

the **ALLIANCE**
South Dakota Military Heritage Alliance, Inc.



ANNUAL REPORT
2020

South Dakota Military Heritage Alliance, Inc.

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♦ A Place for Freedom ♦ A Place to Remember ♦ A Place for All

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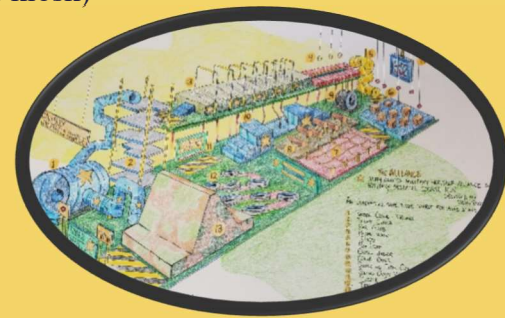
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SOUTH DAKOTA MILITARY HERITAGE ALLIANCE

List of Needs:

1. Coffee Shoppe: \$25,000 (remodel, equip., inventory; Plus, outdoor kiosk)
2. Donor Wall: \$7,500
3. Spiritual Healing Space: \$2,500 (remodel/decorate)
4. Piano(s) For Club Lobo: \$4,000
5. Museum: \$2,000,000 est.
6. Family Center: \$300,000 est.
7. Veteran Service Center Remodel: \$15,000 (space remodel)
8. Gun Range Lane Sponsor: \$500 per lane/year (14 spots available)
9. Gun Range VIP Lounge Member: \$1,500/yr (100 members)
10. Outdoor Marquee Replacement: \$157,000



In 2020, we have received more than \$1,200,000 in fulfillment of original pledges and cash donations that will be used to help reduce the debt of the building(s) and property and fund new operations/services within the Alliance. But there is more work to be done, more veterans to reach, and more active military members to thank.

TO OUR ALLIES

Strategic Highlights

The South Dakota Military Heritage Alliance, Inc. was started in October of 2018 as a vision for creating a “first-of-a-kind” collaborative environment for veterans, active military members and the civilian community. In May of 2019, a mission for the “Friends of the Alliance.” In November of 2019 the Alliance purchased the former Badlands Pawn land, buildings, fixtures and nearly all its personal property. The Alliance was ready for a grand opening celebration in March of 2020 but, because of the concerns associated with the COVID-19 virus, the decision was made to postpone the event indefinitely.

The uniqueness of this facility has afforded the Alliance the opportunity to create a world-class environment for military and veteran support organizations and services, but also for the entertainment and recreation of the public. The attributes of the facility for fulfilling this mission make it a financially self-sustaining community asset. The location of the Alliance, just north of the Denny Sanford PREMIER Center, provides high-visibility and easy-access from downtown Sioux Falls, the Sioux Falls Airport and Interstates I-29 and I-90.

For the past 12 months the Alliance team has been busy crafting this new destination and getting this amazing facility ready for members of the public to enjoy what we are calling the “*ALLIANCE EXPERIENCE*”, while preserving 100% of the net proceeds to support our veteran and military organizations.



And Then, COVID-19...

The Alliance is doing some extraordinary “things”. Our staff, kitchen, grill seating and at times our Club are all at MAX capacity. We were averaging 5,500 paying customers per month (with a couple thousand more visitors) and gross revenue at approximately \$80,000+/mo. C19 surge #2 in the Fall challenged us with another reduction of 25-35%.

We are working with grass roots/organic marketing – relationship building – and the staff is being developed and trained to differentiate us from other gun ranges, bars, and restaurants. We are staying in our lane and hold true to be unlike any other destination in South Dakota. It is the hard road, but we believe it is the reason we are growing even with COVID-19 while others are closing.

Financial Highlights

With the current COVID situation, we have not been able to activate a major portion of our business model – events. The original PROFORMA called for concerts, space naming, corporate events, and

major community gatherings with a projected revenue of \$1,597,450, all of which have gone away in 2020. Here is a quick breakdown of the PROFORMA vs actual:

	12 Mo. PROFORMA	Actual 2020 YTD
Office Space Rental	\$93,000	\$24,000/ytd
Facilities Rental	\$18,000	\$1,500/ytd
Gun Range	\$688,000	\$142,000/ytd
Event Center	\$1,600,000	\$5,500/ytd
Donations	\$431,000	\$577,700/ytd (cash donations)
Patriot Grill	\$156,000	\$101,00/ytd
Club Lobo	\$299,000	\$60,000/ytd

Operating the Alliance is a costly venture. We need to average roughly \$2,500/day to cover overhead, maintenance, cost of good, and labor. Examples: Excel Energy at \$12,000/mo, indoor Daktronics display at \$50/day, event licensing at \$30,000/yr. Current staffing includes Executive Director, Admin. Assistant, 4 managers, 1 assistant manager, and a constantly revolving door with cooks, servicers and bartenders. To help reduce labor risks, we've implemented a "phone call" management structure. We are aligning the Alliance with resources so we can outsource skills as needed. (i.e. hired bartenders and servers and event setup staff.)

