

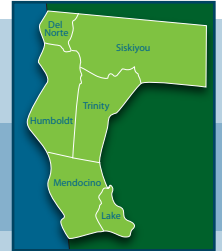


ANNUAL REPORT 2013

MISSION:

Providing loans and support to entrepreneurial, innovative business and community endeavors.

AEDC provides financing for business opportunities in Del Norte, Humboldt, Mendocino, Lake, Siskiyou and Trinity Counties in Northern California.



From the Executive Director



To come forward and say that AEDC hasn't felt the effects of a sluggish economy would be an exaggeration. But, the truth is, in the ways that are important,

AEDC came through FY13 strong.

First, we saw an increase of nearly 30% in dollars loaned to businesses over the last year. The number of jobs created or retained more than doubled from 39 in FY12 to 83 in FY13.

We've helped small businesses start, like Hoppy's Fro Yo in Fortuna. We've provided existing businesses with expansion support, like providing Rising Tide Sea Vegetables in Fort Bragg with the resources they needed to expand their product line.

Fiscally, our total net assets have surpassed a million dollars for the first time, and we're coming out of our third "unqualified" audit, which designates AEDC as a low risk auditee.

Our real strength has been the ability to

develop strong collaborations. It's a natural tendency, when times get tight, to guard resources. By resisting that urge, listening to what the community needs, and being open to collaboration, AEDC and partners have been able to make large, important projects like the Carson Block Building Historic Preservation Project in Eureka, happen. Partners like the Humboldt Area Foundation, Redwood Region Economic Development Corporation, Headwaters Fund, the City of Eureka, the Economic Development Financing Corporation (EDFC), in Ukiah, and others have come together to make this past year a successful one, for our organizations and for the community as a whole.

As we head into this new year, we are optimistic. With a keen eye on our mission and the tenacity to find creative solutions to funding challenges for large, important projects, AEDC will continue to serve our region in a steady, responsible and innovative fashion.

Lemonade Day!

Humboldt County

AEDC hosted its third annual Lemonade Day on June 1, 2013 with our partner Decade of Difference, and sponsors who included US Bank and PG&E.

Lemonade Day exists to infuse today's youth with the spirit of enterprise, teaching the business basics and entrepreneurial skills one lemonade stand at a time. Community workshops at the Jefferson Project in Eureka and the MGC in Fortuna allowed kids to try innovative recipes, create posters for marketing, and learn about making a budget and tracking funds from a representatives of US Bank.

In 2013, at least 80 stands were set up around Humboldt County. Of those stands, 45 submitted their business results at the end of the day. This is what we learned:

- The average number of cups sold was 64/stand or 5,141 total.



- The average price was \$1.27. Prices ranged from .50 to \$4.00/glass.
- Profit/per stand was reported as \$98/ or \$7,840 for 80 stands
- 77% of the participants met their goals.
- 90% of the participants reported paying their investor back for their start-up costs.
- 78% of the participants reported donating to charity, an average of \$38/stand or \$2371 total.



Photos by Brandi Easter.

IDA Program

Photo by Chris Wisner, of E. Chris Wisner Photography.

Brandi Easter at work. Chris and Brandi were in the same IDA group. Chris said: "The IDA program was not only an amazing learning experience, but provided excellent opportunities to network with my business peers. We met to share and compare trends, resources, viewpoints and talent."



Since 2007, Prosperity Individual Development Account (IDA) participants, small business owners throughout the region, have been able to invest in needed assets while learning finance and business management skills. The program, which started with 9 participants in Humboldt County in 2007 grew to

serve about 100 entrepreneurs in Humboldt, Del Norte, Mendocino and Siskiyou Counties. Participants attended financial literacy classes, and workshops on business topics, including

business finance, legal issues marketing, and more. During their education, they were saving money for their business. AEDC then matched their savings 2:1, or 3:1 depending on the program.

IDA participants in Humboldt, Del Norte, Mendocino and Siskiyou County purchased over \$319,000 in business assets. The initial investment makes larger purchases like trucks, or major equipment, become affordable with the savings-match.

Brandi Easter, owner of Brandi Easter Photography, was a participant who successfully completed the program.

"I have to have access to up-to-date equipment in order to offer strategic technology at competitive prices," Easter said. "I enrolled in the IDA program during my participation with the North Coast Small Business Development Center's (NCSBDC) Advanced Flight and chose to invest the IDA funds towards new lighting equipment in order to stay current with today's technology, be more efficient and stay successful," Easter explained.



Using funds from a Community Development Financial Institution (CDFI) Financial Assistance grant, one of AEDC's spotlight projects in FY 2013 was to build partnerships and leverage funds to help restore a historic building that is literally in the center of Old Town, Eureka.

Client Profile

NORTHERN CALIFORNIA INDIAN DEVELOPMENT COUNCIL (NCIDC) CARSON BLOCK BUILDING



When the NCIDC approached us about their challenge to restore and earthquake retrofit the Carson Block Building, a three story historical commercial facility comprising of approximately 51,544 square feet, it could have easily been passed up as a project that was too big to take on. It was also a project that was too important to pass up. Originally constructed in 1892 for lumber baron William Carson, the building was the first of its kind in Eureka to include professional offices, large retail spaces, and an 837 seat theater known as the Ingomar Theatre. After the façade work, the building will once again have the majesty of its original look.

