

**MONTANA BUSINESS ENTERPRISE PROGRAM
FOR THE BLIND AND VISUALLY IMPAIRED**

ANNUAL REPORT

FISCAL YEAR 2005

Prepared by:

**Montana Business Enterprises, Inc.
Great Falls • Helena, Montana**

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1. INTRODUCTION

This is the fiscal year 2005 Annual Report of the Montana Business Enterprise Program for the Blind and Visually Impaired (MBEP) and Montana Business Enterprises, Inc. (MBEI), which manages MBEP under a contract with Blind and Low Vision Services of the Montana Department of Public Health and Human Services. The report covers the period of October 1, 2004 through September 30, 2005.

MBEP (also commonly referred to as the "blind vendors program") is authorized by the Randolph-Sheppard Act of 1936, as amended, and the Montana Blind Vendors Act of 1981. Both statutes ensure that individuals who are legally blind receive a "priority" in the operation of vending facilities on Federal and State properties.

The Montana program consists of three basic components:

- ***Operation of vending facilities*** on federal, state and other properties in Montana by blind vendors licensed by DPHHS.
- ***Administration of vending facilities on state properties*** that are transferred to MBEP after being determined to be appropriate and necessary to the blind vendors program.
- ***Training of New Vendor Candidates*** seeking to become vending facility operators in the program.

Fiscal year 2005 was generally a period of continued growth for MBEP, but the program, now four years old, also underwent a number of important changes,

especially in the areas of its business model, finances, and vendor employment. This report addresses those changes, along with an update on the MBEP structure and organization, program highlights for the fiscal year, and financial status.

This annual report is organized as follows: Sections 1 through 6 address program highlights for the fiscal year, performance data, financial data, financial statements, and a listing of licensed vending facility operators and the sites they operate. Appendixes A and B include the program's mission, vision and guiding principles, and its organization and personnel.

2. PROGRAM HIGHLIGHTS

The following major changes took place in the Montana Business Enterprise Programs during fiscal year 2005:

- (1) **Business Model.** The MBEP business model was modified so that vendors now function as franchise owners and managers with greater responsibility for the success or failure of their individual businesses, while MBEI continues to provide oversight and technical support. This step was taken in an attempt to stimulate a greater sense of ownership on the part of the vendors and to create a greater incentive for more efficient financial management. This change was made effective July 1, 2005.

- (2) **Vendor Turnover.** The program experienced more vendor turnover than was the case in past years. Two vendors in Billings and one in Missoula left the program, while a new vendor was added in Missoula. At the end of the fiscal year, licensed blind vendors were operating routes and/or facilities in the Missoula, Kalispell and Helena areas. The Billings route was mothballed while MBEI searches for a replacement vendor to take over the route.

- (3) **Malmstrom Air Force Base.** The 2005 legislature enacted an amendment to the Blind Vendors Act designed to clear the way for blind vendors to operate vending facilities at Malmstrom Air Force Base in Great Falls. In the original statutory language, "federal military reservations" were exempted from coverage under the state law. The legislature approved an amendment that removed this language. In fiscal year 2006, MBEI will begin working with Malmstrom personnel to

explore ways to that blind vendors can function on the base.

Additional highlights for the year include:

- During the fiscal year blind vendors **directly operated 183 vending machines on 47 sites**, as compared with 132 machines on 42 sites in FY 2004, increases of 39 percent and 12 percent, respectively.
- During FY 2005, the program generated \$301,568 in **total vending sales**, an increase of 63 percent over fiscal year 2004.
- The number of **state vending sites administered by MBEP** increased from 68 to 71 during the year, and the number of vending machines on these sites was 284, roughly the same number as the previous year. Any state sites that are operated by non-blind vendors are subject to a monthly lease charge negotiated by the private vendor and MBEI. Income received from this source totaled \$22,171 in FY 2004, an increase of almost 36 percent over the previous fiscal year.
- Four candidates received **initial vendor training** in FY 2005, the same as fiscal year 2004, while two new vendors were placed on routes. Four licensed vendors are currently awaiting placement on routes or facilities.

3. PERFORMANCE DATA

KEY RESULT AREAS	FY 2004	FY 2005	FY 2006 (PROJECTED)
New blind vendors trained	4	4	2
New blind vendors licensed	4	3	3
Licensed blind vendors placed	3	2	2
Other visually disabled persons employed	1	1	1
Vending routes operated by blind vendors	4	5	6
Vending sites operated by blind vendors	42	48	57
Vending machines operated by blind vendors	132	183	239
Vending sales income	\$184,496	\$301,568	\$358,500
Federal vending facility permits received	13	15	16
Vending sites on Federal properties operated by blind vendors ¹	15	17	22
Federal unassigned set-aside income	\$3,205	\$3,612	\$1,500
State vending facility sites administered by MBEI	68	71	77
Vending machines on MBEI-administered sites	287	284	321
Vending sites on State properties operated by blind vendors	21	23	28
Lease income from State properties	\$15,725	\$22,171	\$51,077
Federal unassigned set-aside income	\$3,205	\$3,612	\$1,500

¹ A Federal operating permit can cover more than one vending site.

