

Deh Cho Business Development Centre



ANNUAL REPORT 2015-2016

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INTRODUCTION

The Deh Cho Business Development Centre (DCBDC) is a non-profit Corporation governed by a Board of Directors chosen from the communities it serves. It is funded by the Territorial Government through the Department of Industry, Tourism & Investment, using funds from the Community Futures Program.

The Centre's mandate is to enhance the local economy and stimulate employment through business development in the Deh Cho Region. Services offered allow new and existing businesses to take advantage of opportunities and provide employment, products and services essential to Deh Cho communities.

The services are provided to clients in the six communities of the Deh Cho region: Nahanni Butte, Trout Lake, Fort Liard, Fort Simpson, Wrigley and Jean Marie River. Total population of the region is approximately 2,200. Services were provided to Fort Providence and Kakisa (population approximately 900) from September 2005 to March 31, 2011.

This document summarizes the activities of the DCBDC, and its effect on business and employment for the 2015/16 year, and presents the DCBDC's financial statements as of March 31, 2016.

Board of Directors 2015 /2016

Larry Campbell	Acting Chair	Fort Simpson
Ruby Jumbo	Director	Trout Lake
Yvonne Norwegian	Director	Jean Marie River
Pauline Campbell	Director	Nahanni Butte
Albert Moses	Director	Wrigley
Shadab Khan	Sec. / Treas.	Fort Liard
John Mckee	Director	Fort Liard
Gus Croatto	Director	Fort Simpson

Investment Review Committee

The Investment Review Committee (IRC) is normally comprised of two Board members and three people from the communities who are knowledgeable in business affairs. Two seats were vacant as of March 31. The committee is responsible for the approval of all loans in excess of \$5,000.

Staff

Sean Whelly

Business Development Officer

Sean has been with the Deh Cho Business Development Centre (DCBDC) since January 2001. He worked as an EDO with the Village of Fort Simpson for four years and with the Wrigley Band for ten months before working with the DCBDC. Sean has a Bachelor of Commerce and a Diploma in Marketing Management. He is currently pursuing an MBA.

Todd Noseworthy

General Manager

Todd has been the General Manager since the DCBDC started in September 1998. He managed two other Business Development Centres, for a total of 6 ½ years,

before moving to the NWT. He has a Bachelor of Science (Math), an MBA and is a Chartered Professional Accountant (CPA, CMA).

Time Line of Significant Events

- June 1997*** - ***Deh Cho Communities Presented With the Idea of Establishing a Community Futures (CF) Office in the Region***
- September 1997*** - ***Temporary Board of Directors Put In Place***
- April 1998*** - ***Application for CF / Business Development Centre (BDC) Submitted & Approved***
- September 1998*** - ***General Manager Hired***
- October 1999*** - ***First Board Meeting***
- November 1998*** - ***DCBDC Incorporated***
- November 1998*** - ***First Official Board Ratified and Officers Elected***
- January 1999*** - ***Business Development / Loans Officer Hired***
- January 1999*** - ***Operating and Loan Funds (\$550,000) Received***
- January 1999*** - ***First Loan Approved and Advanced***
- January 2001*** - ***Hired Executive Assistant***
- ***Fort Simpson Economic Development Officer Position Transferred to Deh Cho BDC***
- September 2001*** - ***Hired Youth Development Officer***
- April 2002*** - ***Held first NWT Youth Business Conference***
- November 2003*** - ***Held First Public Annual General Meeting***
- November 2003*** - ***Hired Second Business Development Officer***
- December 2003*** - ***Milestone: At least one loan disbursed in every community***
- May 2004*** - ***Held Deh Cho Oil & Gas Conference***
- July 2006*** - ***First offered loans in excess of \$75,000.***
- September 2008*** - ***Milestone: Disbursed 200th loan, surpassing \$3,500,000 in financing.***
- August 2009*** - ***Milestone: Exceeded \$5,000,000 in loan approvals***

- June 2011** - **Milestone: \$5,000,000 disbursed**
- October 2011** - **Secured an additional \$900,000 in loan capital from NWT Business Development & Investment Corp.**
- March 2013** - **Milestone: Surpassed \$7,000,000 in approvals**
- March 2013** - **Secured an additional \$285,000 in loan capital from NWT Community Futures Association.**

Services and 2015 – 2016 Utilization

The principal services offered by the Deh Cho Business Development Centre (BDC) to all businesses in the region include: General Business Counseling, Technical Assistance, Business Planning, Assistance with Financing Applications, a Small Business Resource Centre and Small Business Loans

A brief description of the services provided during the 2015-16 fiscal year, and a summary of the effects of those services, follows.

