



**Northwest Territories
Business Development and
Investment Corporation
2018-19 ANNUAL REPORT**



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EXECUTIVE SUMMARY

The Board, management and staff at the Northwest Territories Business Development and Investment Corporation (BDIC) are pleased to present the BDIC's 2018/19 Annual Report to the Minister Responsible for the BDIC. The BDIC continues delivering its mandate to support economic development and diversification in the territory by providing guidance and flexible financing to entrepreneurs across the NWT.

Let us first thank the outgoing BDIC Chairperson, Vice-Chairperson and Board Directors for their dedication to the BDIC over the years. Darrell Beaulieu, the outgoing Chair of the BDIC, has been with the organization since inception and with its predecessor the NWT Business Credit Corporation since 1999. Denise Yuhas was Vice-Chair of the BDIC since its inception and Chair of the BDIC's Audit Committee since 2010. Joanne Deneron has been with the BDIC since 2008 and Vice-Chair of the BDIC's Audit Committee since 2009. All the outgoing Board Directors provided a wide breadth of local community business knowledge, guidance and direction to the BDIC over the years.

Next, we would like to thank Dr. Pawan Chugh for his committed dedication as CEO of the BDIC over the years. Pawan was hired shortly after the BDIC's inception and has been able to grow the BDIC's programs through four different governments and through a range of economic conditions. With him leading the organization, the BDIC has provided close to 100 million in financial support to NWT businesses reaching residents in all NWT communities. We wish him the best in his future endeavors.

In 2018/19, the BDIC disbursed \$4.69 million in new loans, subsidies and contributions. 77% of this money was disbursed in communities outside of Yellowknife. The BDIC's Credit Facilities portfolio was approximately \$45 million at the end of the year. The BDIC maintains sound risk management practices to ensure clients who receive funding have willingness and ability to repay the BDIC and build sustainable businesses.

The Business Development Project Fund (BDPF) was approved for 36 projects in 2018/19 for a total of \$243,401 in contributions towards business start-ups, expansions, and the purchase of raw materials for arts and crafts makers.

Business services continued to be popular in 2018/19. The business service centre assisted 440 people from around the territory. Participation in business learning sessions remained steady with 90 participants attending 43 sessions. The BDIC continued to develop its online business services allowing users to provide business content feedback and suggestions.

The BDIC is happy to realize a long term goal of the BDIC's Board of Director's to move to a storefront location to better serve NWT entrepreneurs. In March 2019, the BDIC moved its office to a highly visible location on Franklin Avenue in Yellowknife. The move is already paying off, with the BDIC having an increase in foot traffic and program uptake.

The BDIC continued its support for the Win Your Space YK business incubation competition with the City of Yellowknife. Participants in this competition received business training and support from the BDIC to sharpen their business ideas, with the best idea winning free rent for a year from the City, as well as access to funds from the BDIC's Business Development Project Fund when eligible.

In an effort to increase the BDIC's programs' reach to support Indigenous people, women, youth and persons with disabilities, the BDIC made presentations through organizations such as the Native Women's Association of Canada, EntrepreNorth and Futurpreneur Canada so their clients and cohorts would be aware of programs and how the BDIC can assist their businesses.

This year, the subsidiaries generated \$882,000 in sales, and directly employed 12.2 full-time equivalent staff in Fort Liard, Fort McPherson, Fort Providence and Ulukhaktok. Another 111 residents in these communities earned income through the Subsidiary Program by supplying the companies with traditional arts and crafts. The BDIC continues to support capacity building at subsidiaries by assisting with trade shows and other promotional activities.

The statutory program review report was recently completed and the BDIC is moving forward in implementing its recommendations under its new leadership. The BDIC looks forward to continue supporting the economic mandate of the Government of the Northwest Territories and serving NWT businesses and entrepreneurs.

Tom Jensen
Chief Executive Officer

Denny Rodgers
Chairperson

CORPORATE OVERVIEW

Minister, Chair and CEO



The Honourable Wally Schumann

Minister Responsible for the BDIC

The Honourable Wally Schumann is the Minister Responsible for the BDIC. Mr. Schumann is a small business owner and Red Seal Certified Auto body Journeyman, and has also served as President of the Hay River Métis Government Council, as a member of the NWT Chamber of Mines Aboriginal Participation Committee, and as a Director for the NWT Manufacturer's Association.



Denny Rodgers

Chair of the BDIC

Denny has been a resident of Inuvik since 1994, former Mayor of Inuvik and is currently Director of Business Development for the Inuvialuit Development Corporation. He currently holds the position as Public Administrator for Aurora College and has fulfilled the role of chairman or board member on several non-profit territorial organizations throughout his career.



Tom Jensen

Chief Executive Officer

Tom is currently the Deputy Minister of Industry, Tourism and Investment and has recently taken on the role of interim CEO. As BDIC's new CEO, Tom brings many years of experience in a leadership role in the public sector in a range of areas including economic and business development. Passionate about supporting business start-ups and expansions, Tom has hands on experience, having owned and successfully operated businesses in the wood products manufacturing and hospitality sectors.

CORPORATE OVERVIEW

Board of Directors (as of March 31, 2019)

The BDIC's Board of Directors is composed of business people appointed by the Minister responsible for the BDIC. To be eligible, they must have owned or managed a business in the NWT or have business expertise relevant to the economy of the Northwest Territories.

Directors come from a variety of different NWT communities with a wide range of business skills.

Darrell Beaulieu - Chairperson	N'Dilo
Denise Yuhas - Vice Chairperson	Fort Smith
Gwen Robak - Director	Hay River
Andy Wong - Director	Yellowknife
Denny Rodgers - Director	Inuvik
Joanne Deneron - Director	Fort Liard
Charlie Furlong - Director	Aklavik

Audit Committee (as of March 31, 2019)

The BDIC Board of Directors established the Audit Committee to assist in the oversight responsibilities, notably for the financial reporting process, the audit process and the BDIC's compliance with the law.

Committee members are financial literate with some having accounting, lending, investing or related financial expertise.

Denise Yuhas - Chairperson	Fort Smith
Joanne Deneron - Vice Chairperson	Fort Liard
Louise Lavoie	Yellowknife
Denny Rodgers	Inuvik

New Board Directors (as of July 1, 2019)

As of July 1, 2019 the BDIC welcomed three new Board directors to the organization. At the same time Denny Rodgers was appointed Chairperson of the BDIC. Darrell Beaulieu, Denise Yuhas and Joanne Deneron's terms expired and were thanked for their dedication to the Board over the years.

