



Annual Report

2021-22

March 31, 2022

Highlights of the 2021/22 Fiscal Year

In this section key highlights for 2021/22 are presented, not only for the Deh Cho Business Development Centre itself, but with respect to the business and economic environment in which it operates.

It is important to recognize that the Centre is an integral part of both the Region, and of the community of Fort Simpson, out of which its operations are based. As such, Regional and/or community-based factors/developments very much impact the demand for loans, business advisory services, and ultimately how busy the Centre is.

Regional Impacts

- As a result of the COVID-pandemic, various programs were put in place to assist businesses in dealing with the impacts of the pandemic including the Emergency Loan Program (ELP) in June, 2020 and the Regional Relief and Recovery Fund (RRRF) in August, 2020. As indicated above, we were involved in administering both programs in fiscal year 2020/21, as well as in the first quarter of 2021/22;
- And while most businesses and government were shut down during the pandemic our Centre, while still paying strict attention to safety protocols, remained open, ensuring our struggling businesses had full access to these emergency loan funds;
- The Region also had the added emergency resulting from flooding caused by the rise in the water level of the Mackenzie River during spring melting. This impacted the economy, further devastating business growth and development;
- While total loan activity for the Centre was about 27% lower than 2020/21 the impact of the COVID-pandemic, and the response by governments and by the National Aboriginal Capital Corporations Association (NACCA) with the loan programs noted above favourably impacted loan activity, with over \$625,000 in COVID-response loans being made by the Centre during the year; and
- We expect that the repercussions from both the pandemic, and the flooding of Fort Simpson and other communities in the Region, will continue to suppress demand for our regular business loans for the foreseeable future.

Organizational Highlights

which has seen significant progress made in such areas as Board renewal, the update of various legal documentation and procedures, the initiation of a more stringent collection process, the implementation of computer and office equipment upgrades (in process) and the initial formulation of ideas and concepts that, at a minimum, will form the basis for new and innovative developments for the Centre

As indicated in the third quarter Operations Report, a new General Manager was hired for the Centre, and David General began work early in January. He filled the position vacated by Todd Noseworthy on August 14th.

To some degree as a result of the pandemic, the added impact of the flood and the resultant impact on the economy, the loan portfolio of the Centre (generally not including the COVID-Response loans, which were all provided more recently, and with the RRRF loans not requiring any payments until the end of calendar year 2023) has reached a point where a number of loans are so far in arrears that even a Collection Agency will not take them on.

During the quarter the General Manager reviewed all loans with the Economic Development Officer, drafted letters to all clients who were in arrears (in which various means for collection were outlined, including legal action in some cases), and followed this with phone calls to those clients. This has started to generate some results, at least in a few cases, although much more is required.

The time and focus required to undertake, and continue with these collection processes, is distracting the Centre from its mandate of providing business loans and services that foster business and economic development in the Region. However the effort is very much required, otherwise we are seen as providing loans that do not need to be repaid, and which will ultimately be written off.

There was only one Board meeting held during the year, which was conducted on February 10th, on which the organization's AGM was also held. Both were held by teleconference.

Kathy Tsetso was added as a new Board member for Fort Simpson in February, and we continue to actively seek Board members for both Fort Liard and Jean Marie River. And in order to help ensure we can recruit and retain a full Board for future, we have initiated policies for the payment of honoraria for Board meetings – at least those which are held in person.

Other Initiatives

- The purchase of ipads for our Board members with the goal of improving communications among the Board, especially with respect to our formal meetings, held on average about once each month. This is also a training opportunity for certain members;
- The upgrade of computer and office equipment for the organization, including the purchase of two All-in-One computers, and a photocopier;
- We are working with Outcrop in Yellowknife on the development of promotional materials for the Centre, which will include new brochures, new banners for use at trade shows and for community visits, a new logo for the organization, a new slogan, and a new exterior sign which will exemplify both the slogan and logo. Given Outcrop's busy schedule this initiative has had a slight delay, though is definitely in the works;
- A session is being planned for our Board of Directors and staff for July of this year, focusing primarily on a badly-needed strategic planning component (the development of a Strategic Plan that was last revised in 2008), but potentially also including a short Board training session, a presentation by a well-known economist, and the implementation of our AGM (including participation by our auditor in approving our 2021/22 audited financial statements);
- Also at this session we intend to conduct ipad-familiarization covering such topics as the use of meeting apps, other applications, and email;
- We are in process of a full revision of our Personnel Policy, and also expect to revamp our Bylaws for approval at the AGM noted above; and
- We are in process of restructuring our Board of Directors to include both community representation, as well as the inclusion of two members that are selected based on expertise. This will be beneficial in ensuring our Board is as active as possible, and generally has the technical expertise and Regional experience to guide our organization through the current, very challenging environment. At the same time, it is important that our Board is majority-indigenous since it is important that we are representative of the predominantly indigenous population we serve.

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, Sambaa K'e, Fort Liard, Fort Simpson, Wrigley and Jean Marie River. Total population of the region is approximately 2,200.

Organizational Structure

Board of Directors

The following is the Board composition as at March 31, 2022.

Rosemary Gill	Director/Chairperson	Fort Simpson
Ruby Jumbo	Director/Vice Chair (temporary)	Sambaa K'e
Shadab Khan	Director/Secretary-Treasurer	Fort Liard
Pauline Campbell	Director	Nahanni Butte
Gabe Hardisty	Director	Wrigley
Kathy Tsetso	Director	Fort Simpson

Two positions are vacant at this time, for which active recruitment is underway.

Investment Review Committee

The Investment Review Committee (IRC) is normally comprised of two Board members and three individuals from the communities who are knowledgeable in business affairs. Three seats were occupied as of March 31st, 2022. The committee is responsible for the approval of all loans in excess of \$5,000.

Staff

The Centre generally operates with a staff compliment of two full-time individuals. At times an additional position may be added (full or part-time) subject to funding and workload, however as of March 31st staffing was comprised of:

- *David General – General Manager; and*
- *Sean Whelly – Business Development Officer.*

Services Provided

The services offered by the Deh Cho Business Development Centre (DCBDC) to all businesses in the region include:

Provision of Small Business Loans

The Centre can provide loans of up to \$200,000 and has three sources of funds available for this purpose. RWED/ITI contributed \$892,500 to the Core Investment Fund in DCBDC's early years. We have also borrowed \$460,000 from the NWT Business Development & Investment Corporation (BDIC), and \$340,000 from the NWT Community Futures Association in order to increase our lending capacity.

General Business Assistance

The business assistance that is provided to clients of the Deh Cho Business Development Centre includes:

Business Counseling

Discussing opportunities, outlining the steps for start-up and the types of financing available and providing the information required to submit a funding application.

Technical Assistance

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 business plan is often necessary to seek financing. The Centre can provide guidance in this regard, also directing clients to websites that provide templates and samples.

Preparation of Funding Application

We can assist clients who have difficulty completing applications for funding from other funding agencies or departments.

Summary of Loan Activity (2021/22)

Table 1 provides a summary of loan activity throughout the 2021/21 fiscal year.

As indicated above, the Centre can normally provide loans out of three different funds, including the Core Investment Fund, the NWT BDIC fund, and the NWT Community Futures Association fund. In the Table any loans made from any of these three sources are termed 'Regular Loans'. A total of four loans were made, out of our regular loan funds.

In addition to these Regular Loans, a total of seven RRRF loans were made. The RRRF provided up to \$100,000 in funding to small and medium-sized enterprises and must be repaid by December 31, 2025. Originally, if the client repaid 75% of the principal by the end of calendar year 2022, the remaining 25% would be forgiven. This date has now been extended by the federal government to December 31, 2023. If the client has not repaid the requisite 75% by that date, the outstanding balance will be subject to an interest rate of up to 5% over the final two years, with full repayment being required by December 31, 2025.