General Business Assistance

A brief description of the services that constitute General Business Assistance is provided to enhance the reader's understanding of the non-lending services offered to clients of the Deh Cho Business Development Centre.

Business Counseling could entail a general discussion of the client's ideas, the viability and feasibility of an idea, the types of financing available, the information required to submit an application for financing and what steps should be taken to start a new business.

Technical Assistance typically produces a tangible outcome. Examples include: the development of company logos, bookkeeping setup & instruction and the completion of business forms (registrations, licenses, etc.).

Assistance with Business Planning. A completed business plan outlines how the business start-up / project will unfold for the owner(s) and is often used to apply for financing. When a client requests funding from the Deh Cho BDC, a condensed business plan, called a **Business Summary**, is prepared for internal use only.

Preparation of Funding Applications consists of assisting clients who have difficulty with the completion of applications for funding from **other** funding agencies or departments.

Table 1 below summarizes the goals set for 2015 /16 related to the quantity of each service requested and the actual numbers experienced.

Table 1 – Summary of General Business Services Expected and Provided

SERVICE	EXPECTED	OUTCOME
General Counseling	30	25
Technical Assistance	55	43
Business Plans (External)	6	2
Business Summary (Internal) *	20	18
Preparation of Funding Applications	6	5

* The effect of Business Summaries is taken into account in the loan statistics

Table 2 and the accompanying information below demonstrate that the non-lending services provided by the Deh Cho BDC have a measurable and positive effect upon the Dehcho region.

Table 2 – Measurable Effects of General Business Services

EFFECT	EXPECTED	OUTCOME
Businesses Started	2	2
Businesses Expanded	1	0
Businesses Maintained	2	1
Jobs Supported **		

** Full-time and part-time jobs supported are summed as is and are not converted to Full Time Equivalents.

Many other businesses were enhanced by the services provided but not to the extent that businesses were started / expanded / maintained as a direct result of the service.

Businesses supported in this manner applied for \$62,235 and were approved for approximately \$61,235 from sources other than the Deh Cho BDC throughout the fiscal year. One other application from the prior year was finally approved as well. The client has conditionally been approved for \$100,000 through that application.

Small Business Resource Centre

The Business Resource Centre (BRC) exists to provide clients with the tools needed to enhance their current businesses and to facilitate the development of new ideas. Using the resources from the BRC, clients can prepare business plans, research ideas, and explore opportunities independently or with help from DCBDC staff.

Canada Business NWT and the Aboriginal Business Service Network provided approximately \$41,300 for the BRC over its first eleven years.

Small Business Loans

Small business loans of up to \$200,000, provided by the Deh Cho BDC help start, expand and maintain small businesses, which in turn, create employment and stimulate the local economy.

Since September 1998, the BDC has received \$892,500 from RWED/ITI for the Loan Fund. It has borrowed \$460,000 from NWT BDIC and borrowed \$285,000 from the NWT CF Association. **With those funds, the organization has disbursed \$9,064,732 to approximately 131 different businesses.**

Goals related to the lending activities for the 2015-16 year were:

- To approve 21 of 22 loan applications that result in 2 business start-ups, 2 expansions and the maintenance of 15 businesses, with loan financing totaling \$630,000.
- To support approximately 46 jobs with the lending activity; an average of 2.20 jobs per loan approved.
- To keep bad debt to a maximum of \$25,000 from 3 accounts.