Funding for the Alliance has been coming in streaks. The original pledges are being honored as promised for which we are very thankful. The pledges are the backbone for the purchase of the building(s) and property. We have also been gifted by several very generous donors. A common theme from them is, "these are the guys who fought to protect and serve us; now it's time we return the favor" and "it's the right thing to do".

We have been fortunate to receive gifts from \$100,000 down to \$10. We are reminded that all gifts are just that (a gift), and while not equal in amount, but are equal in sacrifice. We have also been fortunate that the American Legion Post 15 has sold their property and was able to fulfill their financial commitment in late November. The VFW post 628 has sold their property; but will not receive the money until early 2021. At that time, they will fulfill their financial promise.

Operating Highlights

Even with the many challenges of 2020, we have seen the "Proof of Concept". We did successfully turn-on several of the services: Gun Range & Armory (with severe lack of ammo), Patriot Grill, Club Lobo, the Hangar Gift Shoppe, and a minimal list of events in the Event Center.

Plans call for the brand creation of: IMPACT Coffee, Heritage Theater, yet-to-be named Family Center, as well as other unique naming opportunities (VIP Suite at Event Center, Concierge Suite, and Heritage Museum).

In 2020, we saw:

- 5,700 Members
- 175 Meetings
- Classes/Training 30
- Weddings 2
- Funerals 6
- 9 Retirements
- 45 Private Events
- 22 Other Events
- 20 Community Gatherings
- 10 Military Events
- Range: Shooters 4,519, Classes 85, Special Events 19
- Served 30,500 customers in the Grill/Club/Range

Looking Ahead

Our effort is remaking the landscape of the military and veteran relationship with our civilian community. The Alliance is becoming a national model for military, veteran and civilian relations. It all starts with the unique facility remarkably equipped to provide a world-class venue:

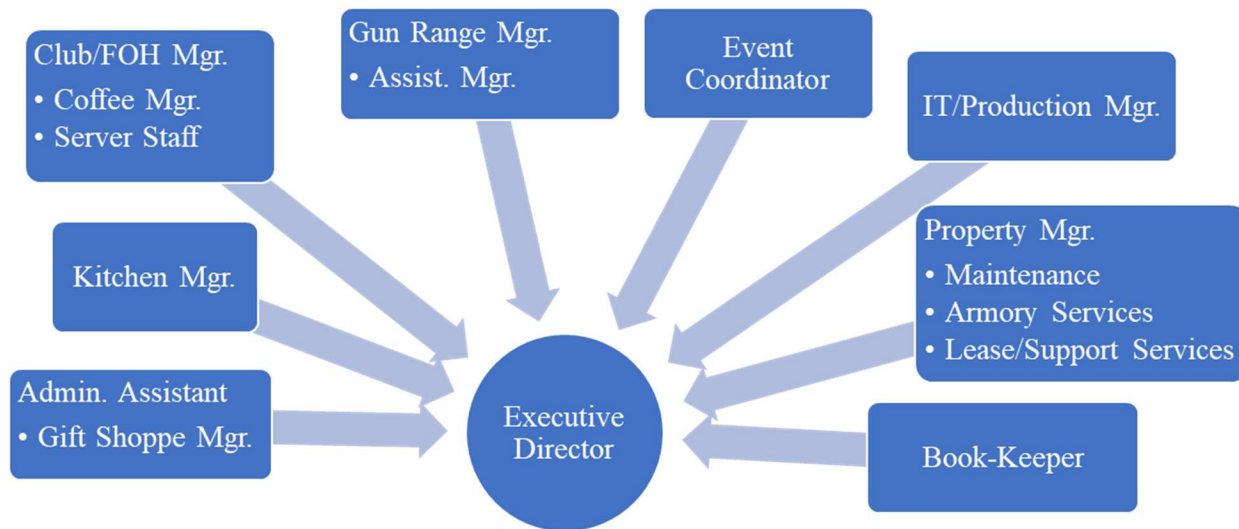
- ◆ Military Heritage Museum
- ◆ Club Lobo Lounge
- ◆ 23 Spaces for Veterans and Military Causes
- ◆ The Hangar Gift Shoppe
- ◆ Event Center
- ◆ Patriot Grill (full kitchen)
- ◆ Coffee Shoppe
- ◆ State of the Art Shooting Range
- ◆ VIP Event Suites
- ◆ Proactive Veteran Health Services
- ◆ Break-out Family Spaces

