

**ARCATA ECONOMIC DEVELOPMENT CORPORATION**

**ANNUAL  
REPORT  
2012**





## **MISSION:**

**P**roviding 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

At AEDC, we work tirelessly to serve our mission by providing loans and supporting economic development and business endeavors. We work just as hard to assure that we maintain the operational effectiveness, product diversity, and fiscal strength to be able to best continue to serve that mission.

We have seen less loan activity than in recent years, but that has not led us to cool our heels while we're waiting for clients to walk through the doors. We have been actively supporting our smallest businesses through the Prosperity IDA Scholarship, which has programs in Humboldt, Del Norte, Siskiyou and Mendocino counties. We partner with professional and economic development organizations to support business through programs like Economic Fuel, Plan It Green, Decade of Difference and Prosperity 2012. We also work closely with our current clients to assure that they're on track to maintain business success.

In building operational strength, we are happy to have completed another audit without findings. Our staff, committees and board are committed to keeping accurate and transparent records. With an eye on the big picture, we recognize when to be conservative and when an investment of time or resources is one that will best serve our mission.

Partnerships continue to be a key focus for us, both regionally and locally. These are the foundation for our future planning. By working together to access collaborative funding sources or to find ways to allow individuals to invest locally, we can serve projects that will have a valuable impact on our community, both socially and economically.

A handwritten signature in black ink that reads "Ross Welch". The signature is written in a cursive, flowing style.

Ross Welch, Executive Director

REPORT



## TREASURER'S COMMENTS

Financially, AEDC continues to remain strong during this tough economic climate.

AEDC's net assets have continued to grow – to nearly a million dollars at \$943,597 from FY11's total net assets of \$653,041. This increase is similar to the increase we saw last year. Both increases have been augmented with grant funds received from the Community Development Financial Institution (CDFI) Grant for \$750,000 in FY11. Those funds were provided by the CDFI financial assistance, and once loaned out, they become an AEDC asset. Five years ago, total net assets were just over a quarter million dollars at \$228,750.

Our interest income is up slightly this year from \$430,883 to \$442,773, but it is fair to let you know that our interest income was decreasing by year's end and into the beginning of this year. Interest income can drop for several reasons, and it is part of a normal borrowing cycle. As client businesses become more established, they become eligible to find more traditional funding sources with better rates and terms and they're able to pay off their

loans with us. This frees up money to loan to the next new business. The key to keeping our interest income high is to fund more new businesses to replace those that are paid off.

As we enter another year, AEDC recognizes the importance of getting funds into the hands of borrowers. We have made fewer loans this year and that is due to a decrease in loans sought. We are committed to continuing the job we've been doing for over 35 years. It's the job being called for across the country -- supporting the innovative small business entrepreneurs that are the backbone of our local economy. We pride ourselves in recognizing the potential of our clients.

Once again, we have come through the audit process with no findings. . . For that, we can thank our controller Teri Paterson, the leadership of our executive director, Ross Welch, and our volunteer finance committee.

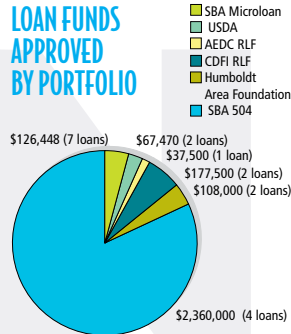
Using sound judgment, and thoughtful business decisions, while continuing to grow our available loan funds -- we can move forward confidently, continuing to build our local economy by supporting local businesses through our services.

## FY12 FINANCIAL POSITION OPERATIONAL ACTIVITIES

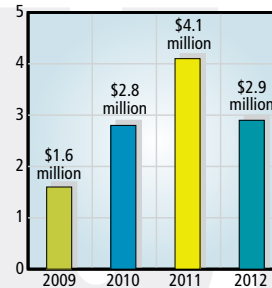
	FY12	FY11	FY10
Current Assets	\$753,698	\$921,527	\$843,875
Total Assets	\$6,351,189	\$6,595,659	\$5,758,996
Current Liabilities	\$691,312	\$817,887	\$407,806
Total Liabilities	\$5,407,592	\$5,942,618	\$5,443,178
Net Assets	\$943,597	\$653,041	\$315,818

	FY12	FY11	FY10
Total Revenue	\$1,164,084	\$1,156,485	\$950,148
Total Expenses	\$873,528	\$819,262	\$936,604
Change in Net Assets	\$290,556	\$337,223	\$13,544

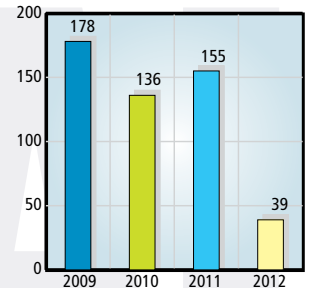
## LOAN FUNDS APPROVED BY PORTFOLIO



## DOLLARS LOANED



## JOBS CREATED/RETAINED



## PROSPERITY IDA SCHOLARSHIP

After starting the first Prosperity Individual Development Account Scholarship in 2006, AEDC has hosted eleven more cohort groups through the Prosperity Individual Development Account Scholarship. The program is designed to help low to moderate income individuals to increase their overall wealth by helping them to acquire the assets that allow them to build wealth.

The program has worked successfully in Humboldt with microenterprise business owners from the beginning. AEDC has now hosted IDA programs in Humboldt, Del Norte, Siskiyou and Mendocino. In Humboldt, programs have been offered to business owners, farmers and to students for educational assets.



Debbie Weist, of Dance with Debbie, is an IDA participant who used her asset funds to create a new web site that includes professional photographs for her page.

Photo by Muir Adams

The program combines business development, or job readiness training, with financial literacy and a savings match. Participants take classes with partner organizations and are able to save during the education period. Their funds are matched \$2 for every dollar saved or \$3 for every dollar saved, depending on the cohort group.

In FY 2012 AEDC distributed \$36,500 in matching funds, allowing participants to purchase a minimum of \$54,750 in assets. Since the program began, AEDC has distributed nearly \$152,000 to IDA participants, allowing them to purchase over a quarter million dollars in business and education assets.

Thank you  
IDA Partners!

### Education/Training Partners

College of the Redwoods – Job Readiness Training  
Consumer Credit Counseling Services – Financial Literacy  
Jefferson Economic Development Institute --  
Financial Literacy, Business Training and Advising  
Mendo/Lake Credit Union –  
Financial Literacy Training  
North Coast Small Business Development Center –  
Business Training and Advising  
UC Cooperative Extension –  
Farm/Business Training/Advising  
West Company -- Business Training/Advising

IDA Account Holders  
Chetco Federal Credit Union  
MendoLake Credit Union  
Scott Valley Bank  
Umpqua Bank

### Funders

#### Assets for Independence Grant

From the Department of Health and Human Services  
Department Administration for Children and Families

Wells Fargo



# Lemonade Day!

Humboldt County



AEDC hosted its second Annual Lemonade Day on June 2, 2012. Lemonade Day is a nation-wide event that teaches kids to set goals, develop a business plan, establish a budget, seek investors, provide customer service and give back to their community.

Lemonade Day exists to infuse today's youth with the spirit of enterprise, teaching the basic business

and entrepreneurial skills one-lemonade stand at a time. Participants learn to start, own and operate their very own business using a lemonade stand. We encourage the kids to "save a little, spend a little and share a little."



## LEMONADE DAYS

- ★ 56 stands were open in Humboldt County. A reported average of 60 glasses per stand were sold for 3,496 total glasses.
- ★ A reported average of \$117.80 was made in gross revenue per stand for \$6,832 total.
- ★ 77% of participants reported donating to charity, an average of \$42.27, or a total of \$1,902.
- ★ 77% of participants reported saving some of their money and 77% reported paying their investor for the start up funds.

# Featured clients

## MASAKI'S MONGOLIAN GRILL AND SAKE BAR, ARCATA



For Eric and Jeni Masaki opening a Mongolian Barbecue had always been a dream of theirs. After a few years of running the successful Kyoto Japanese Restaurant, they decided to move forward to create a dining establishment that was more affordable to customers like students. This business

would also support the community by creating more jobs and support other community businesses by using local, organic ingredients. What they created was Masaki's Mongolian Grill and Sake Bar.

The couple approached several banks for a loan, and despite Kyoto's success and the couple's business acumen, the banks stated that they were unable to offer a loans to restaurant enterprises under any circumstance.

"Once they typed in the loan application that the financing would be for a restaurant, they said weren't able to offer us a loan," said Eric.

When they learned about funding through AEDC, they found someplace that was able to finance business opportunity, allowing them to move forward on construction for their new restaurant in Arcata.



## TELSTAR CHARTERS, FORT BRAGG

Randy and Charan Thornton, owners of Telstar Charters, decided to pursue a government grant enabling them to install a low-emissions engine on their charter boat. There was just one catch: the engine had to be installed and operable in order for them to receive the grant funding. With excellent credit, the Thorntons expected no problems seeking out a bank loan to help pay the upfront costs of the new engine. Unfortunately, their loan wasn't fundable through traditional sources. In the process, the Thorntons learned about AEDC.

"AEDC bent over backwards to make it happen" says Telstar Captain Randy Thornton. With the loan from AEDC, the Thornton's new engine was installed and running just in time for a great salmon season.



Photo by with Randy Thornton. Used with permission

## BOARD OF DIRECTORS

### **Janet DePace, President**

Lead Business Counselor,  
Small Business Development Center

### **Antoinette "T" Highsmith, Vice President**

Controller, Wildberries Marketplace

### **Larry Dugger, Secretary**

Operation Development & Planning Analyst,  
California Redwood Company

### **Michael Proulx, Treasurer**

Lecturer, Humboldt State University

### **Susan Diehl McCarthy, Past President**

Community Member

### **Stan Elcock, Board Member**

Engineer, SEE Engineering

### **Mandy Marquez, Board Member**

VP Community Banking, US Bank

### **Kathy Montagne, Board Member**

Executive Director,  
North Coast Children's Services

### **Kien-Quoc Van Pham, Board Member**

Professor, Humboldt State University

### **Rebecca Price Hall, Board Member**

Grant Administrator, City of Trinidad

### **Tina Susmilch, Board Member**

VP/Commercial Loan Officer,  
Redwood Capital Bank



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