- To keep write-offs to a maximum of \$25,000, 2 accounts.
- That client equity constitute 10% of total project costs.
- That 30% of loan applications be approved for applicants from outside of Fort Simpson.
- To leverage at least 15% from sources other than client equity.

The following sub-sections highlight how the loan funds available were put to use during 2015 / 16. A summary comparing actual results with the goals listed above concludes this section.

Lending Activity

Tables 3 and 4 outline loan activity since September 1998 and Table 5 shows the direct results as measured by businesses started, expanded and maintained.

Of the 18 applications received in 2015/16, one application was not approved and one was approved but withdrawn.

Table 3 - # of Applications Requested / Approved / Disbursed

	9/21/98 to 3/31/12	Yr. End 3/31/13	Yr. End 3/31/14	Yr. End 3/31/15	Yr. End 3/31/16	Total to Date
Requested	295	29	21	23	18	378
Approvals	271	28	20	21	17	358
Disbursed	263	28	19	18	17	345

One loan approved in the previous year was advanced in the first quarter of 2015-16. Disbursements are much more than approvals, largely due to multiple disbursements to loans that operate as lines of credit. Not all loans were fully disbursed by year end.

Table 4 - \$ Value of Applications Requested / Approved / Disbursed

	Opening - 3/31/11	Ended 3/31/13	Ended 3/31/14	Ended 3/31/15	Ended 3/31/16	Total to Date
\$ Requested	\$6,964,638	\$792,666	\$656,087	\$713,454	\$473,969	\$8,944,727
\$ Approved	\$6,310,092	\$692,666	\$649,697	\$663,454	\$469,019	\$8,135,231
\$ Disbursed	\$5,471,072	\$949,234	\$1,006,092	\$845,305	\$793,029	\$9,064,732

The average amount approved per loan in 2015/16 was 27,589, lower than last year at \$31,593. The overall average is \$22,724.

As with past years, DCBDC's efforts continue to largely help maintain existing businesses, and the jobs already in existence, versus creating new businesses and new positions.

Table 5 – Measurable Effects of Small Business Loans

EFFECT	EXPECTED	OUTCOME
Businesses Started	2	1
Businesses Expanded	2	3
Businesses Maintained	15	13

Funds Levered

Loans approved in 2015 /16 totaled \$469,019. Other funds contributed to the projects financed by the DCBDC are considered levered funds. **Total funds levered during the fiscal year were \$475,498, 50.3% of the total project requirements.** Leveraged funds include \$322,498 (34.1%) from client equity, \$113,000 (12%) from other financing and \$40,000 (4.2%) from ITI / BDIC funds. Client equity and Other financing include funds related to a loan approved last fiscal but not previously included.

The five year averages for the three sub-categories are: Client Equity 22.1%, ITI/BDIC 3.3% and Other 17.5%. The breakdown for the last four years is shown below in Table 6.

Table 6 – Breakdown of Leveraged Funds

Loans Approved	Client Equity	Other Financing	ITI / BDIC
2015 / 16	\$ 322,498 (50.3%)	\$ 113,000 (12%)	\$ 40,000 (4.2%)
2014 / 15	\$ 148,429 (17%)	\$0, (0%)	\$ 49,512, (5.7%)
2013 / 14	\$ 99,656 (8.3%)	\$435,000 (36.2%)	\$ 18,190 (1.5%)
2012 / 13	\$ 320,705 (26.4%)	\$152,435 (12.5%)	\$ 50,000 (4.1%)

Jobs Assisted

The DCBDC has assisted with the creation and maintenance of many jobs since it first opened in 1998. Table 8 illustrates the effect of the loans on employment in the region since then.

Table 7 – Jobs Assisted

	Created Full-time	Part-time	Maintained Full-time	Part-time	Avg. # Jobs Per Disbursed Loan
98 - 12	34	135	190	226	2.22
12 / 13	3	7	15	27	1.86
13 / 14	1	11	20	18	2.5
14 / 15	2	1	13	11	1.5
15 / 16	1	2	14	19	2.1
Totals	40	156	252	301	2.16

* All jobs are counted as one. Jobs have not been converted to full time equivalents.

The overall average number of jobs supported per disbursed loan is **2.16**; the average was **2.1** in 2015-16. These averages include part time & full time created and/or maintained as well as seasonal positions created & maintained.

Loans Disbursed - Breakdown by Community

All six communities in the Deh Cho have accessed the loan fund, some more than others.

In 2015/16, loans were disbursed in four of the six communities in the region. Of the loans disbursed, 23.5% were outside of Fort Simpson.

Table 8 – # of Loans Disbursed By Community

	Ft. Simpson	Wrigley	JMR	Ft. Liard	Nahanni Butte	Trout Lake
1998 - 2012	181	31	4	36	6	4
2012 - 2013	18	5	2	1	1	1
2013 - 2014	16	2	0	1	0	0
2014 - 2015	14	2	0	0	0	2
2015 - 2016	13	2	1	0	0	1
Totals	242	42	7	38	7	8
% of Total #	70.3%	12.2%	2.0%	11.0%	2.0%	2.3%

Note: 1 loan was disbursed to an applicant from Fort Providence when services were provided to that community

To date, 29.7% of loans disbursed have been to businesses outside of Fort Simpson. Wrigley and Fort Liard still have the largest numbers of loan disbursements amongst those five communities.

Loan Fund Changes & Composition

The Deh Cho BDC has three sources of loan funds available to finance small business loans for business clients. RWED / ITI contributed \$892,500 to the Core Investment Fund in DCBDC's early years. Since then, the NWT Business Development & Investment Corporation approved a loan for \$900,000 and the NWT Community Futures Association approved a loan for \$285,000.

Each fund earns interest from loans and bank deposits and has expenses related to their operation and use. Details regarding the value and makeup of each fund are outlined below. Table 9a, 9b and 9c summarize the elements of change for each loan fund. Tables 10a, 10b and 10c detail the fund composition as of year-end.

Core Investment Fund

The Core Fund has funded the largest percentage of the total outstanding loans and so earns most of the interest. The table below shows the numbers that affected the main fund over 2015/16.

Table 9a – Elements of Change in Investment Fund Value as of March 31

	1998 – '11	2013	2014	2015	2016	Total
Loan Interest - Net	\$ 529,376	\$ 45,367	\$48,734	(*) \$36,484	\$ 44,659	\$ 704,621
Other Interest - Net	63,105	- 201	151	639	- 137	63,557
Net Bad Debt	493,438	- 4,158	- 10,799	- 6,282	\$ 11,284	483,483
RWED Contrib.	892,500	0	0	0	0	892,500

Note: Starting with 2014/15, net collection costs were expensed against the Investment Fund's earnings.

This Fund's value as of March 31, 2016 was **\$1,172,337**; **\$28,380** more than one year ago, **\$279,837** more than the amount provided by RWED / ITI for the investment fund and its highest value to date.

Table 10a – Core Investment Fund Composition as of March 31

Year Ended	31-03-11	31-03-12	31-03-13	31-03-14	31-03-15	31-03-16
Net Loan Value	\$ 720,411	\$ 814,272	\$ 922,009	\$ 827,218	\$ 865,864	\$ 993,850
Cash & Inv. *	237,921	177,272	118,859	273,335	278,093	\$ 178,487
Total Value	958,332	991,544	1,040,868	1,100,553	1,143,957	\$1,172,337

* Net of payables and receivables

Write-offs for this year, to the Core Investment Fund, amounted to \$4,859 while the net increase to bad debt was \$11,284.

NWT BDIC Fund

Total debt due to NWTBDIC as of March 31 was \$432,207. No new funds were drawn down during the last fiscal year. Loan payments are now blended (no longer interest only). The loan was paid down by \$22,270 during the fiscal year.

Table 9b and 10b highlight the elements of the changes for this fund and the composition as of March 31, 2015. Loan interest exceeded interest payable to NWT BDIC in 2015/16 and a previous allocation to bad debt was reversed.