When AEDC was approached for this project, the NCIDC had a \$1,100,000 California Cultural & Historical Endowment grant that was at risk without local matching funds. AEDC took the lead, using a promise of CDFI funding, to bring in partners. To get the match for the CCHE grant, AEDC pulled in the Headwaters Fund, The Redwood Region Economic Development Commission and the Humboldt Area Foundation to contribute a total of \$1,500,000 toward financing the project.

This funding covered refinancing the building, completing roof repair and some façade work. Before starting the earthquake retrofit and major façade work, however, the NCIDC needs to obtain a Community Development Block Grant from the CDBG. AEDC worked closely with the NCIDC and the City of Eureka on this phase of the project, getting the grant submitted for approval. Upon approval, AEDC will have used their \$375,000 from CDFI, and a lot of collaboration and ingenuity, to leverage funds to complete a project whose total cost will be 8.5 million dollars.



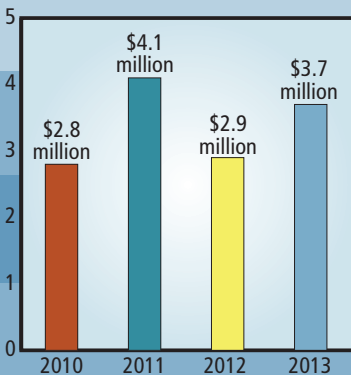
Photos by Nick Adams of AdamsVisuals.

FY11 FINANCIAL POSITION OPERATIONAL ACTIVITIES

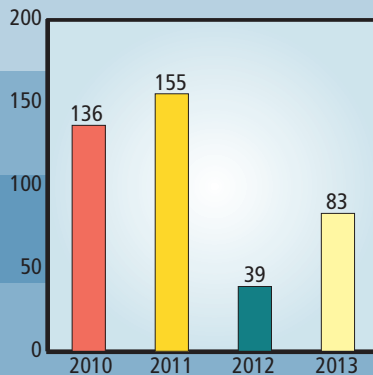
	FY13	FY12	FY11
Net Assets	\$1,150,435	\$943,597	\$653,041
Unrestricted Net Assets	\$1,121,775	\$856,548	\$604,420
Total Assets	\$6,305,871	\$6,351,189	\$6,595,659

	FY13	FY12	FY11
Total Revenue	\$1,022,493	\$1,164,084	\$1,156,485
Total Expenses	\$815,655	\$873,528	\$819,262

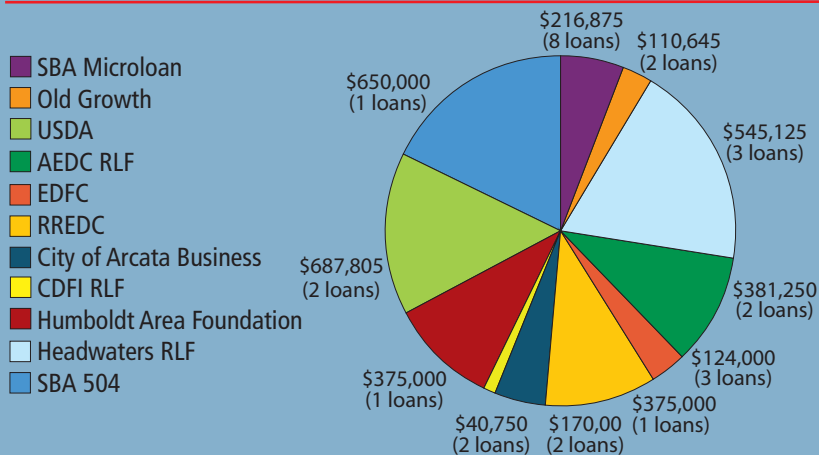
DOLLARS LOANED



JOBS CREATED/RETAINED



LOAN FUNDS APPROVED BY PORTFOLIO



Treasurer's Comments

– Michael Proulx, Treasurer

As an economic development organization, AEDC has to both work to develop the overall economic stability of a community, while closely monitoring the fiscal health of our organization. We're happy that AEDC has had our third "unqualified" audit in a row for FY2013, which means that AEDC Small Business Lending Center is now considered a low risk auditee. This status reflects that AEDC financial records and reporting are in excellent condition.

Excellent record keeping is one way to measure the fiscal health of AEDC. These past few years have marked a difficult period for business growth, and for many economic development organizations. We have experienced a drop in revenue, especially interest revenue, but have responded by lowering our expenses. AEDC's expenses have dropped 8%. AEDC has not had to reduce staff, and – in fact – chose to lengthen the contract of our Mendocino office when the term expired.

For the first time, AEDC's net assets have surpassed a million dollars – and to think that five years ago, in 2009 our net assets were at just over \$300,000. Additionally, we have not only increased our net assets, but we've increased mostly in the area of unrestricted assets.

We have also been reducing our liabilities including paying down many of our long term notes – and completely paying off one of our SBA Microloan Fund notes.

Each year, we try to take initiatives to make our investments safer by getting insurance like Cal-Cap, or by keeping an appropriate amount in our loan loss reserves. This year, in our work on the Carson Building with the Northern California Indian Development Council, we researched and were able to utilize a Bureau of Indian Affairs Loan Guarantee. This made the loan a safer risk, and allowed partners the security to partner on what is a very large project. Now that we have gone through the process, that is another tool in our tool-box to protect the fiscal stability of AEDC.

As we move forward to another year, AEDC will continue to be mindful of our current fiscal status and judicious in our decisions. Knowing that we have been responsible, staff can focus the things that affect us all -- building a stronger economic community.

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Redwood Capital Bank



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