David Connelly	Yellowknife
Lloyd Jones	Fort Smith
Janet Toner	Yellowknife

CORPORATE OVERVIEW

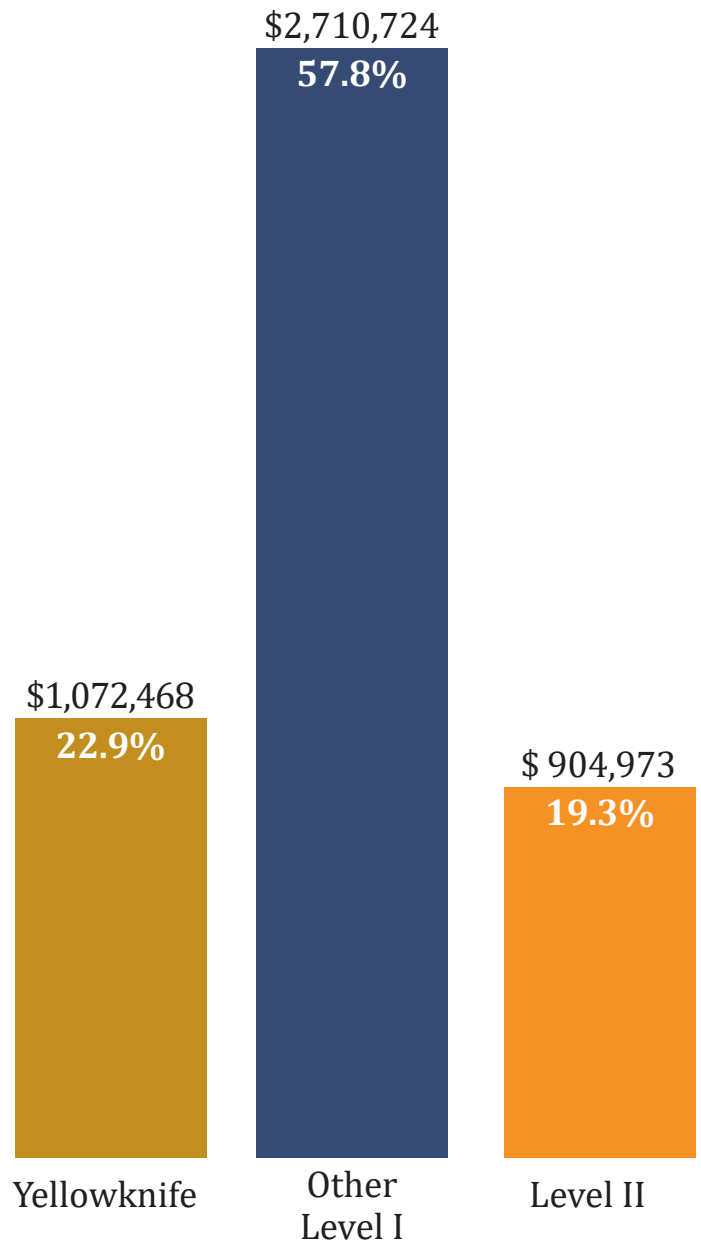
Overview of the BDIC

On April 1, 2005, the Northwest Territories Business Development and Investment Corporation was established with the passing of the BDIC Act, resulting in the merger of the Northwest Territories Development Corporation and the Northwest Territories Business Credit Corporation. The BDIC Act outlines the mandate of the corporation to support the economic objectives of the Government of the Northwest Territories (GNWT) in a manner that benefits the people and the economy of the Northwest Territories.

The BDIC provides debt and equity financing and contributions to northern businesses. The BDIC's equity financing can be generalized into two different types: preferred shares in externally owned and managed companies (known as the Venture Investment Program) and common shares in businesses where the BDIC is the majority shareholder (known as the Subsidiary Program). Additionally, the BDIC offers business support services to northern businesses across the NWT. The aim is to make its programs and services complementary, thereby assisting clients at any stage in their development with the support needed to meet their business goals.

In 2018/19, the BDIC disbursed \$4.69 million in new loans, subsidies and contributions. 77% of this money was disbursed in communities outside of Yellowknife.

2018/19 Disbursed Financial Assistance by Community Level



Level I Communities

Communities with well developed business infrastructure and air/road transportation links. **Fort Smith, Hay River, Inuvik and Yellowknife including N'Dilo.**

Level II Communities

Communities with less developed business infrastructure and air/road transportation links. **All other NWT communities not listed above.**

CORPORATE OVERVIEW

Overview of the BDIC

2018/19 Disbursed Financial Assistance by Industry Sector

Industry Sector	Credit Facilities		Contributions		Subsidiaries	
	#	\$(000s)	#	\$(000s)	#	\$(000s)
Agriculture	1	101				
Arts and Crafts			15	82	2	240
Construction	3	530				
Educational Services			2	20		
Film			2	14		
Fisheries			2	10		
Information and Cultural Industries			1	1		
Manufacturing	3	265			2	375
Other Services			1	15		
Professional, Scientific and Tech	1	5	4	35		
Real Estate and Rental	2	325				
Retail Trade	1	154	2	30		
Transport and Storage	2	1,376				
Travel and Tourism	3	1,095	1	5		
Wholesale Trade					1	10
Total	16	\$3,851	30	\$212	5	\$625

2018/19 Disbursed Financial Assistance by Region

North Slave	South Slave	Sahtu	Dehcho	Beaufort Delta
\$1,072,469	\$2,071,890	\$20,316	\$212,376	\$1,311,114

PROGRAMS AND SERVICES

Credit Facilities Program

The BDIC's credit facilities portfolio was approximately \$45 million (including \$4 million of interest not recognized as revenue*). \$3.71 million in new credit facilities were approved with \$3.85 million disbursed (including prior year approvals) in 2018/19 fiscal year.

The following credit facilities are available to BDIC clients:

Loan Facilities

- General Term Loans are provided for clients who may not be able to secure bank financing. BDIC clients can choose between fixed or variable term loans.

Standby Letters of Credit Facilities

- Standby letters of credit enable clients to secure contract bids or provide security to suppliers through assurance of payments to third parties.

Guarantee Facilities

- Working Capital Guarantees are available to clients as security to assist in obtaining working capital financing for their business through conventional banks. This enables small businesses with limited funds to operate successfully while building a relationship with a traditional finance provider.

\$45M

BDIC's Credit Facilities portfolio

**This is accumulated interest on impaired loans. It is not recognized as revenue because its repayment is in doubt.*

PROGRAMS AND SERVICES

Credit Facilities Program

Credit Risk Management

- The BDIC uses sound risk management practices as outlined in its Risk Analysis policy to ensure clients who access financing have the willingness and ability to repay the BDIC and build sustainable businesses.

278 applications approved for
\$95.8 million
in Credit Facilities since 2005/06

Venture Investment Program

Through the Venture Investment Program, the BDIC makes equity investments in NWT businesses. In exchange, the BDIC receives preferred shares in the business.

Investee businesses pay dividends to the BDIC, with dividend rates set based on risk. Investee businesses can redeem their shares at any time.

Invested funds can be used to support a wide range of job creation activities. They can also be leveraged to obtain additional private sector financing.

This program is being considered for revision under the recent program review.

Subsidiary Program

The BDIC's Subsidiary Program is based on facilitating community ownership and supporting local subsidiary boards with the BDIC providing general support, accounting and marketing. In 2018/19, the BDIC operated five active subsidiaries:

- Arctic Canada Trading Company Ltd. (ACTCL)
- Acho Dene Native Crafts Ltd. (ADNC)
- Dene Fur Clouds Ltd. (DFC)
- 910344 NWT Ltd. operating as Fort McPherson Tent and Canvas (FMTC)
- 5983 NWT Ltd. operating as Ulukhaktok Arts Centre (UAC)

Three of the BDIC's subsidiaries are involved in traditional fine arts and crafts and the use of traditional materials, all of which support local NWT communities. The subsidiaries deal in various northern product lines and are located in different and unique NWT regions. The BDIC, through the Arctic Canada Trading Company Ltd., markets the subsidiaries' arts and crafts through 70 galleries and gift shops across Canada, as well as in Alaska and Vermont. The BDIC also promotes each of the subsidiaries and their products through branding, advertising and distribution by way of web design and support, e-commerce, promotional videos, brochures, sales and attendance at trade shows.

Subsidiary 2018/19 Sales \$(000s)

Subsidiary	2018/19 Sales \$(000s)
ACTCL*	\$10
ADNC	\$156
DFC	\$124
FMTC	\$499
UAC	\$93
Total	\$882

* Operating Revenues for ACTCL are from sales of remaining inventory of Muskox leather goods only.



Sheared knitted beaver fur cowl with fox trim from Dene Fur Clouds

PROGRAMS AND SERVICES

Subsidiary Program

Maintaining community employment

In 2018/19, the BDIC's subsidiaries maintained 12.20 direct employees. Through the purchase of \$157,000 worth of locally-made products the subsidiaries supported an additional 111 cottage craft producers.

