early this year. The test kitchen served as a training area for local women who wanted to master the more technologically advanced appliances of the time. An appliance store was conveniently located on the ground floor. Built in 1902, the structure was originally home to Hot Springs's first energy company. A turbine that generated power for the town from underground waterways remains in the basement to this day.

Two additions, one added in the 1920's and the other in the 1950's, are large shop areas. Even though the Rutz's are currently looking for tenants for those spaces, Resa says the business of being a landlord is going really well.

“We already have our first booking for the rental upstairs and the salon is generating income,” exclaims Resa.

BUILDING UNDER NEW OWNERSHIP



The Rutz's have celebrated several entrepreneurial successes recently, but like most families, they have experienced ups and downs through the years. When they first moved to Hot Springs in 2016, the couple was receiving help from the Supplemental Nutrition Assistance Program and couldn't afford anything extra, like football for their children.

"We weren't raised with a lot of opportunities, and having young children made it hard to put yourself into work and do things," explains Resa.

They persevered through tough times by continuing to work hard and taking calculated risks, key traits of successful entrepreneurs. Jason leveraged his experience in the professional equine field to gain employment; Resa started her own salon and then got into real estate a few years later. Their efforts began paying off.

"When this historic building came up for sale, we decided to go for it," says Resa.

Unfortunately, traditional lenders didn't see the same level of business potential in the historic building as the Rutz's did. Determined, Jason and Resa began working with Lakota Funds to secure financing for the real estate purchase. As an unregulated lender, Lakota Funds has more flexibility in the terms we can offer, which is more favorable for start-ups. We utilized funds from Wells Fargo's Open for Business Fund program to provide a low-interest rate loan.

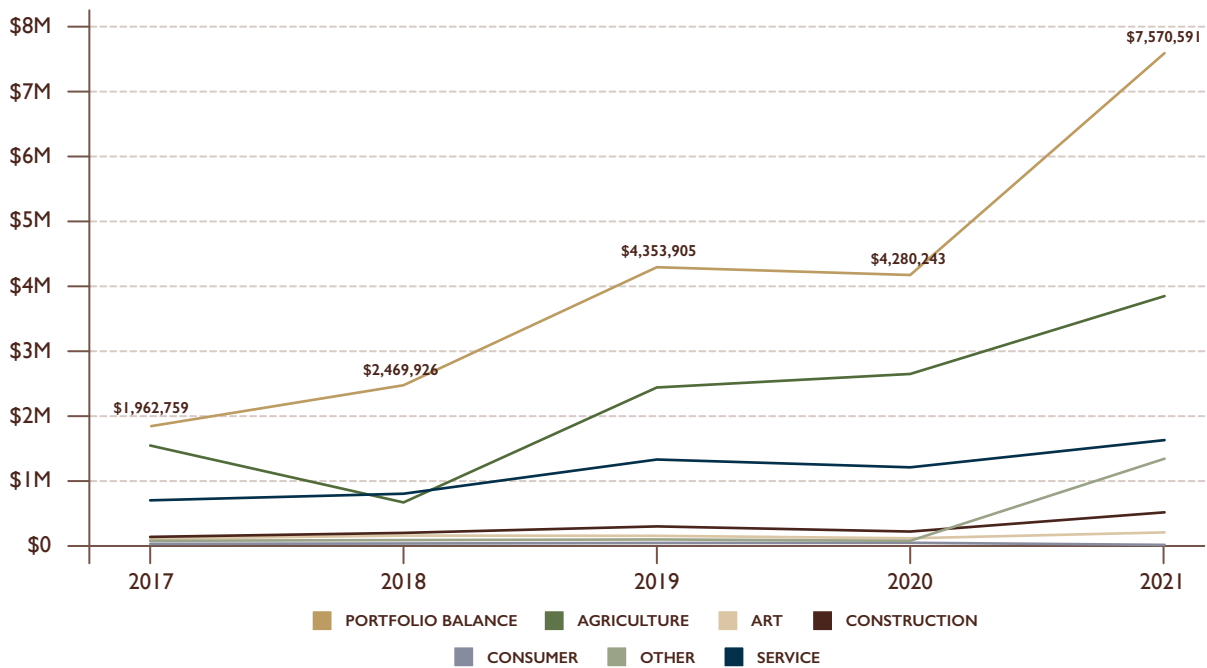
Once the transaction was completed, the Rutz's went straight to work on their entrepreneurial venture. Reflecting on their achievements so far, Resa acknowledges the pay offs of staying the course and taking chances.