Table 9b – Breakdown of Change in BDIC Fund Value as of March 31

	2014	2015	2016	Total
Loan Interest - Net	\$ 12,362	\$ 8,602	\$ 10,831	\$ 33,456
Other Interest - Net	440	711	239	904
Interest Expense	- 7,429	- 9,323	- 8,822	- 26,781
Other Expenses	0	0	0	- 6,025
Net Bad Debt	0	10,000	- 10,000	0

The NWT BDIC Loan Fund value improved to **\$1,555 as of March 31, 2016, an increase of \$12,249 over the previous year.**

Table 10b – NWT BDIC Portfolio Composition & Value

Year Ended	31-03-14	31-03-15	31-03-16
Net Loan Value	\$ 196,921	\$ 102,079	\$ 56,303
Cash & Inv. (Net)	262,397	341,704	377,459
Due to NWT BDIC	- 460,000	- 454,477	- 432,207
Total Value	- 682	- 10,694	1,555

There were no write-offs against this loan fund in 2015-16.

NWTCFA Fund

The Development Center drew down the \$285,000 approved by NWTCF Association during the 2013/14 year. Total debt due to NWTCFA as of March 31 remains at \$285,000.

Table 9c and 10c highlight the elements of the earnings and interest for this fund and its composition as of year-end.

Table 9c – Breakdown of Change in NWTCFA Fund Value as of March 31

Year Ended	2014	2015	2016	Total
Loan Interest - Net	\$ 0	\$ 4,267	\$ 1,757	\$ 6,024
Other Interest - Net	- 185	459	169	443
Interest Expense	0	0	0	0
Other Expenses	0	0	0	0
Net Bad Debt	0	- 3,000	- 26,588	- 29,568

The NWT NCFE Loan Fund was valued at - **\$23,121 as of March 31, 2016, \$24,662 less than the previous year.**

Table 10c – NWT NCFE Portfolio Composition & Value

Year Ended	31-03-14	31-03-15	31-03-16
Net Loan Value	\$ 33,000	\$ 52,448	\$ 17,855
Cash & Inv. (Net)	\$ 251,815	\$ 234,093	\$ 244,024
Due to NWTCFA	- \$ 285,000	- \$ 285,000	- \$ 285,000
Total Value	- \$ 185	\$ 1,541	- \$ 23,121

One significant loan was added to bad debt this year resulting in the decline in fund value. There have been no write-offs against this loan fund.

Small Business Loans – Goal Summary & Conclusion

Table 11 – Summary of Small Business Loan’s Goals and Results

	Goal		Result	
\$ Approved, # Loans	\$ 630,000	21	\$ 469,019	17
# Jobs supported		46		36
\$ bad debt (net), # bad accts.	\$ 25,000	3	\$ 27,872	7
\$ Written Off	\$ 25,000	2	\$ 4,859	1
\$ / % client equity	\$ 84,000	10%	\$ 322,498	50.3%
\$ / % levered from ITI / BDIC	\$ 25,200	3%	\$ 40,000	4.2%
\$ / % levered from other sources	\$ 100,800	12%	\$ 113,000	12.0%
Loans approved outside of Fort Simpson		30%		23.5%

Loans approved to clients in communities other than Fort Simpson were lower than average and lower than expected though slightly higher than the previous year. Fewer loans were approved than anticipated, the bad debt allowance was higher (largely due to one significant loan) and write-offs were less than allowed for. Funds levered from all sources were at or above expectations.

Overall, the activity of all funds combined resulted in an overall net gain of \$15,967, less than half of the previous year’s overall gain of 34,748.

The total loans outstanding at year end increased to \$1,346,168 from \$1,270,678 in 2014/15, even exceeding the amount from 2013/14 of \$1,300,709. The total value of the all Investment Funds combined increased as well, totaling \$1,150,771 from \$1,134,804, a modest increase of \$15,967 or 1.4% versus the 3.2% increase between the two previous years. Total value is now \$258,271 more than the contributions received from GNWT.

Financial Statements

The financial statements of the Deh Cho BDC, including the management letter and auditor’s opinion are included below.

Financial Statements

2015 / 2016