12.20

Full time equivalent staff employed by the BDIC's subsidiaries in 2018/19

Subsidiary	Community	Direct Employment Positions		Change
		2018/19	2017/18	
ACTCL	Yellowknife	N/A	N/A	N/A
ADNC	Fort Liard	1.21	1.36	(0.15)
DFC	Fort Providence	3.99	4.00	(0.01)
FMTC	Fort McPherson	6.00	5.53	0.47
UAC	Ulukhaktok	1.00	1.12	(0.12)
Total		12.20	12.01	0.19



Acho Dene Native Crafts storefront in Fort Liard.

PROGRAMS AND SERVICES

Subsidiary Companies



The image features a map of the Northwest Territories of Canada, highlighted in a dark blue color. Four callout boxes with colored pointers (orange, grey, purple, and brown) point to specific locations on the map, each containing information about a subsidiary company. The background of the map is a light blue and white satellite-style image.



Fort McPherson
Tent & Canvas

Fort McPherson, NT
FortMcPhersonTent.com

Fort McPherson Tent and Canvas produces canvas tents, tipis, bags, backpacks and other canvas products.



Ulukhaktok
Arts Centre

Ulukhaktok, NT
Ulukhaktok.com

Formerly known as the Holman Print Shop, the Ulukhaktok Arts Centre is involved in the production and sale of carvings, prints and knitted products made in the community.



Arctic Canada
Trading Company

ArcticCanadaTrading.com

Marketing the BDIC's subsidiaries and their products.

Northwest Territories



Acho Dene
Native Crafts

Fort Liard, NT
Adnc.ca

Acho Dene Native Crafts is involved in the manufacturing and sales of clothing, jewelry accessories, souvenirs, baskets and other birch bark items made in the community.



Dene Fur
Clouds

Fort Providence, NT
DeneFurClouds.com

Dene Fur Clouds is a Fort Providence based company that produces garments using sheared beaver, arctic hare, fox and lynx.

PROGRAMS AND SERVICES

Contribution Program - Business Development Project Fund (BDPF)

The BDIC's contribution program provides funding to assist entrepreneurs in starting or expanding their business. In 2018/19 the BDPF Program was popular with the BDIC approving \$243,401 in contributions. During the year, \$212,215 was disbursed with the remaining approvals scheduled for disbursement in 2019/20.

Core BDPF can be used to help fund start-up expenses, expansion, raw materials (for arts and crafts production) and short-term projects that create employment. The maximum in any 5 year period is \$20,000 (\$10,000 for businesses in level I communities). Businesses with \$500,000 or less in annual revenues are eligible to apply.

BDPF Aftercare can provide businesses with contribution funding to purchase accounting software or services, succession planning and business training programs. The lifetime maximum for BDPF Aftercare Funding is \$5,000 (\$3,000 for businesses in level I communities).

36

Number of BDPF applications approved in 2018/19

\$243,401

Amount of BDPF funding approved in 2018/19

374 applications approved for

\$2.6 million

in BDPF since 2005/06

Business Support Services

The BDIC provides business services to help people start and grow their business in the Northwest Territories.

The BDIC continues to integrate its French-language service strategy. NWT clients who wish to start a business in the NWT can now access all BDIC programs in French and English.

The BDIC continues to update its online services for businesses including its guide *How to Start a Business in the Northwest Territories*.

The BDIC manages Canada Business NWT, a member of the Canada Business Network, which provides start-ups and small businesses with a wide range of information and references about government services, programs and regulations. The BDIC operates Canada Business NWT (CBNWT) in partnership with the Canadian Northern Economic Development Agency (CanNor). CBNWT services are available online and through community partners to residents across the NWT.

Business services available include:

- Business resource library that is indexed online so that clients from any community can order a resource material and have it mailed to them
- 1-800 number that clients in NWT communities can call to get business information specific to their region

- CanadaBusiness.ca – content created and managed by CBNWT specifically for NWT residents
- Video and web conference sessions available to educate entrepreneurs
- Administration services and business planning resources available in person through the BDIC and partner organizations
- Coordination of Small Business Week in partnership with business stakeholders

In 2018-19, Canada Business NWT served 226 clients in person, 106 over the phone and 103 by email. The BDIC also hosted 43 training sessions that were attended by 90 participants.



PROGRAMS AND SERVICES

Business Support Services



The BDIC's business service centre has public workstations and business resources to assist NWT residents start and grow their businesses.

YEAR-ROUND BUSINESS TRAINING

In 2018/19, the BDIC continued to offer business training sessions year-round. These free, interactive sessions cover topics such as bookkeeping, taxation, marketing and more.

A total of 43 sessions were held in 2018/2019 for 90 participants.

A full schedule of upcoming training sessions can be found at: www.bdic.ca/calendar.



PROGRAMS AND SERVICES

Business Support Services



THE BDIC MEETS WITH FINNISH DELEGATION

On March 22nd, organized by the Canadian Trade Commissioner Service, BDIC management met with a Finnish delegation in Yellowknife.

The team met with private NWT businesses and discussed export opportunities between Finland and the Northwest Territories.

The meeting was also an opportunity to talk market opportunities Northern Europe for the BDIC's subsidiary products. Arts

and crafts products were purchased by the delegation to showcase in Finland.

Pictured above from left to right: Francis Uy, Consul and Senior Trade Commissioner, Canadian Embassy in Finland, Christine Wong, Deputy Director, Trade Missions, Consultations and Outreach Division, Global Affairs Canada, Pawan Chugh, CEO, BDIC, Jarno Valkeapää, Counsellor, Commercial and Trade Affairs, Embassy of Finland in Ottawa and Darrell Beaulieu, Chairperson, BDIC.

440

Clients served business Centre in 2018/2019

PROGRAMS AND SERVICES

New Storefront Location

In March 2019, the BDIC moved its office to a new storefront location to better serve NWT residents.

The BDIC now serves its clients at 5009, 50th Avenue (W.H. Bromley Building) in Yellowknife. The new location provides entrepreneurs and NWT residents easier access to business services, increased customer service and will give the BDIC the opportunity to increase its public awareness.

In addition to providing more accessibility to the public, in particular clients visiting from NWT communities, the new location will allow the BDIC to host more public events, like open houses, business training sessions and workshops.



The BDIC's new storefront location in downtown Yellowknife.

PROGRAMS AND SERVICES

Business Support Services

BDIC Attends Industry Events

The BDIC's staff attended several events during the year to promote its programs and services and meet with NWT residents.

Continuing its close relationship with the Conseil de développement économique des Territoires du Nord-Ouest (CDETNO), BDIC staff attended their spring Employment Café in Yellowknife. The Employment Café matches up job seekers and employers, and the BDIC was there to provide information to job seekers who may choose entrepreneurship as a career path. The event was attended by more than 124 participants. The BDIC also sponsored **CDETNO's 15th anniversary celebrations** to

raise awareness of the BDIC's services with the Francophone community.

The BDIC also sponsored the **2018 Arctic Indigenous Investment Conference** and award ceremony.

To assist recognizing a new business that is showing success in Yellowknife, the BDIC sponsored the Yellowknife Chamber of Commerce **Breakout New Business Award**.

Finally, the BDIC sponsored the **Indigenous Leaders Economic Forum**, an event that hosted experts speaking about the opportunities and challenges of the Northwest Territories economy.



The BDIC sponsored the Arctic Indigenous Investment Conference award ceremony. From left to right, Albert Drapeau, Executive Director, Yukon First Nation Chamber of Commerce, Bobby Drygeese, from B. Dene Adventure (winner of the Community Champion of the Year award for the NWT), Michelle Kolla, President, Yukon First Nation Chamber of Commerce, Darrell Beaulieu, Chairperson, BDIC and Pawan Chugh, CEO, BDIC.