"We've done really well," she says.

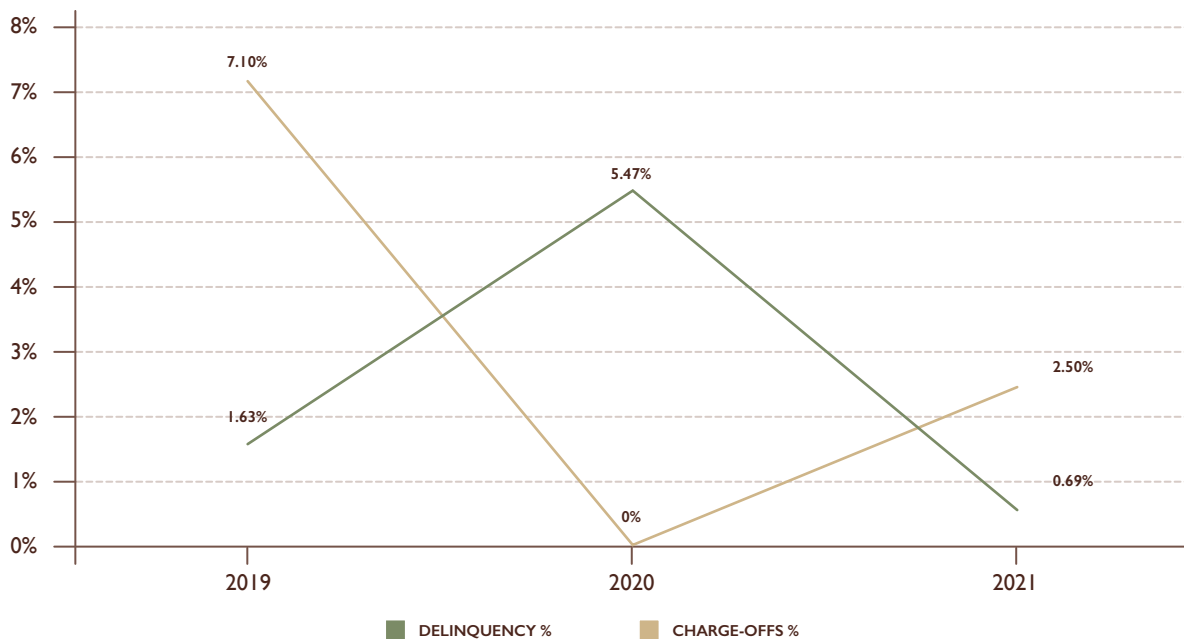


2021 COMMUNITY IMPACT

PORTFOLIO GROWTH

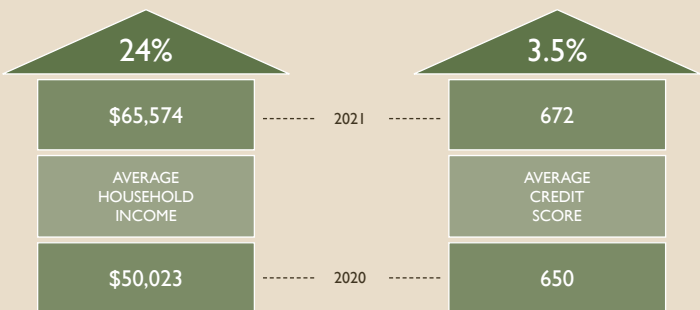


PORTFOLIO PERFORMANCE

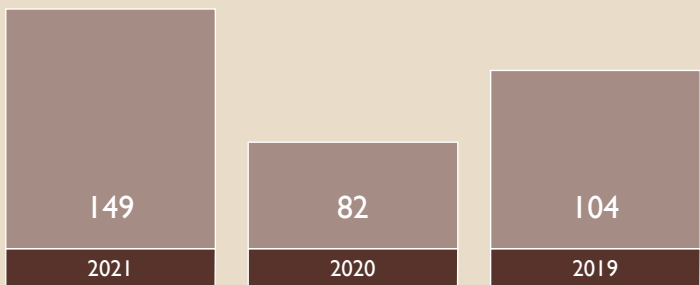


Although Lakota Funds is a leading business lender within our service area, we also focus on building the financial wellness of our borrowers. In the last year, our borrowers saw significant increases in income and credit scores. More financially capable individuals create stronger families and stronger communities.

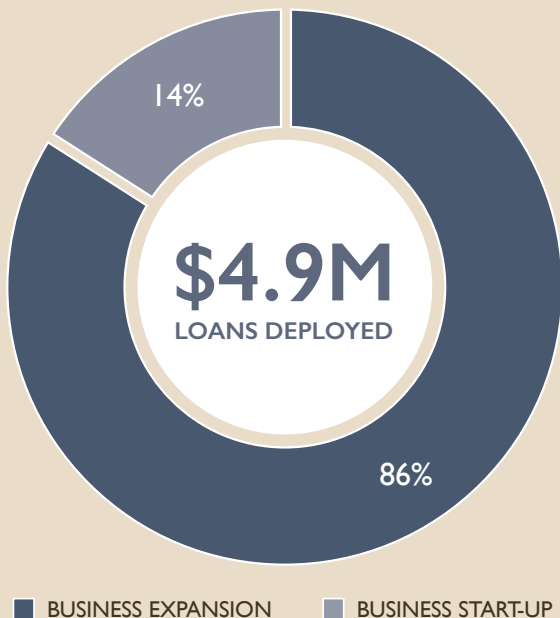
CHANGE IN CLIENT INCOME & CREDIT



JOBS CREATED / RETAINED



2021 BUSINESS LENDING



OGLALA LAKOTA ART CENTER

In partnership with First Peoples Fund, ArtSpace, Lakota Federal Credit Union, and Lakota Funds, the new Oglala Lakota Arts (OLA) Center opened this year. The facility will house space for the partners to offer a variety of programming to community members, as well as several studios where Native American artists can practice in a range of mediums.

Lakota Funds' OLA office location will provide essential education and coaching to help individuals and families become mortgage-ready. While the Credit Union's new branch will offer all regular services – opening accounts, deposits, withdrawals, check cashing, etc. – it will also be staffed with a full-time mortgage lender.

The collaboration will leverage resources between partner organizations to maximize asset building opportunities for individuals and families in the area.

LIFTING UP ROSEBUD

Through our expanded service area, we now are able to reach our relatives on the Rosebud Reservation just east of the Pine Ridge Reservation. Over the last year, we closed 13 loans for Rosebud Sioux tribal members. In addition, we have collaborated with their emerging Native community development financial institution (CDFI), Tatanka Funds, on a participation loan for an agricultural operation. Building on that success, we spearheaded a homeownership capacity building initiative with Lakota Federal Credit Union, Mazaska Owecaso Otipi Financial, Sicangu Wicoti Awanyakapi Corporation, and Tatanka Funds to make homeownership more accessible for Rosebud tribal members.

CREDIT UNION

Approaching their 10-year anniversary, the Lakota Federal Credit Union continues to have a profound impact on our community. Over the past few years, they have expanded their suite of products to include checking accounts, credit cards, and a range of home loan products. As one of our closest partners, we continue to leverage resources and services with the Lakota Federal Credit Union to offer more resources to our community members. In addition, the Credit Union has been instrumental in reaching our neighboring Rosebud community.

