

In FY 2015,

Andrew Cook, a Humboldt State University student in the Sustainable Rural Economic Development class took on the task of creating a comprehensive list of all business and community development project loans that AEDC has participated in, many of which were made before there were computer systems to keep track of them.



In the end, he created a geographic map of all of the loans, whether the funding came from AEDC directly, or they were loans that were made through partnerships with other funders. In the results, the individual cities that have five or more loans are represented. County totals include loans made in all communities within that county with five loans or fewer. This showed that, in the area of business loans and community development projects (excluding housing), AEDC has contributed to economic development in our region to the tune of \$67,428,275.

Here are the results of all loans through FY15:

HUMBOLDT COUNTY	\$ 3,306,390.00
LAKE COUNTY	\$ 1,132,000.00
MENDOCINO COUNTY	\$ 3,681,244.00
SISKIYOU COUNTY	\$40,000.00
TRINITY COUNTY	\$ 1,010,000.00
Arcata	\$21,936,584.00
Blue Lake	\$1,109,200.00
Crescent City	\$4,578,500.00
Eureka	\$21,037,700.00
Ferndale	\$1,618,000.00
Fort Bragg	\$959,000.00
Fortuna	\$5,073,390.00
McKinleyville	\$ 1,571,267.00
Trinidad	\$375,000.00

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.

AEDC 2015 Board of Directors

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2015 ARCATA ECONOMIC DEVELOPMENT CORPORATION ANNUAL REPORT

AEDC

completed a five-year strategic plan with the help of Fulkerson and Associates in FY15. During the process, it reinforced that AEDC is not simply a lending institution, but a community organization.



Our team reached out to listen and observe, to plan innovative solutions, to build partnerships and create sustainable programs that ultimately grow prosperous businesses, families and neighborhoods. Twenty five participants, including previous clients, community leaders and financial partners, worked in focus groups to provide information that was used by the board to look into the future.

We identified strategic activities to pursue. They included finding a more central location for AEDC; Increase staff support and succession planning for loan programs; Increase our available loan funds; Provide training opportunities for business owners and managers; Continue to innovate with large community projects.

In FY15 we did have a variety of large community development projects that you will read more about in this report. These projects support economic development by creating a vibrant, livable community in which businesses are more likely to thrive.

We also pursued the suggestion to find a more central location within Humboldt County for our office. AEDC purchased a building in Eureka that we are currently remodeling. Look for us to move by the first quarter of 2016.

One of AEDC's strengths, it was noted, is that we are nimble and we can work to address community needs as they arise. Each year, we work to maintain operational integrity with our clients and funders. A solid operating base allows us to recognize opportunities as they arise and pursue new projects that better meet the needs of our community. It also keeps us fresh and motivated.

– Ross Welch



In the last several years, AEDC has seen a significant increase in our net assets thanks to several special circumstances, such as the more than \$1 million in Old Growth Redwoods funds that were released to AEDC last year.

FY15 was another year when AEDC's assets increased, from 2.02 to 2.09 million, based solely on the operations of the organization.

AEDC's largest revenue source comes from interest on our loans. This increased in FY2015. Another primary source of income is from service fees and loan origination fees. Service Fee Income remains strong and is directly related to the community projects and funding collaborations that AEDC has pursued. One example is that AEDC has contracted and

serviced business loans for not only Arcata, but also Eureka and Ukiah. This helps increase our servicing income and assure that businesses who need financing have access to it. One of the most dramatic line items is bad debt expense. Last year we reported an expense of \$419,294 which included a large amount due to the release of the Old Growth portfolio to AEDC's Revolving Loan Fund. This year we saw more favorable results from our risk analysis that included several of our struggling loans being brought current, by borrowers paying off their loans, and new loans booked having favorable risk grades. All of these factors led to a negative expense of \$91,431. This makes a huge impact in our expenses from \$1,175,451 last year to only \$596,737 this year. Even without factoring in the bad debt line item, AEDC was able to reduce expenses from \$756,157 to \$688,168.

AEDC made loans to 18 businesses or community organizations this year, compared to 16 last year – with \$7 million in loans compared to \$3.2 in FY14. This includes an increase in Headwaters loans made from \$500,000 in loans last year to \$907,500 this year.

AEDC, once again, received a finding free audit. Our financial story this year tells us that AEDC is observant of our expenses, resourceful with prospects, and consistent in operations.