PROGRAMS AND SERVICES

Business Support Services

Partnering with NWT organizations to support entrepreneurs



PHOTO: SAMANTHA STUART PHOTOGRAPHY

The winners of the 2018 Win Your Space YK business competition. From left to right: Third prize and People Choice Award winner Marilyn McGurran (Longarm of the North), then Mayor Mark Heyck, first place Mary Kelly (Music Space) and second place Kerri Nolting (Kerri's Kreations).

Win Your Space YK

The BDIC continued its ongoing support for the Win Your Space YK business competition put on by the City of Yellowknife and the Yellowknife Chamber of Commerce.

This initiative provides Yellowknife businesses the opportunity to win subsidized rent for a year in a downtown Yellowknife.

The BDIC participated by being on the planning committee, offering its BDPF program funding to applicants and the winner, as well as offered its business service centre to potential applicants and entrepreneurs working on their business plans.

PROGRAMS AND SERVICES

Business Support Services

Empowering Indigenous and community-based entrepreneurs

BDIC staff presented their programs and services to the inaugural cohort of Northern entrepreneurs through the EntrepreNorth program. The first cohort was made up of Northern businesses that produce and sell land and marine-based products.

The BDIC also assisted in designing a fund to support Northern Community-Based Indigenous Entrepreneurs. Alongside other northern business program providers from the NWT, Nunavut and the Yukon, the BDIC helped map financial supports, in particular equity investments, for Northern businesses. The BDIC is well positioned to support businesses requiring investments with its Venture Investment Program.

Whati Business Opportunities Workshop

The BDIC presented information about starting a business in the Northwest Territories in Whati at the all-season road opportunities workshop, hosted by Industry Tourism and Investment and Tlicho Community Government. BDIC staff presented business information as well as gave examples of business opportunities that community members might be interested in.

ABEST Workshops

The BDIC attended and presented at two workshops delivered by the Native Women's Association of Canada designed to support Indigenous entrepreneurship, and includes



The BDIC took part in the all-season road opportunities workshop in Whati.

training on building a business plan, marketing, financing, and operations.

The Aboriginal Business & Entrepreneurship Skills Training Program (ABEST) was delivered in both Hay River and Yellowknife, in which BDIC staff attended to assist in providing business information and information about the BDIC's programs to participants.

A BDIC SUCCESS STORY

Flavour Trader

An experienced traveler, Étienne Croteau always enjoyed discovering new culinary cultures and spices. Looking to share his passion with northern residents, he decided to start Flavour Trader in 2016.

Flavour Trader began by offering hot lunches, meals to go and selling rare spices. Cooking classes and catering services were also available for customers. In November 2018, Étienne moved his business to a larger location in Yellowknife: the Prince of Wales Northern Heritage Centre. According to its owner, Flavour Trader is more than a restaurant because it gives customers an opportunity to live a culinary adventure: “We are offering an experience to our clients.”

Étienne Croteau mentions that the BDIC’s assistance was key in the early success of his business. He attended a three-day boot camp, organized in partnership with the BDIC to assist him create and refine his business plan.

He also obtained financial assistance from the BDIC’s Business Development Project Fund. “I received important support to develop my business plan and got financial assistance in the form of a contribution that allowed me to buy equipment that was necessary to the success in my business as soon as it started,” he said.

Before starting Flavour Trader, Étienne worked as a self-employed caterer. He studied project management and French cuisine. After only being in business for a couple of years, he already has another business venture in mind: he is currently looking into growing and producing vegetables locally in the North to supply Flavour Trader.



Étienne Croteau is always trying to discover new culinary cultures and share his passion for food with his customers.



2018/19 Scorecard

The objectives below were approved by the Board of Directors in the BDIC's 2018/19 Corporate Plan.

Objective	Targets	Status
Enhance and Promote the BDIC's Programs and Services	<p>2018/19 Target: Enhanced BDIC programs and services are available and promoted to the public.</p>	<p>The BDIC continues to enhance and promote its programs and services. In 2018/19 the BDIC successfully moved to a new storefront location in order to better promote its programs and services.</p>
Solicit Increased Feedback from the BDIC's Clients	<p>2018/19 Target: A feedback system is in place and collecting input from BDIC clients.</p>	<p>The BDIC has a number of feedback mechanisms available for its clients. Clients accessing the business service centre are given a feedback form at the end of their visit. The BDIC's guide How to Start a Business in the NWT now offers users the opportunity to comment on the content and suggest improvements. As part of the French language services strategy, any client receiving service from the BDIC in French have the opportunity to provide feedback to the GNWT Francophone Affairs Secretariat.</p>
Increase the Export-Readiness of the BDIC's Subsidiaries	<p>2020/21 Target: The BDIC's subsidiaries are exporting their products to key international markets.</p>	<p>The BDIC has worked with the Trade Commissioner Service to explore new markets for its subsidiaries products. Some potential markets include, Finland for arts and crafts, Germany for tents and tipis and South Korea for fur products.</p>

2018/19 Scorecard

Objective	Targets	Status
<p>Improve the BDIC's Interest Rate Risk Management</p>	<p>2018/19 Target: A completed evaluation of best practices in interest rate risk management.</p>	<p>The BDIC has completed the evaluation of its credit facilities program's, interest rate risk management.</p>
<p>Provide entrepreneurial support to Indigenous people, women, youth and persons with disabilities</p>	<p>2018/19 Target: The BDIC will revise its programs to provide entrepreneurial support to Indigenous people, women, youth and persons with disabilities.</p>	<p>In 2018/19 the BDIC met with organizations to provide entrepreneurial support for Indigenous people, women, youth and persons with disabilities. These organizations included the Native Women's Association, through the Aboriginal Business & Entrepreneurship Skills Training Program, EntrepreNorth, and Furtrepreneur Canada. The BDIC continues to reach out and provide business supports for these entrepreneurs.</p>

Write-off and Forgiveness

The BDIC's Board of Directors may approve the write-off debts. Written-off debts can still be collected, but are assigned a zero value in the BDIC's financial statements.

The Financial Management Board may approve the forgiveness of debts. A forgiven debt is removed

from the financial statements as the BDIC is no longer able to collect it.

In 2018-19, one account was written-off by the Board of Directors and three accounts were forgiven by the Financial Management Board.

Debts Forgiven by the Financial Management Board

DDA Northern Safety Services Ltd.	\$90,262.38
Drum Lake Lodge Ltd.	\$101,654.96
Paulette & Clarke Renovations Ltd.	\$61,264.00

Debts Written-off by the Board of Directors

5510 NWT Ltd. o/a Kozy Carpets	\$165,942.00
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Total	\$419,123.34
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DISBURSEMENTS

The BDIC disbursed funds to the following NWT businesses during the 2018/19 fiscal year.