Under a similar COVID-response program, there were also five ELP loans made during 2021/22. The ELP program provided up to \$60,000 to indigenous businesses, with 25% of the original \$40,000, and 50% of the next tranche of \$20,000 being disbursed as a non-repayable contribution. The loan is interest-free and must be repaid within four years of the date of disbursement.

Both COVID-response portfolios are administered by the Centre, who will undertake normal collections efforts, however ultimately these portfolios will be turned back to the territorial government (in the case of the RRRF loans) and NACCA (for the ELP loans).

Some key points from the Table, amalgamating all three types of loans, include:

- Fort Liard and Fort Simpson were the primary recipients of loan funding;
- Economic sectors varied, but Real Estate was predominant;
- Almost all loans were to maintain an existing business, as opposed to expanding it, or for a business start-up; and
- Similarly, almost all funding resulted in existing jobs being maintained, which would be expected given these funds were to help businesses ride out the pandemic.

Table 1
Summary of Loan Activity – 2021/22

Loan #	Community	Project \$	Loan \$	Client Equity	Other Financing	Economic Sector	Business S/E/M	Jobs Created		Jobs Maintained	
								FT	PT	FT	PT
Regular Loans											
2021021N	Jean Marie River	\$5,000	\$5,000			Transportation	Maintained				1
2021022	Fort Simpson	\$20,238	\$19,238	\$1,000		Wood Processing	Expansion	1		1	
2022001	Fort Simpson	\$2,200	\$2,000	\$200		Yard Maintenance	Maintained				1
2022002	Fort Simpson	\$86,000	\$60,000	\$26,000		Accommodations	Expansion	1	1	1	1
Regional Relief & Recovery Fund (RRRF) Loans											
2021009R	Fort Simpson	\$40,000	\$40,000			Real Estate	Maintained				
2021011R	Fort Simpson	\$27,700	\$27,700			Real Estate	Maintained				
2021015R	Fort Liard	\$40,000	\$40,000			Real Estate	Maintained				
2021016R	Fort Liard	\$40,000	\$40,000			Retail	Maintained				6
2021017R	Fort Liard	\$40,000	\$40,000			Construction	Maintained			7	8
2021018R	Fort Liard	\$40,000	\$40,000			Holding Company	Maintained			2	1
2021020R	Fort Simpson	\$100,000	\$100,000			Accommodations	Maintained			1	
Emergency Loan Program (ELP) Loans											
2021007E	Fort Liard	\$60,000	\$60,000			Retail/Accommodations	Maintained				
2021008E	Fort Simpson	\$60,000	\$60,000			Real Estate	Maintained			2	3
2021010E	Fort Simpson	\$60,000	\$60,000			Real Estate	Maintained			2	4
2021012E	Fort Liard	\$60,000	\$60,000			Oil Field Services	Maintained				
2021014E	Fort Liard	\$60,000	\$60,000			Real Estate	Maintained				

Comparison of 2021/22 Outcomes with Set Goals

Table 2 compares the actual outcomes, by March 31, 2022 with specific targets or goals what were set in the 2021/22 Operational Plan.

Since the COVID-Response loans (RRRF and ELP) will be non-recurring, and because the goals noted above were not based on those loans, the statistics that result from lending under these two programs is not included in the comparison to the preset targets unless otherwise indicated.

Some key observations from this Table include:

- With respect to the provision of General Business Services (counseling, technical assistance, etc), with outcomes including the provision of services to clients who applied for COVID-response loans, counseling provided was slightly less than target, while the preparation of funding applications exceeded the preset goal;
- The majority of loan applications were approved, however the total number of applications/approvals was slightly below the previously-set target;
- Total loans provided out of our regular funds (excluding the COVID-response loans) was about 60% below target, however because client equity was significantly higher than target (primarily due to a single loan where the client's existing assets, including external ITI funding that had been received), total project funding on which these percentages was based improved to a figure about 50% below target;
- In terms of businesses started, expanded or maintained, based on lending, the total number of 4 was less than the goal of 6;
- Including the COVID-response loans, we surpassed the target of 30% of loan approvals occurring outside of Fort Simpson, with this figure reaching 50% (primarily due to multiple loans being made to businesses located in Fort Liard);
- Excluding the COVID-response loans, 25% of the regular loans were made outside of Fort Simpson (based on loan numbers, as opposed to loan amounts);
- Including only the regular loans, 8 jobs were supported as compared to the target of 12. If the ELP and RRRF were included, the Centre would have greatly exceeded the target;
- Bad debt (allowances) and write-offs for 2021/22 are not expected to be significant, since many of our non-performing loans have already been taken off the books, and we have chosen to increase our collection efforts for 2022/23. Please refer to the audited Financial Statements, attached to this report, for more information and detail regarding loan allowances and write-offs.

Table 2
Comparison of 2021/22 Goals and Outcomes

		Goal	Outcome
General Business Services			
(1)	Counseling (number of clients)	22	16
(1)	Technical Assistance	50	51
(1)	Business Plans (External)	2	0
(1)	Business Summary (Internal)	7	2
(1)	Preparation of Funding Applications	3	19
Loan Applications and Approvals			
	Number of Loan Applications	7	4
	Number of Loan Approvals	6	4
	<i>Composition of Project Funding:</i>		
	DCBDC Loan (\$ and %)	\$210,000/90%	\$86,238/76%
	Client Equity (\$ and %)	\$11,667/5%	\$27,200/24%
	ITI/BDIC (\$ and %)	\$7,000/3%	\$0
	Other (\$ and %)	\$4,666/2%	\$0
	<i>Total Project Funding (\$ and %)</i>	\$233,333/100%	\$113,438/100%
Businesses Started/Expanded/Maintained			
	Based on Lending	1 / 1 / 4	0/2/2 (2)
	Not Based on Lending	0 / 0 / 2	0/0/2
Other Variables			
(1)	% of Loan Approvals Outside Fort Simpson	30%	50%
	% of Loan Approvals Outside Fort Simpson	30%	25%
	Jobs Supported	12	8
Allowances/Write-offs/Arrears			
	Bad Debts Allowances (\$/Accounts)	\$25,000/4	TBD
	Write-offs (\$/Accounts)	\$25,000/2	TBD
(1)	% of Loans over 90-days in arrears (March 31)		26.0%

Notes: 1. The COVID-Response loans/clients have been included in calculations, where indicated

2. Including COVID-Response loans this figure is 0/2/14

Loans Processed: Comparative

A comparison of lending activity with respect to 2020/21 is provided in the Table below. Total activity dropped by about 27% when compared to the prior year.

Table 3
Year-Over-Year Comparison of Lending Activity

	2020/21	2021/22	% Change
Regular Loans	\$466,851	\$86,238	-81.5%
COVID-Response			
ELP	277,000	300,000	+8.3%
RRRF	230,000	327,700	+42.5%
Total COVID-Response	507,000	627,700	+23.8%
Total Loans Processed	\$973,851	713,938	-26.7%

Budget Variance

A budget variance for 2021/22 has not been included with this report, however an unaudited budget variance, based on 2021/22 financials that will be approved at the organization's AGM (anticipated for July, 2022), is included as part of the Operations Report for the fourth quarter.

To summarize, the budget for 2021/22 indicated an expected shortfall of \$23,109, which would have reduced the organization's surplus from \$122,091 to \$98,982. However, based on unaudited figures we completed the year with a surplus of about \$59,000 which, subject to the final adjustments, increases the organizational surplus to over \$180,000.

This has resulted primarily from unanticipated RRRF administrative revenues of \$16,000 (as recognized in the 2021/22 fiscal year) as well as not having a General Manager in place for the fall of calendar year 2021.

Financial Statements

The 2021/22 financial statements of the Deh Cho BDC, including the auditor's opinion, are included as part of this report.