4. FINANCIAL DATA

Vending Operations -- Income Statement

	<i>Amount</i>	<i>Ratio²</i>
Gross Sales	\$301,568	100%
Less: Cost of Goods Sold	(\$185,020)	61%
Gross Profit	\$116,548	39%
Less: Commissions Paid	(\$15,671)	5%
Less: Other Operating Expenses	(\$70,466)	23%
<i>Operating Profit/(Loss)</i>	\$30,411	10%
Vending Machine & Other Income	\$25,763	--
<i>Net Proceeds</i>	\$56,174	19%
Less: Set-aside Funds	\$876	--
<i>Net Profit</i>	\$55,298	18%

Vending Operations – All Funding Sources

Vending Sales	\$301,568
Vending Machine Income (unassigned set-aside funds)	\$3,612
Other Income	\$0.00
State Lease Payments	\$22,171
State and Federal Funds	\$160,674
<i>Total Funds</i>	\$488,025

² "Ratio" is the percentage of gross sales.

5. FINANCIAL STATEMENTS FOR MONTANA BUSINESS ENTERPRISES, INC.

BALANCE SHEET

ACCOUNTS	SEPT. 30, 2004	SEPT. 30, 2005
ASSETS		
<i>Current Assets</i>		
Cash and Bank Accounts	\$1,427	\$2,365
<i>Total Current Assets</i>	\$1,427	\$2,365
<i>Fixed Assets</i>		
Equipment	\$12,145	\$13,176
Goodwill	\$600	\$600
Vending Machines	\$121,001	\$176,453
Vehicles	\$21,975	\$19,615
<i>Total Fixed Assets</i>	\$155,721	\$204,845
<i>Total Assets</i>	\$157,148	\$212,209
LIABILITIES & EQUITY		
<i>Liabilities</i>		
Current Liabilities		
Accounts Payable	\$22,873	\$15,394
Credit Cards	\$5,213	\$8,468
Other Current Liabilities		
Payroll Liabilities	\$2,313	\$3,110
<i>Total Other Current Liabilities</i>	\$2,313	\$3,110
<i>Total Current Liabilities</i>	\$30,298	\$26,972
Long Term Liabilities		
MAB Equipment Loans	\$8,675	\$20,139
Valley Bank Equipment Loans	\$50,635	\$75,711
Valley Bank Vehicle Loan	\$13,651	\$8,279
<i>Total Long Term Liabilities</i>	\$72,962	\$104,129
<i>Total Liabilities</i>	\$103,360	\$131,101
<i>Equity</i>		
Retained Earnings	\$62,565	\$53,788
Net Income	-\$8,158	\$27,321
<i>Total Equity</i>	\$54,407	\$81,109
Total Liabilities and Equity	\$157,148	\$212,209

PROFIT AND LOSS STATEMENT

<i>CATEGORY</i>	<i>FY 2004</i>	<i>FY 2005</i>
Ordinary Income/Expense		
<i>Income</i>		
Contributions	\$394	\$300
Grants & Contracts	\$184,744	\$160,674
Lease Income	\$22,151	\$16,318
Service & Maintenance	\$1,985	\$0
Federal Set-aside Income	\$2,647	\$3,612
Vending Sales	\$184,496	\$249,483
Levied Set-aside Income	\$0	\$351
Miscellaneous	\$256	\$575
Total Income	\$390,840	\$437,145
Cost of Goods Sold	-\$137,158	-\$169,408
Commissions Paid	-\$4,935	-\$12,114
Gross Profit	\$248,747	\$267,737
<i>Expenses</i>		
Auto	\$2,165	\$5,520
Banking	\$2,224	\$8,591
Board of Directors	\$715	\$0
Dues and Subscriptions	\$351	\$438
Corporation Filing Fees	\$15	\$15
Freight and Setup	\$2,337	\$1,997
Insurance	\$7,697	\$7,967
Interest Expense		
Licenses and Permits	\$132	\$35
Miscellaneous	\$0	\$40
Payroll Expenses	\$186,340	\$178,109
Petty Cash	\$55	\$200
Postage and Shipping	\$585	\$596
Printing and Reproduction	\$517	-\$202
Professional Fees	\$8,468	\$3,759
Promotions and Advertising	\$0	\$37
Public Education	\$1,200	\$0
Rent	\$10,259	\$9,704
Repairs	\$884	\$1,763
Route Setup	\$210	\$0
Supplies	\$2,279	\$1,716
Telephone	\$4,544	\$3,909
Training	\$168	\$615
Travel	\$26,227	\$15,135
Utilities	\$104	\$127