PARTICIPATION LOANS

In 2021, we deployed four participation loans, which have expanded our capital deployment and helped build a network of mission-oriented lenders. A participation loan is an instrument that allows multiple lenders to share in the funding of a loan and is typically used when the full loan amount exceeds the maximum loan limit of the lenders involved. For two of these innovative collaborations, we partnered with Four Bands Community Fund, a Native community development financial institution (CDFI) located on the Cheyenne River Sioux Reservation. These participation loans enabled the start-up of a tourism business and a real estate purchase by an art nonprofit. In another participation loan, we joined forces with Tatanka Funds, a Native CDFI located on the Rosebud Reservation to support an agricultural operation. We even partnered with a traditional financial institution, First National Bank, to deploy capital to a tribe. We were glad to be named as a minority lender on this deal, and look forward to building on this partnership. The participation loan model has enabled us another similar organizations to meet larger capital needs within the communities we serve.



NATIVE AMERICAN ARTIST GALLERY TO RE-EMERGE WITH SUPPORT FROM COLLABORATIVE FINANCING MODEL

After being closed to the public since the start of the COVID-19 pandemic in March 2020, Racing Magpie, an organization that provides creative workspace to Native American artists and is known for their contemporary art exhibits, plans to re-open in a new building on the southside of Rapid City in the coming months. While they had previously leased space, Peter Strong, Director and Co-Owner, explains that the purchase of the new property will provide a more permanent foundation for the artist community they serve.

As Strong was exploring financing options for the purchase of Racing Magpie's new space, he questioned, "How do we find partners that won't look at us just as another account?"

Racing Magpie had partnered with Four Bands Community Fund and Lakota Funds, both Native community development financial institutions (CDFIs), to deliver programming to Native artists in their respective locations on the Cheyenne River Reservation and the Pine Ridge Reservation. Strong says it just hit him at some point, and he reached out to both lenders, not as a partner this time, but as a potential borrower and received a positive response. Four Bands and Lakota Funds joined together and customized the participation loan model to finance the purchase of Racing Magpie's new location.

"This model demonstrates how Native CDFIs can be nimble and creative to meet the needs of the communities we serve. Our strength is thinking outside of the box and coming up with new solutions to support Native American entrepreneurs," says Tawney Brunsch, Executive Director of Lakota Funds.

"It was a perfect way to bring together their [Four Bands' and Lakota Funds'] desire to support Native artists and our need to finance this purchase. They made it super easy to walk through, and it was really just a cool thing," reflects Strong.

Strong says Racing Magpie is looking forward to the greater stability and flexibility that ownership provides. As organizations with similar missions, Four Bands and Lakota Funds are looking forward to more opportunities where they can collaborate on participation loans.

"I hope more people do this kind of funding in the future. We have to work together to create good systems," says Strong.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

December 31, 2021

	2021	2020
ASSETS		
Cash and cash equivalents	\$8,880,513	\$7,999,002
Certificates of deposit	248,083	248,083
Other receivables	102,350	118,539
Loan receivable, net	7,081,942	3,697,468
Fixed assets, net	668,871	755,821
Total Assets	<u>\$16,981,759</u>	<u>\$12,818,913</u>
LIABILITIES AND NET ASSETS		
Accounts payable & accrued expenses	\$1,896	\$5,906
Notes payable	5,800,682	4,479,594
Net Assets	11,179,181	8,333,413
Total Liabilities and Net Assets	<u>\$16,981,759</u>	<u>\$12,818,913</u>

Complete audit available upon request.

WOPILA TANKA THANK YOU

Bush Foundation
Catena Foundation
Causeway Trust Co.
Citi Foundation
Clover Charitable Fund
Enterprise Community Partners
Health & Human Services Administration for Children and Families
HRK Foundation
JK Lee Family Foundation
Native CDFI Network
Native American Agriculture Fund
NeighborWorks America
Northwest Area Foundation
Oweesta Corporation
South Dakota Housing Development Authority
Vervane Foundation
US Treasury's CDFI Fund
Wells Fargo

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Executive Director



LaVonne Randall
Financial Manager



Tony Taylor
Loan Officer



Ali Webster
Lending Support Specialist



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