



EDG Enterprise Development Group
EDG

Your bridge to a brighter future

ANNUAL IMPACT REPORT 2020

www.entdevgroup.org



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MESSAGE FROM THE PRESIDENT

Although impacted by the COVID-19 pandemic, the ECDC Enterprise Development Group (EDG) continued to pursue its long-term commitment to small businesses by providing the necessary support in this difficult time. In response to the crisis, we quickly focused on our most affected small businesses and remained committed to our mission.

This required developing new loan products and services to best serve small business needs, including providing micro loans to start and expand businesses that were operating during the COVID-19 pandemic, helping small businesses in low-income communities, women-owned businesses, and entrepreneurs of color with emergency and disaster funds, including processing SBA PPP loans, EIDL and debt relief.

The EDG also approved a three-month loan repayment deferral for small businesses that were not able to service their loans during the pandemic and provided virtual technical assistance to businesses affected by COVID-19 through zoom and radio broadcasts. Using EDG's \$500,000 Open for Business Fund provided by Wells Fargo continued to build small business clients resilience, increasingly reaching small businesses that were most affected by the pandemic, including restructuring their loans at 3% interest rate.

During FY 2020, EDG provided loans to 69 customers for a total disbursement of \$ 1,548,137. EDG also processed 52 SBA PPP loans totaling \$439,384 and using over \$500,000 from its own general fund to advance PPP loans to small businesses. In total, we provided 121 loans and disbursed \$1,987,521. The total outstanding loan balance at the end of FY 2020 remained close to \$5 million.

In this report, you will learn more about how the Enterprise Development Group provided a helping hand to support small business impacted by COVID-19 as well the extent to which lending performance was affected compared to EDG's performance prior to the pandemic.

The progress we made was only possible because of our funders, partners and supporters. Their commitment and ongoing support enable the Enterprise Development Group to contribute to the lasting impact that is critically needed to create opportunities for low-income families for a better life.



Tsehaye Teferra

President and CEO

OUTCOMES AND IMPACTS IN 2020

LENDING PERFORMANCE OVERVIEW AND ANALYSIS

While evaluating the lending performance of the FY 2020, it is critical to consider the impact of COVID-19 beginning in February 2020 and the changes in overall economic situations through the remainders of the year.

Prior to the COVID-19 pandemic, EDG's Micro Loan Program had been growing from year to year and had positively impacted the lives of over 2,400 active entrepreneurs by providing technical assistance and over \$34 million in loans to help low and medium income individuals begin or expand micro-businesses. In the immediate 3 years prior to the pandemic, EDG made an average annual disbursement of \$3,353,523, totaling \$10 million for the period between 2017-2019. The total outstanding loan balance also grew to \$5 million by the end of 2019.

Table 1: Lending Performance Analysis (2017- 2020)

Lending Performance Analysis					
Year	Loan application	loan commitment	Loan Disbursement	Paid in full	Loan balance
2017	3,035,123	2,971,623	2,950,123	2,288,254	4,109,289
2018	4,196,426	4,186,103	3,957,783	2,776,576	5,088,457
2019	3,338,723	3,233,584	3,152,663	2,535,590	4,981,010
Total			\$10,060,569		

Since the outbreak of COVID-19, however, small business operations and microfinance institutions have changed drastically. Although the total impact of the extended coronavirus lockdown on small businesses is not fully known, it is safe to say that the majority of small businesses have been subject to either closure or a dramatic slow-down. Indeed, the impact of the pandemic on small businesses could be considered an overwhelming indicator of the whole impact to the economy since more than 90% of all businesses are small-businesses. They employ about half of the U.S. work force. Small businesses were and continue to be hit hard by the pandemic, and the focus of microfinance institutions like EDG has been primarily on rehabilitating existing businesses.