Business Name	Owners	Community	Program	Total Amount Disbursed
5983 NWT Ltd. (o/a Ulukhaktok Arts Centre)	BDIC	Ulukhaktok	Subsidiary	\$90,000.00
913044 NWT Ltd. (o/a Ft. McPherson Tent and Canvas)	BDIC	Fort McPherson	Subsidiary	\$275,000.00
Acho Dene Native Crafts Ltd.	BDIC	Fort Liard	Subsidiary	\$150,000.00
Arctic Canada Trading Company Ltd.	BDIC	Yellowknife	Subsidiary	\$10,000.00
Dene Fur Clouds Ltd.	BDIC	Fort Providence	Subsidiary	\$100,000.00
506511 NWT Inc. (o/a Sundog Maintenance Services)	Cadwell-Lepine, Paula and Lepine, John	Fort Smith	Credit	\$200,000.00
5891 N.W.T. Ltd.	Ramirez, Ranilo and Relucio, Jessica	Yellowknife	Credit	\$502,200.00
Alietum Ltd.	Waugh, Jennifer	Yellowknife	Credit	\$4,650.00
Arctic Chalet Ltd	Falsnes, Judi and Falsnes, Olav	Inuvik	Credit	\$421,383.00
Arctic Char Expeditions Inc.	Carpenter, Bradley; Carpenter, Merle and Reidford, Gary	Inuvik	Credit	\$263,095.81
Boden Farms Inc	Boden, Anne and Boden, Peter	Hay River	Credit	\$100,890.00
Dobbin's Construction Ltd.	Dobbin, Darren	Yellowknife	Credit	\$135,000.00
Ewen, Michael (o/a Extreme Adventures Canada)	Ewen, Michael	Yellowknife	Credit	\$171,000.00
Freund, Brandon M.T.(o/a Hayze Electric)	Freund, Brandon M.T.	Fort Smith	Credit	\$195,000.00
Hardisty, Betty	Hardisty, Betty	Fort Simpson	Credit	\$62,376.00
L & A Aviation Ltd. (o/a Landa Aviation)	King, Darcy and King, Kimberly	Hay River	Credit	\$1,016,000.00
Maund, Cara Amy (o/a Laughing Lichen, Wildcrafted Herb & Tea)	Maund, Cara (Amy)	Yellowknife	Credit	\$150,000.00
Northwestern Air Lease Ltd.	Harrold, Brian and Harrold, Terry	Fort Smith	Credit	\$360,000.00
Sunrise Cabinets & Millwork Ltd.	MacDonald, Chivon and MacDonald, Mark	Enterprise	Credit	\$100,000.00

DISBURSEMENTS

Business Name	Owners	Community	Program	Total Amount Disbursed
Verbonac, Marty	Verbonac, Marty	Inuvik	Credit	\$154,355.00
Yellowknife Glass Recyclers Cooperative Ltd.	Beaudin, Alex; Grogono, Matthew and Grogono, Sonai	Yellowknife	Credit	\$15,000.00
Adam, Sarah	Adam, Sarah	Tuktoyaktuk	Contribution	\$5,102.00
Alberta, Dorathy (o/a Little Duckling Day Home)	Alberta, Dorathy	Norman Wells	Contribution	\$14,746.50
Alietum Ltd.	Waugh, Jennifer	Yellowknife	Contribution	\$10,226.80
Blake, Karlyn	Blake, Karlyn	Aklavik	Contribution	\$7,491.62
Break Away Fitness Ltd	Lubansa, Brighton	Yellowknife	Contribution	\$10,000.00
Cockney, Julia	Cockney, Julia	Tuktoyaktuk	Contribution	\$1,590.49
Cormier, Shaun (o/a Ninety-Two Photography)	Cormier, Shaun	Tuktoyaktuk	Contribution	\$7,557.88
Elias Services	Elias, Erwin	Tuktoyaktuk	Contribution	\$20,000.00
Forsbloom, Derek (o/a Due North Services)	Forsbloom, Derek	Yellowknife	Contribution	\$6,791.87
Francis, Jessica	Francis, Jessica	Fort McPherson	Contribution	\$9,354.46
Gardiner, Jazmine (o/a Soaring Tortoise)	Gardiner, Jazmine	Yellowknife	Contribution	\$898.65
Goose, Rex	Goose, Rex	Ulukhaktok	Contribution	\$3,201.77
Grant, Joanna (o/a Jom Film)	Grant, Joanna	Yellowknife	Contribution	\$5,511.80
Gruben, Terri	Gruben, Terri	Tuktoyaktuk	Contribution	\$3,036.23
Kelly, Mary (o/a Music Interchange)	Kelly, Mary	Yellowknife	Contribution	\$10,000.00
Kingsley, Aiden	Kingsley, Aiden	Yellowknife	Contribution	\$8,335.66
Loreen, Caroline	Loreen, Caroline	Tuktoyaktuk	Contribution	\$4,659.00
Nuttall, Elizabeth	Nuttall, Elizabeth	Tuktoyaktuk	Contribution	\$1,591.00
Okheena, Denise	Okheena, Denise	Ulukhaktok	Contribution	\$6,755.51
Ovoyuak, Janette	Ovoyuak, Janette	Tuktoyaktuk	Contribution	\$3,733.89
Souchko, Romane (o/a Playground Creative Agency)	Souchko, Romane	Yellowknife	Contribution	\$8,586.51
Storr, Terri-Lynn	Storr, Terri-Lynn	Aklavik	Contribution	\$9,099.04
Storr, Verna	Storr, Verna	Tuktoyaktuk	Contribution	\$8,367.20
Tambour, Henry (o/a Henry's Consulting Services)	Tambour, Henry	Hay River Reserve	Contribution	\$5,569.74

DISBURSEMENTS

Business Name	Owners	Community	Program	Total Amount Disbursed
Teddy, Charmaine	Teddy, Charmaine	Tuktoyaktuk	Contribution	\$4,406.00
Torindo, Dillon (o/a YK Galaxy Junior Soccer Team)	Torindo, Dillon	Yellowknife	Contribution	\$10,599.00
Vaillancourt, Stephanie	Vaillancourt, Stephanie	Yellowknife	Contribution	\$2,958.51
Villebrun, Greta	Villebrun, Greta	Tsiigehtchic	Contribution	\$6,334.20
White Bear Geomatics Ltd.	Schuler, Ryan	Yellowknife	Contribution	\$10,709.94
Wolkie, Annie (o/a Binakluq Litkuk Outfitting)	Wolkie, Annie	Paulatuk	Contribution	\$5,000.00

TOTAL: \$4,688,165.08

Northwest Territories Business Development and Investment Corporation
Consolidated Financial Statements

For the year ended

March 31, 2019

Northwest Territories Business Development and Investment Corporation

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Northwest Territories Business Development and Investment Corporation (the Corporation) are the responsibility of the Corporation's management and have been reviewed and approved by its board of directors.

Management is responsible for preparing these consolidated financial statements in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those that are most appropriate. Where required, management's best estimates and judgement have been applied in the preparation of these consolidated financial statements.


In discharging its responsibility for the integrity, fairness and quality of the consolidated financial statements, management is responsible for maintaining financial and management control systems and practices designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, proper records are maintained, and the Corporation complies with applicable laws and conflict of interest rules. These controls and practices help to ensure the orderly conduct of business, the accuracy of the accounting records, the timely preparation of financial information, and adherence to the Corporation's policies and statutory requirements.

The board of directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. It exercises this responsibility through the Audit Committee, which is comprised of members who are not employees of the Corporation. The Audit Committee meets with management on a regular basis. The external auditors also have full and free access to the Audit Committee.

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and consolidated financial statements of the Corporation and for issuing his report thereon.



Tom Jensen
Chief Executive Officer



Leonard Kwong
Director, Finance and Programs

August 23, 2019



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Business Development and Investment Corporation

Opinion

We have audited the consolidated financial statements of the Northwest Territories Business Development and Investment Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net financial assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and the consolidated results of its operations, consolidated changes in its net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we

conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



David Irving, CPA, CA
Principal
for the Interim Auditor General of Canada

Edmonton, Canada
23 August 2019

Northwest Territories Business Development and Investment Corporation**Consolidated Financial Statements (March 31, 2019)**

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Northwest Territories Business Development and Investment Corporation**Consolidated Statement of Financial Position (000's)**

	March 31, 2019	March 31, 2018
	\$	\$
Financial Assets		
Cash (Note 3)	17,245	15,574
Accounts receivable	204	103
Inventories held for resale (Note 4)	458	566
Loans receivable (Notes 5 and 6)	37,924	38,497
	55,831	54,740
Liabilities		
Accounts payable and accrued liabilities	1,450	1,209
Post-employment benefits (Note 8)	315	321
Advances from the Government (Note 9)	20,934	20,935
Asset retirement obligations	30	25
	22,729	22,490
Net financial assets	33,102	32,250
Non-financial assets		
Tangible capital assets (Schedule A)	338	243
Prepaid expenses	5	26
	343	269
Accumulated surplus	33,445	32,519

Venture investments (Note 7)

Commitments and contingencies (Notes 12 and 13)

The accompanying notes and Schedule A are an integral part of these consolidated financial statements.