But the Alliance is more than a building. The Alliance is quickly becoming a “**brand**” with a unique product, a promise, and a personality. From field trips for our thousands of local school kids, to military training events, to community patriotic celebrations, to reigniting our most historic and iconic veteran groups and traditions, the opportunities are very real. What may be most important, however, is preserving for future generations the stories of service, valor, honor and sacrifice of so many from our own families, neighborhoods, city and state.

Brian Phelps
Executive Director
December 1, 2020



Alliance Org Chart



FINANCIAL SUMMARY

We are now through our 1st year of operation. We have learned a lot; good, bad, and ugly. We have seen the “proof of concept” in operations, while gaining a better understanding of the financial sustainability of the Alliance. The original ProForma was built on knowledge at the time of construction. Obviously, the Alliance “model” has been updated to the 2020 Budget/Actual shown below. We are nearing the finalizing of a Fundraising Master Plan, 2021 Budget, Impact Coffee Plan, Heritage Theater Plan and GreatLIFE Fitness Plan. All these items are directly tied to the bottom-line profitability of the Alliance.

The original pledges are continuing to come in as scheduled. In fact, the fundraising efforts from 2020 grossed just over \$1.2 million. Total pledge yet to be received is \$3.8 million; with loan balance at \$3.5 million.

Pledge/Donation Funding on 11/30/2020:

South Dakota Military Heritage Alliance, Inc.

Pledge Receipt / Loan Balance Spreadsheet

Donor	2019			2020			2021			2022	2023	2024	2025	2026	2027	2028	2029
	Pledge Amount	Rec. Amount	Received	Amount	Invoiced	Received	Amount	Invoiced	Received								
	\$5,000,000	\$2,500,000	11/25/2019														
	\$2,500,000	\$2,500,000	12/30/2019	\$250,000		2/1/2020	\$250,000			\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	
	\$500,000	\$500,000	2019				\$250,000		12/20/2020								
	\$1,500,000						\$1,500,000										
	\$500,000			\$500,000		11/25											
	\$50,000	\$50,000	11/25/2019														
	\$50,000	\$50,000	11/25/2019														
	\$100,000	\$20,000	12/6/2019	\$20,000		11/27	\$20,000	Nov.		\$20,000	\$20,000						
erist Family Fund	\$100,000			\$20,000	4/1/2020	4/15	\$20,000	4/1/2021		\$20,000	\$20,000	\$20,000					
able Fund of the Sioux Falls Area Community Foundation				\$50,000		1/14/2020											
able Fund of the Sioux Falls Area Community Foundation				\$50,000	1/14/2020	1/16/2020											
able Fund of the Sioux Falls Area Community Foundation				\$100,000		11/24/2020											
Repair				\$10,000	1/20/2020	2/3/2020											
us				\$5,000		1/14/2020											
k				\$25,000		1/21/2020											
				\$100		5/11/2020											
				\$100,000		10/20/2020											
				\$25,000		10/20/2020											
				\$50,000		11/20/2020											
ckenberg 3508 S. Kris Drive, SF SD 57103				\$100	4/1/2020		\$100	12/29/2020		\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
om Concert Series				\$150,000		10/23/2020	\$2,500			\$2,500	\$2,500	\$2,500					
				\$2,500		12/23/2020	\$2,500			\$2,500	\$2,500	\$2,500					
Area Community Foundation				\$10,000		12/17/2020											

The Goal Remains Clear. . .