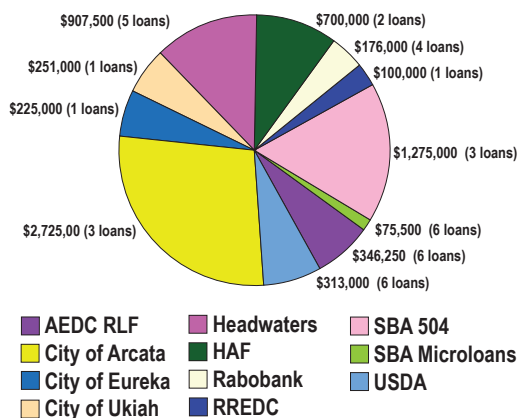
FY15 FINANCIAL POSITION

	FY15	FY14	FY13
Net Assets	\$2,098,641	\$2,028,449	\$1,150,435
Unrestricted Net Asset	\$2,086,955	\$2,023,141	\$1,121,775
Total Assets	\$6,148,381	\$6,103,868	\$6,305,871

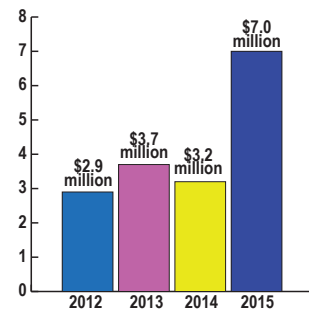
OPERATIONAL ACTIVITIES

	FY15	FY14	FY13
Total Revenue	\$668,687	\$2,054,470	\$1,022,493
Total Expenses	\$598,495	\$1,176,456	\$815,655

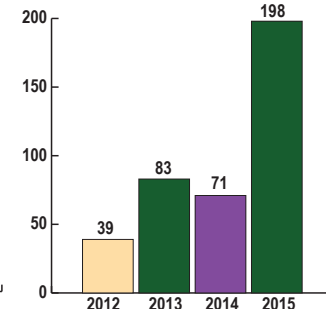
LOAN VOLUME BY PORTFOLIO



DOLLARS LOANED



JOBS CREATED/RETAINED



AEDC has begun working with partner organizations to develop funding packages that may be too large for one agency alone.

These partnerships allow those community projects that provide valuable services and quality of life to our region to come to fruition. This form of partnership started with the Open Door Community Health Clinic in Eureka, but has grown to include several projects. Financing partners include the Humboldt Area Foundation, Redwood Region Economic Development Commission and the Headwaters Fund. In FY 2015, those projects included:

SEQUOIA PARK ZOO EXHIBITS

Sequoia Park Zoo Foundation



Photo courtesy of Sequoia Park Zoo Foundation

In April 2011, the Sequoia Park Zoo Foundation was awarded a \$2.3 million Nature Education Facility grant from the State of California Department of Parks and Recreation that provided funds to construct a new River Otter, Bald Eagle, and Salmon Exhibit - known as the Watershed Heroes Project. The overall project also included a computer learning lab classroom and off-exhibit

space otter breeding program. The grant did not cover all of the expenses, however, leaving the Eagle Aviary and computer learning lab unfunded. Working with AEDC to finance that portion of the project allowed the Sequoia Park Zoo Foundation to complete the exhibit and open it to the public.

EUREKA RESCUE MISSION

The Eureka Rescue Mission is building a new addition which includes construction of a new kitchen, pantry, cafeteria and courtyard directly west of the current



building and was funded in part by AEDC. Redwood Capital was able to fund the largest portion of the project and AEDC combined funds with Headwaters money in order to fill the funding gap and bring the project to fruition. The purpose of this project is to alleviate the burden of homelessness in the downtown area, and will help individuals grow out of a high poverty situation by making them available for employment.

JEFFERSON COMMUNITY CENTER

Westside Community Improvement Association

A loan from AEDC is allowing the Jefferson Community Project to take advantage of a \$3.3 million grant to expand their facility and programs. Like many grants, this was based on reimbursement, and the organization had to determine where the cash flow would come from. A bridge loan from AEDC made it possible for the community based non-profit to participate in a large project like this, keeping the project moving and making sure



contractors were paid on time. The funds were used to purchase property and finance the construction of improvement costs for a new playground area & basketball courts, a community garden, walking paths, landscaping the exterior, ADA compliant restrooms, a new parking area and the replacement of two portable buildings with a brand new building for an infant/toddler center, renovation of an existing building to house a new community library, several multi-purpose rooms, a performing arts recreation space, a new fully functional commercial kitchen area, new ADA compliant restrooms, and a conference/community room.