Approved by:



Denny Rodgers
Chairperson of the Board of Directors

Northwest Territories Business Development and Investment Corporation**Consolidated Statement of Change in Net Financial Assets (000's)**

For the year ended March 31	Budget 2019	Actual 2019	Actual 2018
	\$	\$	\$
Annual surplus	472	926	1,550
Acquisition of tangible capital assets	-	(181)	(7)
Loss on disposal of tangible capital assets	-	6	-
Amortization of tangible capital assets	34	80	39
	34	(95)	32
Acquisition of prepaid expenses	-	(5)	(26)
Use of prepaid expenses	-	26	9
	-	21	(17)
Increase in net financial assets	506	852	1,565
Net financial assets, beginning of year	32,248	32,250	30,685
Net financial assets, end of year	32,754	33,102	32,250

The accompanying notes and Schedule A are an integral part of these consolidated financial statements.

Northwest Territories Business Development and Investment Corporation**Consolidated Statement of Operations and Accumulated Surplus (000's)**

For the year ended March 31	Budget 2019	Actual 2019	Actual 2018
	\$	\$	\$
Revenues			
Interest on loans receivable	2,300	2,124	2,054
Sales and other income	699	916	773
Interest on pooled cash (Note 3)	135	312	224
	3,134	3,352	3,051
Government transfers (Note 10)	2,810	2,781	3,695
	5,944	6,133	6,746
Expenses (Note 11)			
Lending and investments	4,179	3,713	3,778
Retail and manufacturing	1,293	1,494	1,418
	5,472	5,207	5,196
Annual surplus	472	926	1,550
Accumulated surplus, beginning of year	32,517	32,519	30,969
Accumulated surplus, end of year	32,989	33,445	32,519

The accompanying notes and Schedule A are an integral part of these consolidated financial statements.

Northwest Territories Business Development and Investment Corporation**Consolidated Statement of Cash Flows (000's)**

For the year ended March 31	2019	2018
	\$	\$
Operating transactions		
Cash received from:		
Governments	1,977	2,782
Customers	854	776
Interest	2,419	2,275
	<hr/> 5,250	<hr/> 5,833
Cash paid for:		
Compensation and benefits	2,187	2,261
Payments to suppliers	1,193	1,149
Interest on advances from the Government	416	341
Grants and contributions	212	186
	<hr/> 4,008	<hr/> 3,937
Cash provided by operating transactions	<hr/> 1,242	<hr/> 1,896
Capital transactions		
Acquisition of tangible capital assets	(16)	(7)
Cash (used for) capital transactions	<hr/> (16)	<hr/> (7)
Investing transactions		
Loans receivable disbursed	(3,985)	(6,738)
Loans receivable repaid	4,431	4,897
Cash provided by (used for) investing transactions	<hr/> 446	<hr/> (1,841)
Financing transactions		
Repayment of advances from the Government	(1)	(3,859)
Cash (used for) financing transactions	<hr/> (1)	<hr/> (3,859)
Increase (decrease) in cash	<hr/> 1,671	<hr/> (3,811)
Cash, beginning of year	15,574	19,385
Cash, end of year	<hr/> 17,245	<hr/> 15,574

The accompanying notes and Schedule A are an integral part of these consolidated financial statements.

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2019

1. The Corporation

(a) Authority

The Northwest Territories Business Development and Investment Corporation (the Corporation) was established on April 1, 2005 pursuant to the *Northwest Territories Business Development and Investment Corporation Act* (the Act).

The Corporation is a territorial corporation of the Government of the Northwest Territories (the Government) named in Schedule B of the *Financial Administration Act* (the FAA). Accordingly, the Corporation operates in accordance with Part 3 of the FAA, the Act and its regulations, and any directives issued to it by the Minister responsible for the Corporation (the Minister) under Section 4 of the Act.

(b) Mandate

The mandate of the Corporation is to support the economic objectives of the Government by encouraging the creation and development of business enterprises in the Northwest Territories and by providing information and financial assistance to, and making investments in, such enterprises.

(c) Government transfers and advances

In accordance with Section 30 of the Act, the Corporation must annually submit a corporate plan, operating budget and capital budget identifying the transfers requested from the Government for approval by the Financial Management Board (the FMB) prior to the commencement of the fiscal year. The transfers received from the Government are for the purposes of financing the Corporation's general operations; making capital investments in, and providing working capital advances and operating subsidies to, business enterprises based on need; providing transfers for business development projects; and purchasing tangible capital assets for the Corporation. The transfers are repayable to the Government if not completely spent within the fiscal year in which they were provided.

The Corporation and its organizations are economically dependent upon the transfers received from the Government for their ongoing operations (Note 17).

Section 26 of the Act also authorizes the Government to advance to the Corporation an amount out of the Consolidated Revenue Fund not exceeding \$150 million for the purposes of providing financial assistance to, or making investments in, business enterprises. These advances are repayable to the Government on demand.

(d) Taxes

The Corporation and its organizations are exempt from the payment of municipal and territorial taxes pursuant to Section 35 of the Act and federal income tax pursuant to Section 149 of the *Income Tax Act* of Canada.

(e) Budget

The consolidated budget figures have been derived from the budgets approved by the FMB and the Corporation's board of directors. Other budgeted amounts have been approved by the Corporation's senior management.

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2019

2. Summary of significant accounting policies

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) as issued by the Public Sector Accounting Board (the PSAB).

(a) Measurement uncertainty

The preparation of the consolidated financial statements, in accordance with PSAS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect on the consolidated financial statements of changes to such estimates and assumptions in future periods could be significant, although at the time of preparation of these consolidated financial statements, management believes the estimates and assumptions to be reasonable.

The more significant estimates relate to the determination of the allowance for credit losses, the provision for termination and removal benefits, and services received without charge. A variation in the quality of the loan portfolio or economic conditions under which these estimates are made could result in significant changes in these management estimates.

The significant accounting policies followed by the Corporation in the preparation of these consolidated financial statements are summarized below:

(b) Principles of consolidation

The consolidated financial statements include the assets, liabilities, revenues and expenses of the reporting entity, which includes the Corporation and the organizations it controls. All inter-entity transactions and balances have been eliminated upon consolidation. These consolidated financial statements include the accounts of the following organizations:

Organization	Location	Percentage Ownership	Incorporation Date
Light manufacturing			
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	Fort McPherson, NT	100%	September 25, 1991
Aklavik & Tuktoyaktuk Furs Ltd.	Tuktoyaktuk, NT	100%	June 30, 1997
Dene Fur Clouds Ltd.	Fort Providence, NT	100%	December 18, 1997
Fine arts and souvenirs			
Acho Dene Native Crafts Ltd.	Fort Liard, NT	100%	October 15, 1992
5983 N.W.T. Ltd. (o/a Ulukhaktok Arts Centre)	Ulukhaktok, NT	100%	February 12, 2008
Wholesale/retail stores			
Arctic Canada Trading Co. Ltd.	Yellowknife, NT	100%	June 28, 1997
Muskox Harvesting			
6355 N.W.T. Ltd.	Sachs Harbour, NT	100%	May 12, 2011

2. Summary of significant accounting policies (continued)**(c) Cash**

Cash is comprised of bank account balances (net of outstanding cheques). Surplus cash is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets which can be withdrawn at any time, and are not restricted by maturity dates on investments made by the Government. Cash also includes funds and reserves subject to restrictions as described in Note 3.

(d) Inventories

Inventories held for resale consist of finished goods, work-in-process and raw material and are carried at the lower of cost and net realizable value, with cost being determined on a first in, first out basis.

