

Deh Cho Business Development Centre



ANNUAL REPORT 2016-2017

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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 2011.

This document summarizes the activities of the DCBDC, and its effect on business and employment for the 2016/17 year, and presents the DCBDC's financial statements as of March 31, 2017.

Board of Directors 2016 /2017

John Mckee	Director / Chair	Fort Liard
Rosemary Gill	Director / Vice Chair	Fort Simpson
Shadab Khan	Director / Sec. / Treas.	Fort Liard
Ruby Jumbo	Director	Sambaa K'e
Yvonne Norwegian	Director	Jean Marie River
Pauline Campbell	Director	Nahanni Butte
Gabe Hardisty	Director	Wrigley
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. Three 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 Economic Development Officer 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). He is currently working towards a Chartered Business Valuator accreditation.

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*** - ***First 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.***
- 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** - Secured an additional \$285,000 in loan capital from NWT Community Futures Association.
- 2015/16 Year** - Milestone: Surpassed \$8,000,000 in loan approvals

Services and 2016 – 2017 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 2016-17 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 2016/17 related to the quantity of each service, under our General Business Assistance, requested and the actual numbers experienced.

Table 1 – Summary of General Business Services Expected and Provided

SERVICE	EXPECTED	OUTCOME
General Counseling	25	13
Technical Assistance	50	53
Business Plans (External)	4	3
Business Summary (Internal) *	20	17
Preparation of Funding Applications	4	10

* 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	0
Businesses Expanded	1	0
Businesses Maintained	2	2
Jobs Supported **		4

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

Other businesses received funds from other sources as a result of assistance from DCBDC, and were started or expanded with those funds, but because they received loan assistance from DCBDC as well, their statistics are included only in the loan statistics.

Still 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.

In total, businesses supported in this manner applied, and were approved, for \$44,066 from sources other than the Deh Cho BDC throughout the fiscal year. The three businesses that received help with contracts were able to obtain contracts worth \$414,000. One of those contracts had an option for two additional years, worth approximately \$300,000, bringing the total to \$714,000.

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 \$9,781,597 to approximately 136 different businesses.

Goals related to the lending activities for the 2016/17 year were:

- To approve 20 of 21 loan applications that result in 2 business start-ups, 2 expansions and the maintenance of 15 businesses, with loan financing totaling \$580,000.
- To support approximately 43 jobs with the lending activity; an average of 2.16 jobs per loan approved.

- To keep bad debt to a maximum of \$25,000 from 4 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 2016/17. 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 seventeen applications received in 2016/17, two were rejected and one was approved but never drawn down. The two applications were rejected, not because of their viability, but because the Investment Review Committee felt they did not align with DCBDC's mandate and that they should have been bankable deals. The two applications totaled \$223,258.

Fourteen loans, approved for \$289,700 (not including amounts that were refinanced for \$50,561) were advanced during 2016/17. The decline steepens the trend that has continued since the organization's peak in 2012/13 of 28 disbursements.

Table 3 - # of Applications Requested / Approved / Disbursed

	9/21/98 to 3/31/13	Yr. End 3/31/14	Yr. End 3/31/15	Yr. End 3/31/16	Yr. End 3/31/17	Total to Date
Requested	324	21	23	18	17	395
Approved	299	20	21	17	15	373
Disbursed	291	19	18	17	14	359

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

	Opening - 3/31/13	Ended 3/31/14	Ended 3/31/15	Ended 3/31/16	Ended 3/31/17	Total to Date
\$ Requested	\$7,757,304	\$656,087	\$713,454	\$473,969	\$513,028	\$9,457,755
\$ Approved	\$7,002,758	\$649,697	\$663,454	\$469,019	\$289,770	\$8,425,001
\$ Disbursed	\$6,420,306	\$1,006,092	\$845,305	\$793,029	\$716,865	\$9,781,597

The average amount approved per loan in 2016/17 was \$19,318; a continuing and significant decline from last year at 27,589; 2014/15's average was \$31,593. The overall average is \$22,587.

Disbursements total much more than approvals, largely due to multiple disbursements to loans that operate as lines of credit.