*Create a destination, a military/veteran center unlike any other;
one that weaves the civilian community into its very fabric*

C3 South Dakota Military Heritage Alliance, Inc.:



South Dakota Military Alliance Balance Sheet As of November 30, 2020

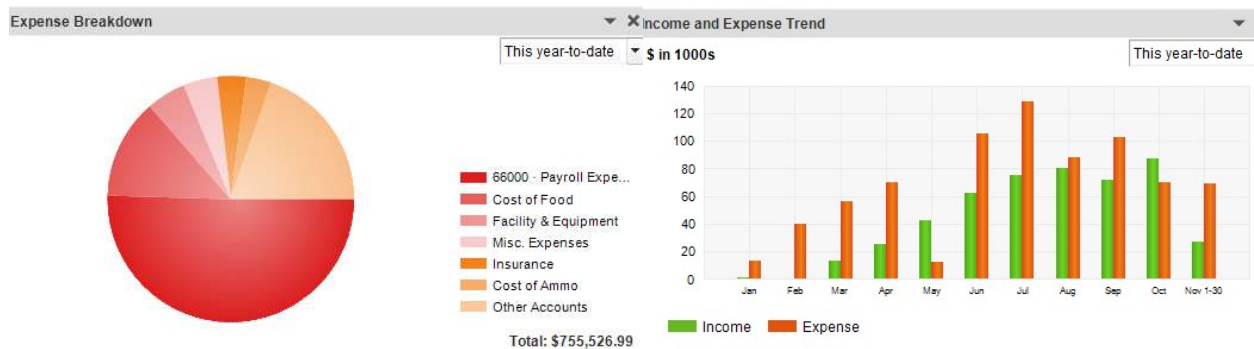
	Nov 30, 20
ASSETS	
▶ Current Assets	380,167.56
▶ Fixed Assets	9,165,175.00
TOTAL ASSETS	9,545,342.56
▶ LIABILITIES & EQUITY	9,545,342.56

South Dakota Military Alliance Profit & Loss Budget vs. Actual January through November 2020

	Jan - Nov 20	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
▶ Income	738,580.28	137,600.00	600,980.28	536.8%
Gross Profit	738,580.28	137,600.00	600,980.28	536.8%
▶ Expense	626,251.81	282,200.00	344,051.81	221.9%
Net Ordinary Income	112,328.47	-144,600.00	256,928.47	-77.7%
Other Income/Expense				
▶ Other Expense				
Ask My Accounta...	172.58			
Total Other Expense	172.58			
Net Other Income	-172.58	0.00	-172.58	100.0%
Net Income	112,155.89	-144,600.00	256,755.89	-77.6%

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C7 South Dakota Veterans Alliance:



South Dakota Veterans Alliance Inc. Balance Sheet As of November 30, 2020

	Nov 30, 20
ASSETS	
▶ Current Assets	27,895.01
▶ Fixed Assets	64,322.53
▶ Other Assets	-345.00
TOTAL ASSETS	91,872.54
LIABILITIES & EQUITY	
▶ Liabilities	367,401.54
▶ Equity	-275,529.00
TOTAL LIABILITIES & EQUITY	91,872.54

South Dakota Veterans Alliance Inc. Profit & Loss Budget vs. Actual January through November 2020

	Jan - Nov 20	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
▶ Income	485,425.05	447,870.00	37,555.05	108.4%
▶ Cost of Goods So..	222,328.09	152,150.00	70,178.09	146.1%
Gross Profit	263,096.96	295,720.00	-32,623.04	89%
▶ Expense	535,033.37	486,475.00	48,558.37	110%
Net Ordinary Income	-271,936.41	-190,755.00	-81,181.41	142.6%
Other Income/Expense				
▶ Other Expense	-1,834.47			
Net Other Income	1,834.47	0.00	1,834.47	100.0%
Net Income	-270,101.94	-190,755.00	-79,346.94	141.6%

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2021 BUDGETS

Statement of Financial Position

- We must continue to maintain the separation of the non-profit 501(C)(3) and the 501(C)(7) as both entities are governed separately, financed separately, and provide unique/separate functions
- South Dakota Military Heritage Alliance, Inc.: 501(C)3
This entity is the non-profit for charitable donations. Businesses and individuals wanting the charitable deduction will choose to support this business.
- South Dakota Veterans Alliance, Inc.: 501(C)7
The operational partner of the SDMHA, the Veterans Alliance, is modeled to make a profit via individual P&L tracking. Many businesses and individuals who are not attracted to the non-profit charitable donation will be open supporting these businesses. Also, foundations may be opening up to operations support.