<i>Total Expense</i>	<u>\$257,524</u>	<u>\$239,757</u>
Net Ordinary Income	<u>-\$8,158</u>	<u>\$27,980</u>
Net Income	<u><u>-\$8,777</u></u>	<u><u>\$27,980</u></u>

6. *VENDING ROUTES AND SITES*

Vending Route #1 – Missoula Area

State Properties – None

Federal Properties

- **Rocky Mountain National Laboratories**, Hamilton – 7
Vending Machines
- **Lolo National Forest**, Missoula – 4 Vending Machines
- **Rocky Mountain Research Station**, U.S. Forest Service – 2
Vending Machines
- **Technology Development Center**, U.S. Forest Service – 5
Vending Machines

Other Properties

- **Opportunity Resources**, Missoula – 1 Vending Machine
- **Opportunity Resources**, Wood Products Division, Missoula – 1
Vending Machine
- **First Interstate Bank**, Missoula – 2 Vending Machines
- **Pepsi Cola Bottling Co.**, Missoula – 1 Vending Machine
- **Clawson Manufacturing**, Missoula – 1 Vending Machine

Vending Route #1-A

State Properties – None

Federal Properties

- **Federal Building/Post Office**, Missoula – 1 snack bar/5
Vending Machines
- **Russell Smith Federal Courthouse**, Missoula – 2 Vending
Machines

VENDING ROUTE #2 – HELENA AREA

State Properties

- **DPHHS Headquarters Building**, Helena – 3 Vending Machines
- **Cogswell Building**, Helena – 6 Vending Machines
- **Montana Historical Society and Museum**, Helena – 3 Vending Machines
- **Department of Corrections Headquarters Building**, Helena – 3 Vending Machines
- **Mitchell Building**, Helena – 9 Vending Machines
- **Justice Building**, Helena – 4 Vending Machines
- **Old Livestock Building**, Helena – 1 Vending Machine
- **Fish, Wildlife & Parks Headquarters Building**, Helena – 2 Vending Machines
- **DPHHS Office Building**, 3075 N. Montana, Helena – 4 Vending Machines
- **Montana State Prison**, Deer Lodge – 6 Vending Machines
- **Title & Registration Bureau**, Deer Lodge – 3 Vending Machines
- **Montana State Hospital**, Warm Springs – 10 Vending Machines
- **WATCH Program**, Warm Springs – 8 Vending Machines
- **Department of Military Affairs**, Ft. Harrison – 44 Vending Machines

Federal Properties

- **Baucus Federal Building**, Helena – 3 Vending Machines
- **Hatfield Federal Court House**, Helena – 1 Vending Machine

Other Properties

- **Federal Express**, Helena – 2 Vending Machines

VENDING ROUTE #3 – KALISPELL AREA

State Properties

- **DPHHS Office Building**, Kalispell – 2 Vending Machines

- **Montana Veterans Home**, Columbia Falls – 2 Vending Machines
- **Fish, Wildlife & Parks Regional Office**, Kalispell – 2 Vending Machines
- **Job Service Center**, Kalispell – 1 Vending Machines
- **Montana Department of Transportation Regional Office**, Kalispell – 2 Vending Machines
- **Northwest Land Office, Department of Natural Resources and Conservation**, Kalispell – 2 Vending Machines

Federal Properties

- **Flathead National Forest** – 3 Vending Machines
- **Glacier National Park Headquarters**, West Glacier – 4 Vending Machines
- **Port of Roosville**, Roosville – 2 Vending Machines

Other Properties

- **North Valley Agriculture**, Kalispell – 1 Vending Machine

VENDING ROUTE #4 – BILLINGS AREA

State Properties

- **DPHHS Office Building**, Billings – 4 Vending Machines
- **Department of Justice**, Billings – 2 Vending Machines
- **Adult Probation & Parole**, Billings – 3 Vending Machines

Federal Properties

- **Jameson Federal Building**, Billings – 5 Vending Machines
- **Battin Federal Building**, Billings – 5 Vending Machines
- **Bureau of Land Management**, Billings – 3 Vending Machines

Other Properties – None

7. Program Objectives -- Fiscal Year 2006

For fiscal year 2006, MBEP objectives are to:

1. Reactivate the Billings vending route.
2. Recruit and train two new vendors.
3. Assign two new vendors to vending routes and/or facilities.
4. Increase total vending sales by at least 40 percent during FY 2006.
5. Increase the number of vending machine facilities on state properties under MBEP management by 10 percent and increase the amount of lease payments by 100% over FY 2005.