The businesses assisted this past year show a departure from the norm, and the expectations, when the breakdown of those started / expanded / maintained is considered; 50% were start-ups in the fiscal year. Normally DCBDC's efforts largely help maintain businesses versus creating new businesses.

Table 5 – Measurable Effects of Small Business Loans

EFFECT	EXPECTED	OUTCOME
Businesses Started	2	7
Businesses Expanded	2	2
Businesses Maintained	15	5

Funds Levered

Loans approved in 2016 /17 totaled \$289,770. Other funds contributed to the projects financed by the DCBDC are considered levered funds. Total funds levered during the fiscal year were \$52,197, 15.3% of the total project requirements. Levered funds include \$38,969 (11.4%) from client equity and \$13,228 (3.9%) from ITI / BDIC funds.

The five year averages for the three sub-categories are: Client Equity 22.7%, ITI/BDIC 3.9% and Other 12.1%. The breakdown for the last five years is shown below in Table 6.

Table 6 – Breakdown of Leveraged Funds

Loans Approved	Client Equity	Other Financing	ITI / BDIC
2016 / 17	\$38,969 (11.4%)	\$ 0 (0%)	\$13,228 (3.9%)
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	37	142	205	253	1.8
13 / 14	1	11	20	18	2.5
14 / 15	2	1	13	11	1.5
15 / 16	1	2	14	19	2.1
16 / 17	1	14	5	9	2.1
Totals	42	170	257	310	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 **2.1** in 2016/17 as it was in 2015/16. These averages include part time & full time created and/or maintained as well as seasonal positions created & maintained.

Though the number of jobs assisted is less than expected, the average is in line with the overall average. The number of jobs assisted is as expected for the number of disbursements.

Loans Disbursed - Breakdown by Community

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

In 2016/17, loans were disbursed in five of the six communities in the region. Of the loans disbursed, 50% were outside of Fort Simpson, much higher than average or expectations.

Table 8 – # of Loans Disbursed by Community

	Ft. Simpson	Wrigley	JMR	Ft. Liard	Nahanni Butte	Trout Lake
1998 - 2012	199	36	6	37	7	5
2013 - 2014	16	2	0	1	0	0
2014 - 2015	14	2	0	0	0	2
2015 - 2016	13	2	1	0	0	1
2016 - 2017	7	3	1	1	2	0
Totals	249	45	8	39	9	8
% of Total #	69.6%	12.6%	2.2%	10.9%	2.5%	2.2%

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

To date, 30.4% 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 DCBDC Core Fund has funded the largest percentage of the total outstanding loans. Table 9a below shows the results of the activity in the Core fund in 2016/17.

Write-offs for this year, against the Core Investment Fund, were \$0, the net effect on the allowance for bad debt was a \$10,985 decrease and \$15,000 was recovered that was previously written off.

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

	1998 – '13	2014	2015	2016	2017	Total
Loan Interest - Net	\$ 574,749	\$ 48,734	(*) \$ 36,484	\$ 44,659	\$ 56,232	\$ 760,858
Other Interest - Net	62,904	151	639	- 137	52	63,609
Net Bad Debt	489,285	-10,799	- 6,282	16,142	- 25,985	462,361
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 \$1,254,606; \$82,269 more than one year ago, \$362,106 more than the amount provided by RWED / ITI for the investment fund and its highest value to date. The increase in value over the funds contributed represents an average annual gain of approximately 1.97%.

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

Year Ended	31-03-13	31-03-14	31-03-15	31-03-16	31-03-17
Net Loan Value	\$ 922,009	\$ 827,218	\$ 865,864	\$ 993,850	\$ 794,167
Cash & Inv. *	118,859	273,335	278,093	178,487	460,439
Total Value	1,040,868	1,100,553	1,143,957	1,172,337	1,254,606

* Net of payables and receivables

NWT BDIC Fund

Total debt due to NWTBDIC as of March 31 was \$409,519. No new funds were drawn down during the last fiscal year. The loan was paid down by \$22,688 during the fiscal year.

Table 9b and 10b highlight the elements of the changes for this fund and the composition as of March 31, 2016. Loan interest exceeded interest paid to NWT BDIC, even though a significant portion of funds borrowed are sitting idle and not earning much if any interest.