South Dakota Military Alliance Profit & Loss Budget Overview January through December 2021

	Jan - Dec 21
Ordinary Income/Expense	
Income	
▶ Direct Public Support	463,200.00
▶ Investments	0.00
▶ Other Types of Income	0.00
▶ Rentals	165,000.00
Total Income	628,200.00
Gross Profit	628,200.00
Expense	
▶ Business Expenses	51,000.00
▶ Contract Services	0.00
▶ Facilities and Equipment	235,400.00
▶ Operations	44,400.00
▶ Other Types of Expenses	78,600.00
Payroll Expenses	216,000.00
Total Expense	625,400.00
Net Ordinary Income	2,800.00
Net Income	2,800.00

South Dakota Veterans Alliance Inc.
Profit & Loss Budget Overview
 January through December 2021

	Cafe	Coffee Kio...	Event Cen...	Gun Range	Hangar Gi...	Lounge	Machine M...	Members...	Operations	TOTAL
	Jan - Dec 21	Jan - Dec 21	Jan - Dec 21	Jan - Dec 21	Jan - Dec 21	Jan - Dec 21	Jan - Dec 21	Jan - Dec 21	Jan - Dec 21	Jan - Dec 21
Ordinary Income/Expense										
▶ Income	423,000.00	36,000.00	360,000.00	368,400.00	18,000.00	192,000.00	24,000.00	1,200.00		1,422,600.00
▼ Cost of Goods Sold										
Cost of Ammo				90,000.00						90,000.00
Cost of Beer			90,000.00			21,600.00				111,600.00
Cost of Coffee		18,000.00								18,000.00
Cost of Events			150,000.00							150,000.00
Cost of Food	144,000.00									144,000.00
Cost of Guns for Rental				7,800.00						7,800.00
Cost of Liquor						36,000.00				36,000.00
Cost of Merchandise - Gift S...					14,400.00					14,400.00
Total COGS	144,000.00	18,000.00	240,000.00	97,800.00	14,400.00	57,600.00				571,800.00
Gross Profit	279,000.00	18,000.00	120,000.00	270,600.00	3,600.00	134,400.00	24,000.00	1,200.00		850,800.00
▼ Expense										
▶ Business Expenses									4,325.50	4,325.50
Catering			60,000.00							60,000.00
▶ Facility & Equipment	3,000.00									3,000.00
▶ Insurance								944.00		944.00
▶ Marketing			6,000.00							6,000.00
▶ Misc. Expenses				147.03	10.53					157.56
66000 - Payroll Expenses	180,000.00		48,000.00	216,000.00		120,000.00				564,000.00
Total Expense	183,000.00		114,000.00	216,147.03	10.53	120,000.00			5,269.50	638,427.06
Net Ordinary Income	96,000.00	18,000.00	6,000.00	54,452.97	3,589.47	14,400.00	24,000.00	1,200.00	-5,269.50	212,372.94
Net Income	96,000.00	18,000.00	6,000.00	54,452.97	3,589.47	14,400.00	24,000.00	1,200.00	-5,269.50	212,372.94

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CLASS	SOUTH DAKOTA VETERANS ALLIANCE, INC. 2021 PLANS
Memberships	We must maintain the 75% of revenue target from members.
Video Lottery	No changes planned – perhaps even reduce the gaming aspect of the Alliance
Patriot Grill	Focus on speed and flavor – hired Kitchen Manager
Club Lobo	Develop Food and Beverage Manager
Range & Armory	With the availability of ammo, will come shooters. We will continue to offer classes and special events. We will continue to work with partners (not competitors) to help create a “unique” range experience.
Event Space	We will begin booking concerts/events in Dec. 2020. With our partners at the Washington Pavilion and Pepper Entertainment Planning on 26+ in '21. We will also book corporate events, private events, and Alliance Events with a goal to have ¾ of the weekends filled with an event.
Leased Offices	Alliance: 15 spaces w/1 available Armory: 9 spaces w/4 available (pending Sanford/GreatLIFE)
Hangar Gift Shoppe	Currently the space is full. We have 9+ vendors and the inventory is replenished as needed.
Heritage Theater	A free space that will be operational by end of Jan. 2021. Seating for 8.
Heritage Museum	Pending selling of the stored items in the warehouse – research into the space location/design – and of course funding.
IMPACT Coffee	Equipment and product to be ready by the end of 2020. Rollout 1 st Qtr. '21. Outside kiosk to follow the coffee proof of concept creation.
VIP Suites/Naming	Pricing is set – pending Event Schedule to show value and services offered for the suites.
Family Center	Design is done – pending donor/sponsor
Spiritual Reflection	Design is done by Stone Group Arch. Will get it painted and decorated 1 st Qtr. '21.
Meeting Rooms	4 Meeting Rooms: some events will continue to free or exchange for food/bev purchase. “A Place for All”
Armory	GreatLIFE Fitness: finalize the space and financial plans Space Leasing: 4+ spaces to fill Finish Branding the building with sign interior/exterior

*“People don’t buy what you do;
they buy why you do it.”*

Brand
Product +
Promise +
Personality

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