APPENDIX A

MONTANA BUSINESS ENTERPRISE PROGRAM ***MISSION, VISION AND GUIDING PRINCIPLES***

MISSION

To provide blind and visually impaired persons in Montana with abundant opportunities for stable, remunerative employment, enlarged economic opportunities, and increased self-support.

VISION

A significant decrease in the unemployment and dependency rates of blind and visually impaired people in Montana.

GUIDING PRINCIPLES

- ***INTEGRITY, ETHICS AND PROFESSIONALISM*** -- Support a culture of integrity, ethical conduct, and consummate professionalism.
- **CUSTOMER SERVICE AND SATISFACTION** -- Maintain a strong customer focus that is responsive to customer needs and encourages two-way communication.
- ***FINANCIAL STRENGTH AND STABILITY*** – Always strive for a strong financial position to ensure long-term stability and financial solvency.

- ***PERFORMANCE-DRIVEN AND TEAM-BASED ORGANIZATIONAL CULTURE*** -- Foster a performance-driven organizational culture that is based on professionalism and teamwork and is highly conducive to the vocational growth of our employees.

- ***EFFECTIVE COMMUNICATIONS*** -- *Foster an environment conducive to effective and clear communication both inside and outside the organization.*

APPENDIX B

MONTANA BUSINESS ENTERPRISE PROGRAM ORGANIZATION STRUCTURE AND PERSONNEL

The **Montana Department of Public Health and Human Services** (DPHHS) has been designated as the “State Licensing Agency” (SLA) by the U.S. Department of Education for the purposes of operating Montana’s Business Enterprise Program. The **Blind and Low Vision Services** program of the **Disability Services Division** provides direct oversight of the program.

DPHHS has contracted with **Montana Business Enterprises, Inc.** (MBEI) to serve as its “nominee agency” for the purposes of administering the day-to-day operations of the program and providing business support to the blind vendors in the program. MBEI is a not-for-profit corporation that was established in 2000 to provide administrative, management and business support to licensed blind vendors.

A **Vending Operators Committee**, mandated by both Federal and State statutes, was formally established in August 2004 and has been participating in major policy, administrative, operations and program development decisions affecting the overall direction of the blind vendors program. This committee consists of licensed blind vendors who are employed in the program.

BOARD OF DIRECTORS

<i>MEMBER</i>	<i>CATEGORY</i>	<i>TERM ENDS</i>
Dan Burke, Chair*	Professional	9/30/05
John Collins, Vice Chair	DPHHS	9/30/06
Jerry Hutch*	Montana Assn. for the Blind	9/30/05
Donna Harris*	Vending Ops. Committee	9/30/06
Evelyn Pool*	Vending Ops. Committee	9/30/05
Sam Hubbard	President	--
Vacant*	Vending Ops. Comm.	--

*Blind or visually impaired member

CORPORATE OFFICERS

<i>NAME</i>	<i>POSITION</i>
Samuel T. Hubbard	President
Edward C. (Ted) Robbins	Treasurer

PROGRAM STAFF

<i>NAME</i>	<i>POSITION</i>
Samuel T. Hubbard	Chief Executive Officer
Edward C. (Ted) Robbins	Chief Financial Officer
Donna M. Harris	Vending Operations Manager

LICENSED VENDING FACILITY OPERATORS

Barbara Barnard, Missoula – Vending Route #1³

Lyle Schmautz, Missoula – Vending Route #1⁴

Deborah Jackson, Missoula – Vending Route #1-A

Donna Harris, East Helena – Vending Route #2

Mark Baily, Helena – Vending Route #2⁵

Evelyn Pool, Columbia Falls – Vending Route #3

Doug Somers, Billings – Vending Route #4⁶

Sharon Larson, Shawmut – Vending Route #4⁷

LICENSEES AWAITING PLACEMENT

Harold Leigland, Great Falls

Stacie Huff, Anaconda

Lori Hamner, Butte

VENDING OPERATORS COMMITTEE

<i>NAME</i>	<i>POSITION</i>	<i>TERM</i>
Evelyn Pool	Chair	9/30/05
Donna Harris	Member	9/30/06
Vacant	Member	9/30/05
Vacant	Alternate Member	9/30/06

³ Left program effective June 30, 2005.

⁴ Joined program on July 1, 2005.

⁵ Left program effective June 30, 2005.

⁶ Left program effective May 15, 2005.

⁷ Left program effective July 15, 2005.