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

	up to 2014	2015	2016	2017	Total
Loan Interest - Net	\$ 14,020	\$ 8,602	\$ 10,831	\$ 8,527	\$ 41,980
Other Interest – Net	- 44	711	239	233	1,139
Interest Expense	- 8,636	- 9,323	- 8,822	- 8,404	- 35,185
Other Expenses	- 6,025		0	0	- 6,025
Net Bad Debt	0	10,000	- 10,000	0	0

As a result, the NWT BDIC Loan Fund value improved to \$1,909 as of March 31, 2017, an increase of \$354 over the previous year.

Table 10b – NWT BDIC Portfolio Composition & Value

Year Ended	31-03-14	31-03-15	31-03-16	31-3-17
Net Loan Value	\$ 196,921	\$ 102,079	\$ 56,303	\$ 114,171
Cash & Inv. (Net)	262,397	341,704	377,459	297,258
Due to NWT BDIC	- 460,000	- 454,477	- 432,207	- 409,519
Total Value	- 682	- 10,694	1,555	1,909

There were no write-offs or allowance for bad debt in this loan fund in 2016/17.

NWTCFA Fund

The Development Center drew down the \$285,000 approved by NWT CF Association during the 2013/14 year. Total debt due to NWTCFA as of March 31 remains at \$285,000. The loan has zero interest and requires no payments.

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

One loan was added to bad debt this year and one was recovered from previous years resulting in an additional allowance for bad debt of \$1,100. There have been no write-offs against this loan fund.

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

Year Ended	2014	2015	2016	2017	Total
Loan Interest - Net	\$ 0	\$ 4,267	\$ 1,757	\$ 3,879	\$ 9,903
Other Interest - Net	- 185	459	169	76	519
Interest Expense	0	0	0	0	0
Other Expenses	0	0	0	0	0
Net Bad Debt	0	- 3,000	- 26,588	- 1,100	- 30,688

The NWT NCFE Loan Fund was valued at - \$20,266 as of March 31, 2017, an improvement of \$2,855 over the previous year.

Table 10c – NWT NCFE Portfolio Composition & Value

Year Ended	31-03-14	31-03-15	31-03-16	31-3-17
Net Loan Value	\$ 33,000	\$ 52,448	\$ 17,855	\$ 82,566
Cash & Inv. (Net)	\$ 251,815	\$ 234,093	\$ 244,024	182,168
Due to NWTCFE	- \$ 285,000	- \$ 285,000	- \$ 285,000	- 285,000
Total Value	- \$ 185	\$ 1,541	- \$ 23,121	- 20,266

Small Business Loans – Goal Summary & Conclusion

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

	Goal		Result	
\$ Approved, # Loans	\$ 580,000	20	\$ 289,770	14
# Jobs supported		43		29
\$ bad debt (net), # bad accts.	\$ 25,000	4	\$ (9,885)	4
\$ Written Off	\$ 25,000	2	\$ 0	0
\$ / % client equity	\$ 77,333	10%	\$ 38,969	11.4%
\$ / % levered from ITI / BDIC	\$ 23,200	3%	\$ 13,228	3.9%
\$ / % levered from other sources	\$ 92,800	12%	\$ 0	
Loans approved outside of Fort Simpson		30%		46.7%

Loans approved to clients in communities other than Fort Simpson were much higher than average; almost half of the loans approved, and exactly half of the loans advanced, during the year, were to clients outside of Fort Simpson. Fewer loans were approved than anticipated, the bad debt allowance was much lower than expected and write-offs were less than allowed for. Funds levered from all sources were above expectations, on a percentage basis, in two categories and below in the one remaining category.

The total loans outstanding at year end declined to \$1,259,179 from \$1,346,168, a little less than the March 31, 2015 balance of \$1,270,678.

The total value of the all Investment Funds combined increased to \$1,236,249 from \$1,150,771; an increase of \$85,478, or 7.4%, versus increases of \$15,967, or 1.4%, in 2015/16 and 3.2% in 2014/15. Total value is now \$343,749 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

2016 / 2017