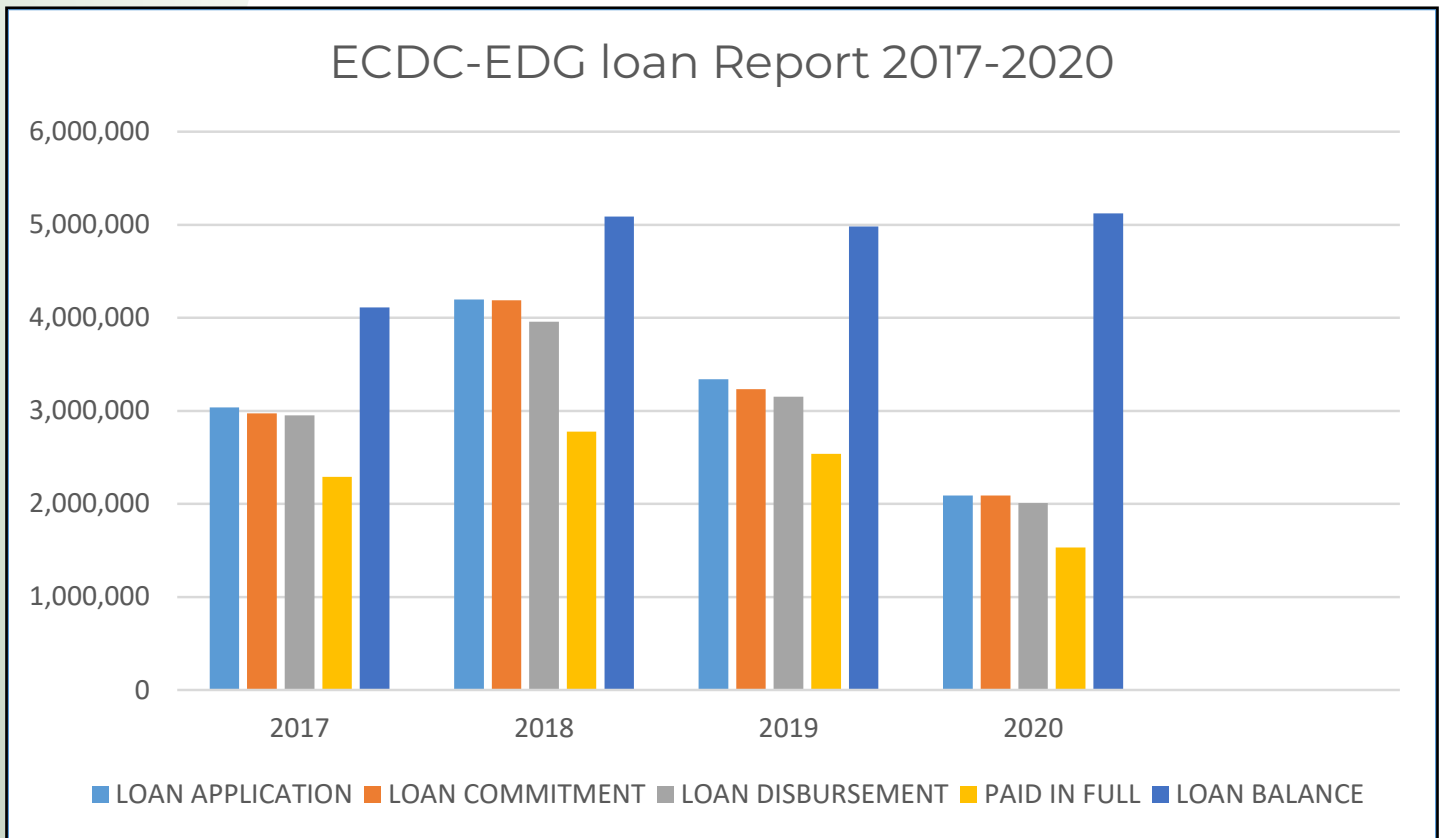
Microfinance institutions, including EDG were also affected by the COVID. The major impact in earnings stemmed from the low level of lending performance and the resulting decrease in revenue. Loan repayment defaults and delayed payments impacted EDG, which was also subject to Virginia's statewide closure order issued and most of staff working from home for months.