(e) Loans receivable

Loans receivable are initially recognized at cost. Valuation allowances are used to adjust the carrying amount of loans receivable to the lower of cost and net recoverable value. Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. When payment is three months past due (unless the loan is fully secured), or six months past due (regardless of whether or not the loan is fully secured), the underlying loan is classified as impaired.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated net recoverable value through an adjustment to the allowance for credit losses. Changes in the estimated net recoverable value arising subsequent to initial impairment are adjusted through the allowance for credit losses.

Interest income is recognized on an accrual basis using the effective interest rate method until such time as the loan is classified as impaired. All payments received (i.e. recoveries) on an impaired loan are credited against the carrying amount of the loan and recognized as an adjustment to the allowance for credit losses. The loan reverts to performing status when all provisions for credit losses are reversed and, in management's opinion, the ultimate collection of principal and interest is reasonably assured. At that time, previously non-accrued interest income is recognized as interest income.

In accordance to the updated FAA that came into effect on April 1 2016, the Corporation's board of directors may approve the write-off of debts owing to the Corporation. An account that has been written off is still subject to collection action. An account can only be approved for forgiveness by the board of directors (\$500 or less) or the FMB (over \$500). Once an account has been forgiven, no further collection action is possible.

(f) Allowance for credit losses

The allowance for credit losses represents management's best estimate of the probable credit losses existing in the loan portfolio. In determining the allowance for credit losses, management segregates probable credit losses into two components: specific and general.

2. Summary of significant accounting policies (continued)**(f) Allowance for credit losses (continued)**

The specific allowance is established on an individual loan basis to recognize credit losses. When a loan is considered impaired, the carrying amount of the loan is reduced to its estimated net recoverable value by discounting the expected future cash flows at the effective interest rate inherent in the loan. If the expected future cash flows cannot be reasonably determined, the fair value of the underlying security of the loan is used to determine net recoverable value.

The general allowance is established using management's best judgement to reflect the probable losses on performing loans which cannot yet be specifically identified as impaired. The general allowance is based on the Corporation's historical loan loss experience, aggregate exposure to particular industries or geographical regions and prevailing economic conditions.

The allowance for credit losses is an accounting estimate based on historical loan loss experience and an assessment of current economic conditions. Events may occur that render the underlying assumptions invalid and thus cause actual credit losses to vary significantly from management's best estimate.

The allowance is increased or decreased by changes in the estimated net recoverable values during the current period and is reduced by recoveries and loan write-offs.

(g) Venture investments

Venture investments are recognized at cost less any write-downs to reflect impairment in value.

Gains and losses on disposal are recognized in income when realized. Where there has been a significant and other than temporary decline in value, the investment is written down to recognize the loss. Dividends from venture investments are included in revenue when received. When they are received they are deposited to the Venture Investment Fund to be used for additional investments in venture activities.

There is no active quoted market.

(h) Asset retirement obligations

The fair value of an asset retirement obligation is recognized in the period in which the obligation is incurred and is discounted from the expected date of settlement back to its present value using the Corporation's credit-adjusted risk-free rate. The fair value of the estimated obligation is recognized as a liability, with a corresponding increase in the carrying amount of the related asset.

The costs capitalized to the related assets are amortized to earnings in a manner consistent with the amortization of the underlying asset. The liability amount is increased in each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted costs could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of a retirement obligation are charged against the obligation to the extent of the liability recognized.

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2019

2. Summary of significant accounting policies (continued)

(i) Government transfers

Government transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

The Government provides certain services without charge to the Corporation. The estimated cost of these services is recognized as services received without charge, which is included in government transfers, and is included in the Corporation's expenses.

(j) Employee future benefits

i) **Pension benefits:** Substantially all of the employees of the Corporation are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

ii) **Termination and removal benefits:** Employees are entitled to termination benefits and reimbursement of removal costs, as provided for under labour contracts and conditions of employment, based upon years of service. The benefits are paid upon resignation, retirement or death of an employee. The cost of these benefits is accrued as employees render the services necessary to earn them. Termination benefits are also recognized when employees are identified for lay-off. The cost of the benefits has been determined based on an actuary assessment.

(k) Tangible capital assets

Tangible capital assets are carried at cost less accumulated amortization and write-downs. Amortization is recognized on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Vehicle and Equipment	4 years
Leasehold improvements	4 years
Computer equipment	4 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

(l) Financial instruments

The Corporation's financial instruments consists of cash, accounts receivable, loans receivable, venture investments, accounts payable and accrued liabilities, and the advances from the Government. These financial instruments are measured at cost.

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2019

2. Summary of significant accounting policies (continued)

(m) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess revenues over expenses, provides the change net financial assets during the year.

(n) Segment disclosure

The Corporation presents segment information for lending and investment and retail and manufacturing activities. Lending and investment represents the activities of the Corporation and retail and manufacturing represents the activities of the organizations the Corporation controls. All revenues except for sales and other income are generated from lending and investment activities.

(o) New accounting standards

The Corporation adopted handbook section PS 3430 on Restructuring Transactions which became effective on April 1, 2018. This section establishes standards on how to record assets, liabilities, revenues and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor. The adoption of this standard did not have an impact on the Corporation's financial statements.

(p) Future accounting changes

The PSAB issued the following two new sections effective on or after April 2021 and 2022. The Corporation is currently assessing the impact of the two sections.

Section PS 3280, "Asset Retirement Obligation": This section establishes standards on how to account for and report for assets retirement obligations. This section is effective for fiscal year beginning on or after April 1, 2021 with earlier adoption permitted.

Section PS 3400, "Revenue": This section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. This section is effective for fiscal year beginning on or after April 1, 2022 with earlier adoption permitted.

3. Cash

Cash is comprised of cash held by the Corporation for operations, in funds and reserves established under the Act, and for employee future benefits, as well as cash held by the Corporation's organizations. Cash is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets. Cash can be withdrawn at any time, and is not restricted by maturity dates on investments made by the Government. The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments, depending on the investment class, are rated R-2 High or better from the Dominion Bond Rating Service Limited. The Corporation earned \$312,000 in interest at an average investment yield of 2.09% during the year (2018: \$224,000 at an average investment yield of 1.42%).

In accordance with Section 27 of the Act, the Corporation is required to establish a Loan and Investments Fund for its lending and investing activities. The Program, Projects and Services Continuation

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2019

3. Cash (continued)

Regulations (Regulations) of the Corporation specifies in Part 1 Section 4 (2), that a Loans and Bonds Fund will be used to record the lending operations while in Part 2 Section 19 (2), a Venture Investment Fund will be used to record the venture investment operations. Furthermore, under the Regulations Part 2 Section 18 (2), the Corporation has the obligation to continue to maintain a Capital Fund and the Subsidy Fund.

In addition to these funds, the Corporation is required under the Regulations Part 2 Sections 18 (6) and 19 (5) to establish a Capital Reserve Fund and Venture Reserve Fund respectively. The Corporation will continue to deposit to the reserve funds an amount equal to 10% of each capital or venture investment made. The Corporation may use the reserve funds for further investment or financing for its organizations and venture investments through approved drawdowns.

The Corporation is responsible for administering post-employment benefits including the cash held (Note 8b).

	000's	
	2019	2018
	\$	\$
Cash held by the Corporation for operations	6,410	6,984
Cash held by the Corporation's organizations	1,573	1,433
Cash held for post-employment benefits	315	321
	8,298	8,738
Venture Investment Fund	4,190	4,190
Capital Fund	873	873
Subsidy Fund	432	485
Venture Reserve Fund	486	486
Loans and Bonds Fund	2,819	655
Capital Reserve Fund	147	147
	8,947	6,836
	17,245	15,574

4. Inventories

	000's	
	2019	2018
	\$	\$
Inventories held for resale:		
Arts and crafts	263	307
Canvas products	195	259
	458	566

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2019

4. Inventories (continued)

During the year, \$42,000 of inventories were written down (2018: \$59,000) and no inventories were pledged as security. Also during the year, the Corporation had \$55,000 recoveries on inventory that had been previously written down (2018: \$9,000). Inventory write-downs and recoveries are included in the cost of goods sold.

