



get connected



2012 annual report

dakotaresources
Economic and Leadership Development

A group of smiling people, including a woman in the foreground and several men behind her, all smiling warmly. The background is a warm, orange-toned setting with a pattern of small circles in the upper left corner.

be the
change

you want to see in your community.

conn



Beth Davis



Jon Farris



Christine Hamilton

sharing great ideas is what we do best

The past year was one of the most productive and successful periods in the history of Dakota Resources. The multiplicity of community development concepts at work throughout the state with connections to Dakota Resources has expanded, and our partnerships with other economic development organizations were strengthened during 2012 to bring even greater resources to bear on nurturing economic success in South Dakota communities.

Dakota Resources brings smart people together to discuss effective ways to serve South Dakota communities. We ask the right questions to determine what our communities really need to grow. Then, in the discussion that follows, we learn together and find the best opportunity to move forward.

From the growth of Dakota Rising and the implementation of Home Address, to the rollout of the Regional System Engagement Pilot, Dakota Resources has added valuable tools for communities to evaluate, prioritize and take action to build local economies and revitalize citizen involvement. We're proud to be at the forefront of these efforts.

Not every new idea is right for South Dakota communities—and others need refinement to make them work. At Dakota Resources, we energize, prototype, adapt and improve—but most importantly, we strive for excellence and learn together from our experiences. Through collaboration, conversation and seeing our communities as systems, we pull together concepts that work in other states with the fresh ideas of our own citizens and create programs that help communities grow and prosper.

That pattern—which is the pioneering ideal that built our organization from its inception—has contributed to the success of our organization and to the success of communities around South Dakota. We plan to keep innovating, keep talking and keep working hard for the economy of our state.

elect

BETH DAVIS
President

JON FARRIS
Chair
Board of Directors

CHRISTINE HAMILTON
Immediate Past Chair
Board of Directors



FAULKTON SHOWS POWER OF COMMUNITY ACTION

With a population under 2,500 and a rural location in northeastern South Dakota, Faulk County may seem an unlikely spot to be a showcase for successful innovative economic development initiatives. But thanks to the county's partnership with Dakota Resources, exciting things are happening in Faulkton and the surrounding county.

The partnership for progress that currently characterizes the region began with Faulkton's participation in Dakota Rising, the entrepreneur support and development program begun by Dakota Resources in 2006. According to Joel Price, chairman of the Faulkton Economic Development board and Dakota Rising Site Coordinator, "Linking with Dakota Resources gave the community a shot in the arm and opened doors that community leaders didn't know existed."

Because an essential component of Dakota Rising is the identification and energizing of a local Resource Team, community engagement broadened resulting in enhanced local networks that have far exceeded the entrepreneur applicants for the Dakota Rising Fellowship.

"Real change occurs when community members care enough to invest capital, time and energy into creating an environment that nurtures and supports business people and their businesses," said Beth Davis, Dakota Resources president. "That's why Dakota Rising is grounded in place, and why the Faulkton area has been successful."

Through 2012, four Entrepreneur Fellows have been selected from Faulk County, with the first two companies run by Fellows adding permanent new employees, increasing their assets by 82% and raising gross revenues by 147%. Their success fueled Faulkton's interest in other programs that could address community development challenges with the same dramatic results.

Regional leaders were successful in applying for a U.S. Department of Agriculture grant to pay for a part-time economic development director. Faulkton graduates are being invited back home to build their futures with a targeted direct mail campaign featuring letters from community leaders.

Faulk County was also named as a pilot site for Home Address, a Rural Housing Collaborative initiative to identify and find solutions that will meet a need for housing in the county. The local group has hired Stacy Hadrick as the new Economic and Housing Development Coordinator and is introducing her to current community development projects.

Among those innovations is the Regional System Engagement Pilot, sponsored by Dakota Resources, together with the Bush Foundation and the Governor's Office of Economic Development. During 2012, Faulk County and the Prairie Vision (Aberdeen area) were chosen as pilot sites for the program, which will assist community leadership with the complexities of community change. The pilot project is aimed at cultivating deeper relationships and increasing community participation leading to lasting regional vitality.

"The success of the area's partnership with Dakota Resources lies in the participation of local citizens and their community pride.... People love this community, they love the rural lifestyle," Price said, "and they want to see it continue."



CAPITAL INVESTMENT FUND MAKES A DIFFERENCE IN SOUTH DAKOTA COMMUNITIES

The Dakota Resources Capital Investment Fund (CIF) which now totals almost \$13 million, builds the financial capacity of South Dakota's Economic Development Corporations and Revolving Loan Funds by making funding available to them for project loans in South Dakota communities.

"From Sturgis to Webster, in communities of all sizes, the Capital Investment Fund is making a difference to our economy," said Beth Davis, president of Dakota Resources. "Whether it's a manufacturer like Molded Fiberglass in Aberdeen or American Engineered Products in DeSmet or an international call center and order fulfillment company like One World Direct in Mobridge, the Capital Investment Fund helps get projects financed."

Capital Investment Fund dollars are flexible, with neither job creation requirements nor limits or restrictions on the kinds of projects or businesses that can be financed using the Capital Investment Fund. In addition, funding from CIF counts as local matching funds when applying for State, Federal or other sources of funding, and CIF dollars can be blended with other funds to achieve an attractive effective interest rate.

A recent project utilizing Capital Investment Fund resources is the Sturgis Healthcare, LLC assisted living facility. The \$3.2 million, 22,000 square foot facility provides 33 apartment suites, offering assisted living services and 15 jobs. In Pierre, a Capital Investment Fund loan from Dakota Resources to the Pierre Economic Development Corporation helped build the 57-unit Highlands Ridge Apartments in the city's growing north side.

GROW South Dakota, with financial assistance from the Capital Investment Fund of Dakota Resources, was able to provide affordable financing to help open Higher Grounds Coffee Co., serving coffee, specialty drinks, soups, salads and sandwiches to the residents of Howard and the surrounding communities. In Huron, the Capital Investment Fund assisted the local development corporation with a project to construct a 50,000 square foot building to attract industry to the local West Industrial Park.

From housing projects and manufacturing companies to entrepreneurial success stories, the Capital Investment Fund is changing the dynamic in South Dakota communities. To become an investor or to learn more about the Capital Investment Fund, go to dakotaresources.org.

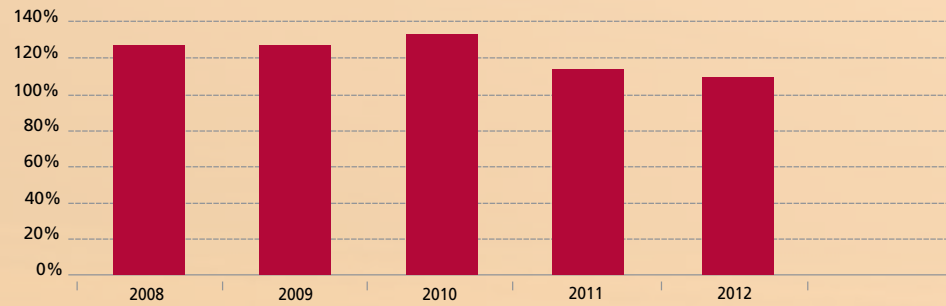


SUMMARY OF CAPITAL INVESTMENT FUND DEMAND GROWTH

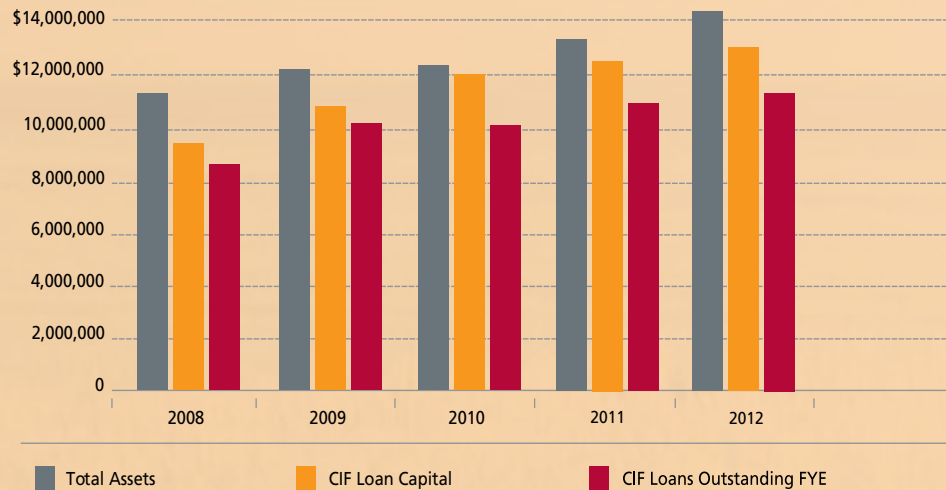
Cumulative Fiscal Year End

	2010	2011	2012
Total Assets	\$12,393,547	\$13,316,264	\$14,176,240
CIF Loan Capital	12,000,000	12,365,000	12,941,980
Number of CIF Loans Outstanding	21	21	22
CIF Loans Outstanding	10,005,000	11,220,000	11,515,500
CIF Loans Committed	500,000	0	2,000,000
CIF Loans Approved	5,250,000	2,650,000	750,000
Percentage of CIF Loans Outstanding Committed and Approved	131%	112%	110%

% of Capital Investment Funds Approved, Committed and Outstanding FYE



Track Record of Steady Growth





DAKOTAS AMERICA AWARDED \$60MM NMTC ALLOCATION AUTHORITY

On April 24, 2013, the U.S. Treasury Department's CDFI Fund announced the 2012 round of NMTC allocation awards. Dakotas America was awarded a \$60MM allocation, giving it tax credit authority under the tenth award round of the NMTC Program. The total awards approved by Congress were \$3.5 billion in NMTC allocation and they went to 85 qualifying Community Development Entities. Dakotas America LLC has placed all of the \$130 million New Markets Tax Credit (NMTC) allocation previously awarded by the U.S. Treasury Department for economic development across North and South Dakota.

"The New Markets Tax Credit addresses one of the most significant obstacles to economic development that low-income communities face: a lack of access to patient, private investment capital," said Treasury Assistant Secretary for Financial Institutions Cyrus Amir-Mokri. "The \$31 billion worth of tax credits awarded in past years have gone toward preserving hundreds of

thousands of jobs and bringing community facilities and new businesses into neighborhoods that desperately needed them. I expect today's awardees will continue that trend."

The NMTC program attracts private-sector capital investment into low-income areas to help stimulate economic growth and create jobs. In 2006, Dakotas America received a \$50 million NMTC award, with another \$80 million awarded in 2008. The program is a collaboration between Dakota Resources and the North Dakota Rural Development Finance Corporation to support and enhance economic development. "During the past five years, we've utilized the NMTC allocation to build economies across the Dakotas," said Lin Van Hofwegen, managing director of Dakotas America. "From large agri-business developments that serve communities on both sides of the border to urban health care solutions in downtown Fargo to new elementary schools on the Pine Ridge Reservation, the NMTC allocation has done

precisely what it is meant to do—help families and communities build a better future through jobs and opportunity."

Among the Dakotas America projects which closed in 2012 was Central Park, LLC of Huron, South Dakota. Utilizing an NMTC allocation from Dakotas America, the community converted the former Huron University campus into a recreational park with college classrooms, a cultural diversity center and city offices. The highlight of the project will be Splash Central, a destination recreational facility with water slides and theme park-styled features. In addition to the aquatic center, plans call for basketball courts, tennis, and volleyball facilities. The pool complex will offer an eight-lane competition space, a diving area, the tallest water slides in South Dakota, and a lazy river area.





RURAL HOUSING COLLABORATIVE LAUNCHES NEW RURAL HOUSING INITIATIVE

The Rural Housing Collaborative (RHC), comprised of state-wide and regional housing partners, has launched Home Address, a pilot initiative for rural communities who are in need of assistance with housing development.

“What we’ve learned over the past eight years,” said founding Rural Housing Collaborative member Greg Henderson of Planning and Development District III, “is that communities need someone to walk beside them as they begin the process of developing housing for their community.”

Communities participating in the pilot program are Miller, Wagner, Faulk County, and Martin/Lacreek District (of the Pine Ridge Reservation).

Home Address pairs communities with a rural housing coach who guides them through the housing development process. The Home Address communities are part of a cohort that meet periodically for training, and can learn from one another as they move through the process.

“Many rural communities across South Dakota are in a housing crisis. We’ve worked with communities who are crippled economically because of a shortage of appropriate housing. When businesses cannot hire because there is no place for new employees to live, they can’t grow, and economic development in the entire region suffers,” says Joe Bartmann, Rural Weaver, Community Coach.

Home Address communities have assembled strong leadership teams, named a local coordinator and pledged matching funds up to \$10,000 in financial resources over a 12-month period. Communities receive one on one assistance from a rural housing coach, access to a network of rural housing resource providers, a \$5,000 matching investment to pay a local coach and up to a \$5,000 match to complete a local housing assessment.





WAARA JOINS DAKOTA RESOURCES BOARD OF DIRECTORS

Clinton Waara, Vice President and Commercial Relationship Manager/Tribal Advocate for Wells Fargo Native American Banking Services, has been chosen as a new member of the Dakota Resources board of directors. Waara has been serving on the Dakotas America Governing Board since his appointment by Dakota Resources in 2009.

An enrolled member of the Cheyenne River Sioux Tribe, Waara received his BA in Political Science from South Dakota State University and after graduation began his career with Sigma Alpha Epsilon fraternity as a National Education and Leadership Consultant. From 1995 to 1999 he was an account analyst for Wells Fargo Financial Bank in Sioux Falls. Waara left banking to teach at Roosevelt High School in Sioux Falls, where he instituted the Academy of Finance model of instruction and coached track.

Waara joined the University of South Dakota School of Business staff in 2001 where he oversaw the USD and Sitting Bull College Entrepreneurship Partnership. In 2003, Waara became Community Development Officer and Assistant Vice President for Wells Fargo Bank. He and his wife, Billie Jo, and children reside in Sioux Falls.



DAKOTA RESOURCES ADDS ASSET MANAGER

Jay Headley has joined the Dakota Resources staff, with responsibility for the financial and accounting operations and portfolio management of both Dakota Resources and Dakotas America, the New Markets Tax Credit resource for North and South Dakota.

Prior to joining Dakota Resources, Headley worked for Citigroup as a financial accounting analyst in the Corporate Treasury Operations department. He has over eight years of experience in the financial services and banking industry with a background in cash management, accounting, financial control, and credit review. Headley received both his Bachelor's and Master's degrees in Business Administration from the University of South Dakota.



JAIME SPOMER JOINS DAKOTA RESOURCES

Jaime Spomer has joined the Dakota Resources staff, with responsibility for the administrative duties of both Dakota Resources and Dakotas America, including communications, website design and social media management.

Prior to joining Dakota Resources, Jaime worked in hospitality management and office management. She has over 8 years of experience in the administrative field. Jaime studied her first two years at Augustana and ultimately received her Bachelors of Science in Economics from the University of South Dakota.

our staff

Beth Davis, President

Lin VanHofwegen, Managing Director,
Dakotas America

Dick Werner, Credit Officer

Kristi Wagner, Program Developer

Cheryl Leasure, Communication and Event
Coordinator

Jaime Spomer, Administrative Assistant

Jay Headley, Asset Manager

2012 BOARD OF DIRECTORS

Chair–Jon Farris, Deputy Secretary, South Dakota
Department of Agriculture

Vice-Chair–Gloria Pluimer, Director of Education
and Workforce Development, Black Hills Special
Services Cooperative

Secretary/Treasurer –Rachael Sherard, Vice
President, Avera Rural Health Institute

Immediate Past Chair–Christine Hamilton,
Co-owner and Managing Partner, Christiansen
Land and Cattle, Ltd.

Paul Batcheller, Principal, PrairieGold Venture
Partners, Technology Business Center

Ruth Christopherson, Senior Vice President,
State Director- SD Community Relations, Citibank

Gary Cammack, Owner, Cammack Ranch Supply

Daryl Ebach, Community Banking District President,
Wells Fargo Bank

Brad Moore, Mid Dakota Regional President
Dacotah Bank

Scott Parsley, Assistant General Manager for
Member Services, East River Electric Power
Cooperative

Bruce Rampelberg, Vice President of Public
Relations, First Interstate Bank

David Rozenboom, President, First PREMIER Bank

James (Jim) Scull, Jr., President, J. Scull
Construction Service, Inc.

STATEMENTS OF FINANCIAL POSITION

Fiscal Year Ending December 31, 2012 and 2011

Assets	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 447,730	\$ 549,264
Current maturities and loans receivable	42,000	41,000
Grant receivables	1,875	5,750
Other receivables	32,012	26,606
Interest receivables	2,784	-
Total current assets	526,401	622,620
INVESTMENTS AND OTHER ASSETS		
RBEG loans receivable, less current maturities of \$42,000 in 2012 and \$41,000 in 2011 and allowance for loan losses of \$40,341 in 2012 and 2011	45,898	63,009
Capital Investment Fund loans receivable, less allowance for loan losses of \$488,750 in 2012 and \$438,750 in 2011	11,026,750	10,781,250
South Dakota Community Capital Escrow Fund	30,000	30,000
Opportunity Fund	192,404	42,404
Investment in Dakotas America, LLC	215,137	215,714
Investments available for Capital Investment Fund lending	1,426,480	1,073,292
Investments available for RBEG lending	51,761	35,650
Other investments, including an operating reserve of \$300,000 in 2012 and 2011 and a liquidity reserve of \$153,000 in 2012 and \$140,000 in 2011	634,436	440,000
South Dakota Community Foundation	10,504	9,092
Other assets	537	500
Total investments and other assets	13,633,907	12,690,911
PROPERTY AND EQUIPMENT		
Property and equipment, net of accumulated depreciation of \$27,565 in 2012 and \$37,121 in 2011	15,932	2,733
Total Assets	\$ 14,176,240	\$ 13,316,264

STATEMENTS OF FINANCIAL POSITION

Fiscal Year Ending December 31, 2012 and 2011

Liabilities and Net Assets	2012	2011
CURRENT LIABILITIES		
Accounts payable	\$ 32,219	\$ 22,714
Sales tax payable	970	92,732
Current maturities of notes payable	100,000	90,000
Total current liabilities	<u>133,189</u>	<u>205,446</u>
LONG-TERM LIABILITIES		
SDCCF funds held in escrow	30,000	30,000
Notes payable, net of current maturities	570,000	605,000
Equity equivalent notes payable	8,486,550	8,185,000
Total long-term liabilities	<u>9,086,550</u>	<u>8,820,000</u>
Total liabilities	<u>9,219,739</u>	<u>9,025,446</u>
NET ASSETS		
Unrestricted		
Board designated - community economic development loans	698,424	673,424
Undesignated	3,972,646	3,364,333
Total unrestricted	<u>4,671,070</u>	<u>4,037,757</u>
Temporarily restricted	95,431	63,061
Permanently restricted	190,000	190,000
Total net assets	<u>4,956,501</u>	<u>4,290,818</u>
Total Liabilities and Net Assets	<u>\$ 14,176,240</u>	<u>\$ 13,316,264</u>

CONDENSED STATEMENT OF FINANCIAL ACTIVITIES

Year Ending December 31, 2012 and 2011

	2012	2011
REVENUE AND OTHER SUPPORT		
Grants	\$ 586,379	\$ 1,278,475
Interest income on loans receivable	446,037	483,341
Dakotas America, LLC income	618,164	627,284
Interest income on investments	20,914	44,484
Management income	121,500	104,000
Registration and miscellaneous income	53,691	35,630
Forgiveness of debt	25,000	25,000
Rent revenue	1,569	
Realized (loss) on sale of investments	9	(7,317)
Unrealized appreciation on investments	328	3,067
Net assets released from satisfaction of donor and program restrictions	-	-
Total Revenues	1,873,591	2,593,964
EXPENSES		
General and administrative	729,000	606,557
Interest expense	208,569	255,354
Grant expense	270,339	295,888
Total expenses	1,207,908	1,157,799
Change in net assets	665,683	1,436,165
Net assets - beginning of year	4,290,818	2,854,653
Net assets - end of year	\$ 4,956,501	\$ 4,290,818

CAPACITY BUILDING GRANTORS

BankWest, Inc.
CitiGroup Foundation
East River Electric Power Cooperative & Member Systems
First National Bank in Sioux Falls
First PREMIER Bank

Total General Operating Support 2011 - 2012 - \$57,000

CAPITAL GRANTS

Avera Health
Black Hills Corporation
CDFI Fund (U.S. Dept. of Treasury)
Citi Foundation
Opportunity Finance Network
Xcel Energy, Inc.

Total Capital Grants as of Year End 2012 - \$4,168,910

CAPITAL INVESTMENT FUND LOANS

Aberdeen Development Corporation
Area Development Corporation - Brookings
Beadle and Spink Enterprise Community (BASEC)
DeSmet
Eureka Community Development Company, Inc.
First District Development Company
Greater Huron Economic Development Corporation
Lake Area Improvement Corporation - Madison
Mobridge Economic Development Corporation
GROW South Dakota (formerly)
Northeast South Dakota Economic Corporation (NESDEC)
Northeast South Dakota Community Action Program (NESDCAP)
On Hand Development Corporation - Miller
Pierre Economic Development Corporation
Rural Electric Economic Development, Inc. (REED Fund)
Sturgis Economic Development Corporation
Webster Area Development Corporation
West River Foundation

Total Loans Outstanding as of Year End 2012 - \$12,941,980

PROGRAM DEVELOPMENT & SPONSORSHIPS

1st Financial Bank USA
Avera Health
Black Hills Power and Light
Bush Foundation
Cammack Ranch Supply
Christiansen Investments
Citi Group Foundation
City of Custer
Custer Area Chamber of Commerce
Dacotah Bank
East River Electric Power Cooperative & Member Systems
First Interstate Bank
First PREMIER Bank
Highmark Federal Credit Union
Ketel Thorstenson, LLP
Midcontinent Communications, Inc.
REED Fund
Scull Construction
SD Community Foundation
SD Department of Agriculture
SD Governor's Office of Economic Development
US Small Business Administration
Visit Spearfish
Wells Fargo SD NA
Individual members of the Dakota Resources Board of Directors
Individual members of the 2009 Class of Dakota Rising Fellows

Investments as of Year End 2012 - \$537,425

CAPITAL INVESTMENT FUND INVESTORS

1st Financial Bank USA
*Avera Health
Bank of the West
BankFirst
BankWest, Inc.
*Black Hills Corporation
Calvert Fund
CDFI Fund (US Department of the Treasury)
Citigroup Foundation
CorTrust Bank
Communities At Work Fund (Citi)
Dacotah Bank
First Bank & Trust
First Dakota National Bank
First National Bank in Sioux Falls
First National Bank South Dakota
First National of Nebraska CDC
First PREMIER Bank
First Interstate BancSystem
Great Western Bank
Home Federal Bank
Midcontinent Media, Inc.
Norg Sanderson
Sanford Health
SDN Communications
Sioux Falls Development Foundation
Target National Bank
U.S. Bank
Wells Fargo CDC
Wells Fargo Financial
Wells Fargo SD NA
*Xcel Energy, Inc.

Investments as of Year End 2011 - \$14,176,240

*Capital Grants





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