In its effort to continue providing regular loans to small businesses, EDG made a disbursement of \$1,548,137 to 69 beneficiaries. On the other hand, 52 PPP loans totaling \$439,384 were processed and disbursed and finally forgiven by SBA. The PPP program implementation was both exciting and challenging. The enthusiasm of the staff involved in the PPP loan processing came from the opportunity to provide a helping hand to support small businesses impacted by COVID-19 pandemic.

The challenge was associated with too many directives and revisions issued by SBA and the learning process to adapt the new product.

In sum, EDG disbursed 121 loans totaling \$1,987,521 to small businesses during FY 2020. Nonetheless, the total outstanding loan balance at the end of FY 2020 remained close to \$5 million.

The following chart shows the extent of the decrease in lending performance compared to EDG's performance prior to the pandemic.



FY 2020 LENDING PERFORMANCE VERSUS STRATEGIC GOALS

In the beginning of the FY 2019, EDG approved its five-year strategic plan (FY 2019–FY 2023) to bring about robust growth in outreach, marketing and customer recruitment. It also developed a detailed implementation plan (DIP), defining the roadmap to achieve the strategic goals and objectives. Although the DIP covers five strategic goals, this report has reviewed EDG's performance pertaining to Goal II—to Provide Quality, Inclusive and Competitive Loan Products and Services.

FY 2020 was the second year of implementing EDG's strategic plan and performance will also be evaluated against the targets set in the plan. Our performance in regards to Goal II can be evaluated in reference to the quantitative targets set for loan disbursement, portfolio diversification and new product development.

Table 2: Comparison of Targets Set and Actual FY 2020 Results

Target FY 2020	Actual FY 2020	Percentage
Loan Disbursement Targets - Loan amount: \$5,195,462 - Number of loans: 193	Lending Performance - Loan amount disbursed: \$1,987,521 - Number of loans: 21	38% 63%
Reduce portfolio exposure above 50% to any sector by targeting reduction of 10% every year until it remains below 50%. (i.e., reduction of transportation sector’s share from 80% in FY 2018 to 64%)	Loan exposure to Transportation sector (i.e. Truck and taxi loans) reduced from 80% to 73.6%	35%
Process the first two 7(a) loans in FY 2020	No 7(a) loans have been processed	---
Maintain portfolio risk (i.e., delayed payment > 91 days) below 5%	Portfolio risk >91 days is 5.36%	93%

In preparation for achieving improved lending performance in FY 2021, arrangements are made to bring all EDG staff back to office to conduct full-time outreach, marketing, customer recruitment, loan underwriting and we are working to reinvigorate our lending performance once again. EDG is also critically considering investing not only in digital marketing, outreach and customer recruitment, but also digitizing the end to end loan process providing opportunity to do business on-line for our tech savvy customers.

However, in consideration of the impact of COVID-19 in our lending performance so far and the time it may take to bring the economy back in track, it is worth considering revisiting EDG’s 5 years’ strategic plan goals and targets and what it takes for EDG to fully achieve it.

ECDC ENTERPRISE DEVELOPMENT GROUP RESPONSE TO COVID-19

Although impacted by the COVID-19 pandemic, EDG continued to pursue its long-term commitment to small businesses by providing needed support in this difficult time. Soon after the COVID-19 Pandemic manifested, EDG quickly identified the emerging economic circumstances in order to be ready to its clients’ small business’ needs. Based on the assessment, EDG started to take the following steps:

- EDG decided to continue providing micro loans to start and expand businesses operating during the COVID-19 pandemic.
- Our micro-lending program, normally uses funds from different sources to provide loans to micro-businesses. During the COVID -19 pandemic, almost all our clients found it difficult to service their loans. Nevertheless, while customers who received loans from SBA funding were able to benefit from the six-month debt relief program approved by SBA in connection with the COVID-19 pandemic, EDG still had to provide a solution for other customers who received loans from non-SBA funding. Hence, EDG approved a three-month loan repayment waiver to those who were not able to service their loans during the pandemic. EDG’s \$500,000 Open for Business Fund provided by Wells Fargo also continued to build small business clients resilience, increasingly reaching small businesses that were most affected by the pandemic, including restructuring their loans at 3% interest rate.

- In terms of the forgivable Paycheck Protection Program (PPP) loans to small businesses, EDG is still working as a lending agent to SBA and has utilized over \$500,000 from its own general funds to advance PPP loans to small businesses;

TECHNICAL ASSISTANCE

EDG decided to provide virtual Technical Assistance to small businesses affected by COVID-19 through zoom and radio broadcasts.

TAX PROGRAM

During the Tax Year 2019, free tax preparation has been completed for 386 customers, tax coaching provided to 489 clients and a total of \$483,764 refunded to customers.

SUCCESS STORIES

Promoting Economic Opportunities

Refugee Helping the Community One 'mask' at a time

ECDC's Enterprise Development Group launched a new financial product dubbed as Refugee Women Business Support Loan Program. This loan is primarily targeting refugee/asylee women who have difficulty getting loans from the traditional banking system and are highly dependent on their husband for they are basically raising their children and are forced to stay home. Our first client benefiting from this financial product was Marzia Rahimi, an asylee from Afghanistan.



Though she and her husband had tailoring skills, they were not able to find work in the U.S., since they came very recently neither were able to use their skill. However, in the week the states in the DMV area made a stay-home announcement, the EDG managed to disburse a \$3,000 loan for her. First, she and her husband were confused about what to do with the money because of the economic shut down. However, with the advice, mentoring, coaching and counseling from EDG loan officer Hossein Mahrammi, they immediately embarked on a project of making face masks.

Our loan officer also assisted her in shopping at Walmart and other places to buy a sewing machine and supplies. Now, Marzia earns over \$100 a day by making masks, continues getting orders from neighbors, the refugee community and beyond. By doing so, she is not only supporting her family, creating a job opportunity to her husband as well, but also helping the community in combating the epidemic. Enterprise Development Group is also in the process of promoting her business both to increase her market as well as get more financial support. In this regard, we are planning to open a GoFundMe account on her behalf.

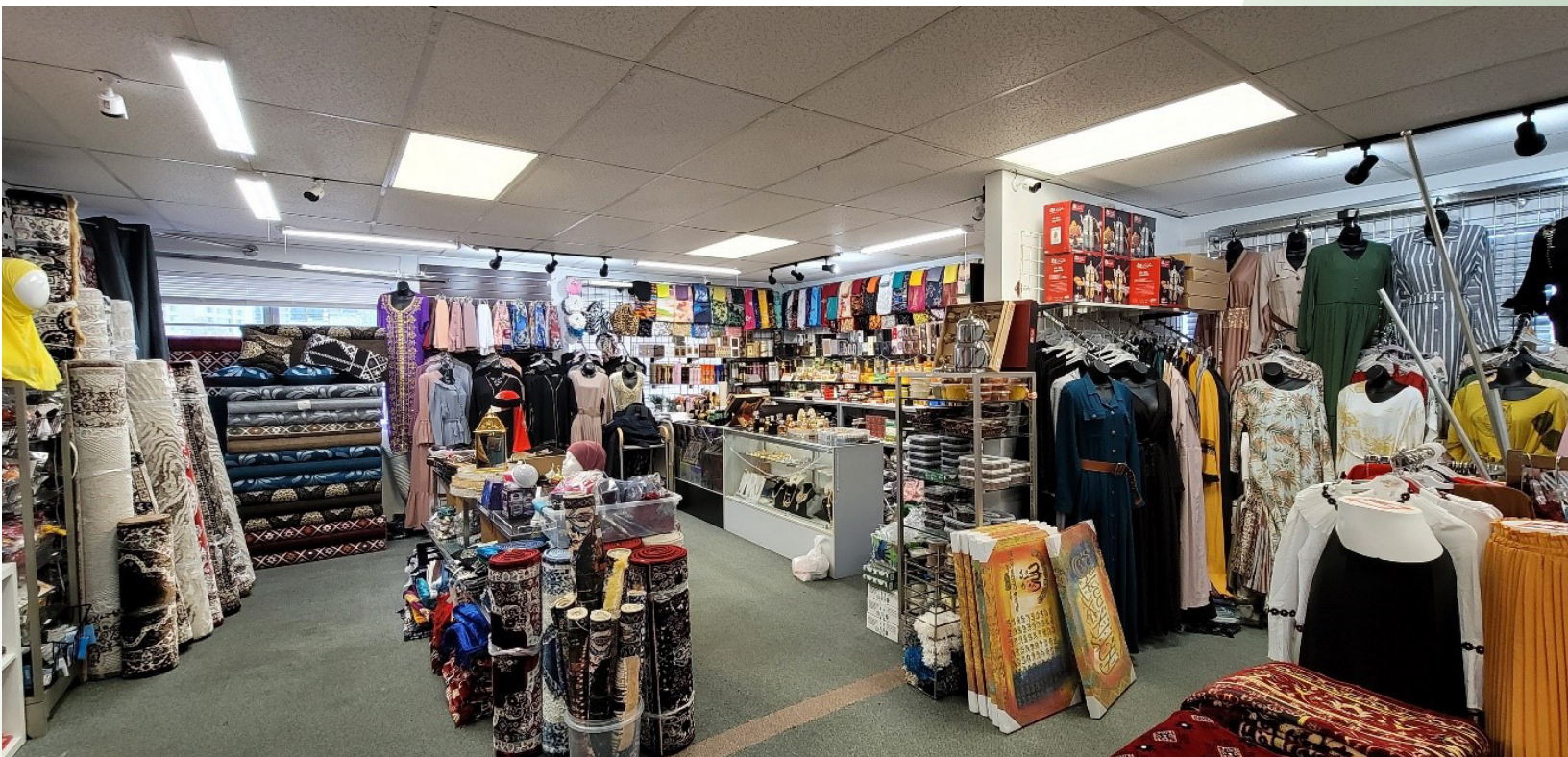
Somaya Boutique

The road towards starting your own business is not always easy to drive, particularly when unprecedented situation like lock downs is also added to other countless challenges. Fighting with challenges is the story of Somaya Boutique.

Her idea was ambitious. She wanted to open a shop and sell cultural clothing and other products to those looking for goods and clothing representative of their cultures. With help from family and friends, she opened a small shop in a far corner of the mall at Bailey's Crossroads, Falls Church, Virginia, where customers barely noticed it. She always felt ignored by her potential clients, and it was difficult for her to make a profit.

She decided to make some changes. She found the Enterprise Development Group and applied for a small business loan. Using the \$25,000 loan she received, she rented a larger shop in the same mall and expanded her business more than three times both in size and merchandise. She further increased her profit margin with direct access to manufacturers.

Somaya Boutique is now planning to enter another phase of expansion by adding online shopping. The EDG has continued to provide post-loan technical assistance to help her achieve her dream. "COVID restrictions changed the nature of businesses in many aspects. Now, for safety purposes, people prefer to do their shopping from home. In order to be competitive and keep the business profitable, Somaya Boutique needs to gain the competence and ability to sell products online. I am sure EDG will help me in every single stage."





The Road to Success

Like many others before him, Dhan Gimmire Nepali came to the U.S. in 2008, looking for a better life. He settled in Virginia and worked hard to bring his family to join him in 2011. Since he started working, he has been engaged with other family members in food service businesses, including fast foods, restaurants to put food on the table for his family and enable his three children to continue studies.

Dhan said, "It was my dream that one day I could have my own business and work as my own boss". But this was far from becoming true. Owning a business requires experience, access to sufficient finance, manpower, and networking, among other things. Believing that I had the experience and workforce, I started searching for someone who could help me both financially and technically. I am happy that I found the Enterprise Development Group, which was able to provide me with \$25,000 loan to buy a subway in northwest Washington, D.C. Unfortunately, I opened my business in early 2020 just when COVID restrictions and the lockdown started.

I was so stressed about my future and what would happen next. I am so thankful to the EDG for understanding my situation and being so flexible to defer my loan payments for three months. EDG helped me also access and process an SBA debt relief program for another six-months. These really helped me overcome my stress and become hopeful about the future of my business. Now, after few months, I am so happy that I am planning to buy another subway in D.C. to expand my business. I am confident that I will continue to have the support of EDG to pave the road towards my future success.

FINANCIAL STATEMENTS

ECDC Enterprise Development Group Statement of Financial Position As of September 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,294,745	2,382,711
Grants receivable	308,193	232,429
Microloan notes receivable, net of allowance for loan losses - current maturities	1,890,077	1,855,577
Accrued interest receivable, net of allowance for interest losses	29,986	37,143
Due from related parties	625,224	500,000
Other receivable	84	298
TOTAL CURRENT ASSETS	5,148,309	5,008,158
MICROLOAN NOTES RECEIVABLE, NET OF ALLOWANCE FOR LOAN LOSSES - NET OF CURRENT MATURITIES	2,943,730	3,298,633
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	6,909	-
OTHER ASSETS		
Cash restricted in microloan revolving fund accounts - SBA	2,138,025	1,781,471
Cash restricted in microloan revolving fund accounts - Other	3,395,197	2,419,815
Cash restricted in loan loss reserve fund accounts	342,404	379,478
Cash designated for loan loss reserves	458,082	323,714
Cash restricted in individual development accounts	6,256	6,255
TOTAL OTHER ASSETS	6,339,964	4,910,733
TOTAL ASSETS	\$ 14,438,912	\$ 13,217,524
LIABILITIES AND NET ASSETS		
LIABILITIES CURRENT LIABILITIES		
Due to related parties	-	83,708
Due to microloan borrowers	6,286	3,768
Accounts payable	10,795	16,961
Accrued expenses	144,176	67,748
Deposits payable	10,528	17,445
Deferred revenue	1,536,809	670,628
Individual development account deposits payable	6,256	6,255
Notes payable - current maturities	701,236	644,874
TOTAL CURRENT LIABILITIES	2,416,086	1,511,387
NONCURRENT LIABILITIES		
Notes payable - net of current maturities	3,939,667	4,114,016
Equity equivalent securities	450,000	450,000
TOTAL NONCURRENT LIABILITIES	4,389,667	4,564,016
TOTAL LIABILITIES	6,805,753	6,075,403
NET ASSETS		
Unrestricted Undesignated	6,130,438	5,675,982
Board designated reserve fund	1,160,317	1,086,661
Designated for loan loss reserves	342,404	379,478
Total unrestricted	7,633,159	7,142,121
TOTAL NET ASSETS	7,633,159	7,142,121
TOTAL LIABILITIES AND NET ASSETS	\$ 14,438,912	\$13,217,524

THANKS TO OUR DONORS AND PARTNERS



Intuit Financial Freedom Foundation



FRADIAN FOUNDATION



ENTERPRISE DEVELOPMENT GROUP BOARD MEMBERS & STAFF

EDG BOARD MEMBERS

Tsehaye Teferra, President

Allene Wright, Secretary

Gebre-Selassie Gebre-Mariam

Henok Tesfaye

Frederick Shultz

Zed Mekonnen

EDG STAFF

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Kidan Fekadeamlak, Loan and Technical Assistance Officer

Esayas Gebrehiwot, Senior Loan and Technical Assistance Manager

Hosseini Ali Mahrammi, Loan and Technical Assistance Officer

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