5. Loans receivable

The Corporation provides variable and fixed rate loans for periods up to five years with the amortization period not to exceed twenty-five years.

The Corporation charges its clients prime plus 2%, 3%, or 4%, depending on the security provided, client's management ability, the client's investment, and the amortization period. The Corporation holds various types of security on its loans, including real property, aircraft, heavy equipment, and general security agreements.

Loans receivable are expected to mature as follows:

		000's			
		2019		2018	
		Rate	Balances	Rate	Balances
		%	\$	%	\$
Performing loans due within:	1 year	5.38	3,802	5.39	4,161
	1-2 years	5.76	5,084	5.48	5,287
	2-3 years	5.33	10,355	5.49	5,365
	3-4 years	5.45	10,202	5.06	11,878
	over 4 years	6.46	6,888	5.42	10,703
			36,331		37,394
Accrued loan interest receivable			161		153
Impaired loans			4,959		4,477
			41,451		42,024
Less: allowance for credit losses (Note 6)			3,527		3,527
			37,924		38,497

In 2019, one account in the amount of \$166,000 (including impaired interest) was written off by the board of directors (2018: nine accounts totalling \$3,329,000 including impaired interest) and two accounts totalling \$192,000 were forgiven by the FMB (2018: none). Recoveries on loans previously written off from both loans receivable and allowance totalled \$53,000 (2018: \$21,000).

Concentration of credit risk

Concentration of credit risk may arise from exposure to groups of debtors having similar characteristics such that their ability to meet their obligations may be affected similarly by changes in economic or other conditions. The concentrations of performing loans and impaired loans by geographic and enterprise concentrations are displayed in the following tables:

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2019

5. Loans receivable (continued)

Enterprise concentration

Enterprise	000's			
	2019		2018	
	Performing	Impaired	Performing	Impaired
	\$	\$	\$	\$
Accommodations, food and beverage	4,639	2,056	5,500	1,684
Agriculture	97	-	-	-
Arts and craft	379	-	393	-
Business services	201	344	255	370
Communication	378	-	418	-
Construction	9,187	215	10,103	208
Educational services	-	10	-	39
Finance and insurance	363	46	386	84
Fisheries and wildlife	95	-	110	-
Forestry and logging	-	-	4	-
Management of companies	427	-	475	-
Manufacturing	1,088	15	860	21
Oil and gas	-	360	-	334
Other services	1,527	82	1,613	86
Professional, Scientific and Tech Ser.	5	-	-	-
Real estate and rentals	5,627	170	5,811	-
Retail trade	6,471	302	6,924	306
Transportation and storage	3,934	64	3,595	63
Travel and tourism	1,080	1,295	13	1,282
Wholesale trade	833	-	934	-
	36,331	4,959	37,394	4,477

The loans receivable balance contains one loan, value at \$21 that was made to a venture investee (2018: \$0).

Geographic concentration

Region	000's			
	2019		2018	
	Performing	Impaired	Performing	Impaired
	\$	\$	\$	\$
South Slave	18,892	1,546	19,792	1,368
Dehcho	6,644	-	7,318	-
North Slave	5,918	2,252	5,320	2,418
Sahtu	2,530	247	2,804	285
Inuvik	2,347	914	2,160	406
	36,331	4,959	37,394	4,477

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2019

5. Loans receivable (continued)

The following table illustrates performing loans outstanding classified by the Corporation's credit risk rating system:

Credit risk rating	000's	
	2019	2018
	\$	\$
Low	21,301	22,884
Medium	14,165	13,941
High	865	569
	36,331	37,394

The Corporation considers a loan past due when a client has not made a payment in accordance with the payment terms. The following table presents the carrying value of loans that are past due but not classified as impaired because they did not meet the criteria of impairment:

Loans past due but not impaired	000's	
	2019	2018
	\$	\$
31 – 60 days	14	10
61 – 90 days	2	6
Over 90 days	1	1
	17	17

The risk exposure relating to loans is directly impacted by the clients' ability to meet their obligations. Among other factors, this ability is impacted by the clients' exposure to fluctuations in the economy of the Northwest Territories. To mitigate this risk, the Corporation limits the concentration of loans with any individual client. Under its regulations, the maximum the Corporation can lend to or invest in any one business enterprise or group of related enterprises is \$2 million. Amounts greater than \$2 million must be approved by the FMB. There were no loans approved by the FMB in 2019 (2018: nil).

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2019

6. Allowance for credit losses

	000's	
	2019	2018
	\$	\$
Balance, beginning of year	3,527	5,363
Provision for credit losses	404	713
Loans written off	(147)	(2,226)
Recoveries from repayments of allowance	(257)	(323)
Balance, end of year	3,527	3,527
Comprised of:		
Specific allowance	2,800	2,779
General allowance	727	748
	3,527	3,527

7. Venture investments

The Corporation's portfolio of venture investments is focused on providing financing in the form of preferred shares and debt to companies in the Northwest Territories. As at March 31, 2019, the Corporation does not have significant influence in the companies in which it has invested.

The total cumulative venture investments at March 31, 2019 was \$593,000 (2018: \$654,000) with accumulated write-downs of \$593,000 (2018: \$654,000). In 2019, no venture investments were approved for write-off (2018: nil) and one account in the amount of \$61,000 was forgiven by the FMB (2018: nil).

Preferred shares and dividends

Investments in preferred shares carry the right of conversion to common shares. This right, if exercised, may result in the holding of a controlling interest under certain circumstances. Preferred shares are redeemable at the option of the Corporation, and earn dividends at variable rates. Investment yields vary from year to year due to the amount and timing of the dividends received.

8. Employment and post-employment benefits**(a) Pension benefits**

Substantially all of the employees of the Corporation are covered by the Plan (Note 2(j)(i)). Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The required employer contribution rate is dependent on the employee's employment start date. For employment start dates before January 1, 2013, the Corporation's contribution rate effective at year-end was 1.1 times (2018: 1.3) the employee's contribution; and for employment start dates after December 31, 2012, the Corporation's contribution rate effective at year-end was 1.0 times (2018: 1.0) the employee's contribution. Total contributions of \$175,000 (2018: \$192,000) were recognized as an expense in the current year. The Corporation's and employees' contributions to the Plan for the year were as follows:

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2019

8. Employment and post-employment benefits (continued)**(a) Pension benefits (continued)**

	000's	
	2019	2018
	\$	\$
Corporation's contributions	175	192
Employees' contributions	158	155

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada Pension Plan and they are indexed to the increase in the Consumer Price Index.

(b) Termination, removal benefits and leave

The Corporation provides termination benefits to employees based on years of service and final salary (Note 2(j)(ii)). It also provides removal assistance, along with sick and special leave to employees, as provided under labour contracts. This benefit plan is pre-funded from current contributions and recognized as part of cash.

The most recent actuarial valuation was completed in February 2019 and the information has been extrapolated to year-end. The values presented below are for the benefits under the severance, removal and compensated absences for the Corporation.

Change in Obligation

	000's	
	2019	2018
	\$	\$
Accrued benefit obligation, beginning of year	338	434
Current period benefit cost	15	15
Interest cost	11	13
Benefit payments	(36)	(5)
Actuarial (gain) loss	96	(119)
Accrued benefit obligation, end of year	424	338
Unamortized net actuarial gain (loss)	(109)	(17)
Accrued benefit liability (asset)*	315	321

*Total retirement, post-employment, and other leave benefits includes \$287,046 (2018 - \$264,004) related to severance and removal and \$28,375 (2018 - \$56,867) related to compensated absences.

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2019

8. Employment and post-employment benefits (continued)**(b) