

Deh Cho Business Development Centre



ANNUAL REPORT 2014-2015

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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 2014 /15 year, and presents the DCBDC's financial statements as of March 31, 2015.

Board of Directors 2014 /2015

Ron McCagg	Chairperson	Fort Simpson
Larry Campbell	Vice Chair	Fort Simpson
Dennis Deneron	Director	Trout Lake
Yvonne Norwegian	Director	Jean Marie River
Albert Moses	Director	Wrigley
Shadab Khan	Sec. / Treas.	Fort Liard

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. One seat was 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) and an MBA and is currently pursuing a CMA designation.

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 2014 – 2015 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 2014-15 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 the 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 and 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 2014 /15 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	20
Technical Assistance	35	54
Business Plans (External)	5	4
Business Summary (Internal) *	18	18
Preparation of Funding Applications	5	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	3	1
Businesses Expanded	2	1
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 \$206,920 and were approved for approximately \$26,920 from sources other than the Deh Cho BDC throughout the fiscal year. Decisions are yet to be made on applications totaling \$180,000. The impact of the non-approved applications is not reflected in Table 2 above.

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 loans totaling \$8,271,703, to approximately 127 different businesses.**

Goals related to the lending activities for the 2014-15 year were as follows:

- To approve 24 of 25 loan applications that result in 2 business start-ups, 4 expansions and 14 businesses maintained, totaling \$816,000.
- To support approximately 55 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 8% of total project costs.
- That 35% 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 2014 / 15. 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.

Table 3 - # of Applications Requested / Approved / Disbursed

	9/21/98 to 3/31/11	Yr. End 3/31/12	Yr. End 3/31/13	Yr. End 3/31/14	Yr. End 3/31/15	Total to Date
Requested	269	26	29	21	23	360
Approvals	245	26	28	20	21	341
Disbursed	239	24	28	19	18	329

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

	Opening - 3/31/11	Ended 3/31/12	Ended 3/31/13	Ended 3/31/14	Ended 3/31/15	Total to Date
\$ Requested	\$6,123,718	\$840,920	\$792,666	\$656,087	\$713,454	\$8,470,758
\$ Approved	\$5,469,172	\$840,920	\$692,666	\$649,697	\$663,454	\$7,666,212
\$ Disbursed	\$4,856,885	\$614,187	\$949,234	\$1,006,092	\$845,305	\$8,271,703

Of the 23 applications received in 2014 / 15, two applications totaling \$50,000 were not approved and three were not disbursed as of year-end. Disbursements are more than approvals, largely due to multiple disbursements to loans that operate as lines of credit.

The average amount approved per loan in 2014 / 15 was \$31,593, slightly lower than last year at \$32,485. The overall average is \$22,482.

Table 5 – Measurable Effects of Small Business Loans

EFFECT	EXPECTED	OUTCOME
Businesses Started	2	2
Businesses Expanded	4	1
Businesses Maintained	14	15

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

Funds Levered

Loans approved in 2014 /15 totaled \$663,454. Other funds contributed to the projects financed by the DCBDC are considered levered funds. **Total funds levered during the fiscal year were \$197,941, 22.7% of the total project requirements.** Leveraged funds include \$148,429 (17%) from client equity, \$0 (0%) from other financing and \$49,512 (5.7%) from ITI / BDIC funds.

The five year averages for the three sub-categories are: Client Equity 15.3%, ITI/BDIC 3.4% and Other 16.6%. 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
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%)
2011 / 12	\$78,000 (8.1%)	\$247,230 (25.8%)	\$ 17,852 (1.9%)

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 - 10	31	114	165	179	2.21
10 / 11	0	11	16	24	2.83
11 / 12	3	10	9	23	1.88
12 / 13	3	7	15	27	1.86
13 / 14	1	11	20	18	2.5
14 / 15	2	1	13	11	1.5
Totals	40	154	238	282	2.17

* 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 **2.17**; the average was **1.5** in 2014-15. 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 2014 / 15, loans were disbursed in three of the six communities in the region. 22% of loans were disbursed outside of Fort Simpson.

Table 8 – # of Loans Disbursed By Community

	Ft. Simpson	Wrigley	JMR	Ft. Liard	Nahanni Butte	Trout Lake
1998 - 2010	151	23	4	33	5	4
2010 - 2011	12	4	0	2	0	0
2011 - 2012	18	4	0	1	1	0
2012 - 2013	18	5	2	1	1	1
2013 - 2014	16	2	0	1	0	0
2014 - 2015	14	2	0	0	0	2
Totals	229	40	6	38	7	7
% of Total #	70%	12.2%	1.8%	11.6%	2.1%	2.1%

To date, 29.8% of loans disbursed have been to businesses outside of Fort Simpson. Wrigley and Fort Liard still have the largest numbers of loan disbursements outside of Fort Simpson.

Loan Fund Changes & Composition

The Deh Cho BDC now 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

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

	1998 – '11	2012	2013	2014	2015	Total
Loan Interest - Net	\$ 494,131	\$ 35,245	\$ 45,367	\$48,734	(*) \$36,484	\$ 659,962
Other Interest - Net	62,230	875	- 201	151	639	63,694
Net Bad Debt	490,528	2,910	- 4,158	- 10,799	- 6,282	472,199
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.

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

Year Ended	31-03-10	31-03-11	31-03-12	31-03-13	31-03-14	31-03-15
Net Loan Value	\$ 801,137	\$ 720,411	\$ 814,272	\$ 922,009	\$ 827,218	\$ 865,864
Cash & Inv. *	159,738	237,921	177,272	118,859	273,335	278,093
Total Value	960,875	958,332	991,544	1,040,868	1,100,553	1,143,957

* Net of funds due to operations

There were no write-offs this year nor were there any allocations to bad debt for this fund. Recoveries totaled \$6,282.

This Fund's value as of March 31, 2015 was **\$1,143,957**; **\$43,404** more than one year ago, **\$251,457** more than the amount provided by RWED / ITI for the investment fund and its highest value to date.

NWT BDIC Fund

Total debt due to NWTBDIC as of March 31 was \$454,477. 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 \$5,523 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.

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

	2013	2014	2015	Total
Loan Interest - Net	\$ 1,661	\$ 12,362	\$ 8,602	\$ 22,625
Other Interest - Net	- 484	440	711	665
Interest Expense	- 1,207	- 7,429	- 9,323	- 17,959
Other Expenses	- 6,025	0		- 6,025
Net Bad Debt	0	0	10,000	10,000

Table 10b – NWT BDIC Portfolio Composition & Value

Year Ended	31-03-13	31-03-14	31-03-15
Net Loan Value	\$ 181,525	\$ 196,921	\$ 102,079
Cash & Inv. (Net)	22,420	262,397	341,704
Due to NWT BDIC	- 210,000	- 460,000	- 454,477
Total Value	- 6,055	- 682	- 10,694

The NWT BDIC Loan Fund was valued at - **\$10,694 as of March 31, 2015**. There were no write-offs against this loan fund in 2014-15.

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	Total
Loan Interest - Net	\$ 0	\$ 4,267	\$4,267
Other Interest - Net	- 185	459	274
Interest Expense	0	0	0
Other Expenses	0	0	0
Net Bad Debt	0	- 3,000	- 3,000

Table 10c – NWT NCFE Portfolio Composition & Value

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

The NWT BDIC Loan Fund was valued at **\$1,541 as of March 31, 2015**. Interest earned on the loans during the year more than offset the small bad debt allowance, of \$3,000, and other fund expenses. 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	\$ 816,000	24	\$ 663,454	21
# Jobs supported		55		27
\$ bad debt (net), # bad accts.	\$ 25,000	3	\$ 6,718	5
\$ Written Off	\$ 25,000	2	\$ 0	0
\$ / % client equity	\$ 51,000	8%	\$ 148,429	17 %
\$ / % levered from ITI / BDIC	\$ 30,600	3%	\$ 49,512	1.5 %
\$ / % levered from other sources	\$ 122,400	12%	\$ 0	0 %
Loans approved outside of Fort Simpson		35%		22 %

Loans approved to clients in communities other than Fort Simpson were lower than average and lower than expected though higher than last year. Fewer loans were approved than anticipated while the bad debt allowance and write-offs were less than allowed for. Funds levered from clients were above expectations, those from Other sources were below expectations and funds levered from BDIC / ITI programs were slightly above.

Overall, the activity of all funds combined resulted in an overall net gain of \$34,748.

The total loans outstanding at year end fell to \$1,270,678 from \$1,300,709; however, the total value of the all Investment Funds combined rose to \$1,134,804 from \$1,099,686, an increase of \$35,118 or 3.2%. Total value is now \$242,304 more than the contributions received from GNWT.

Financial Statements

2014 / 2015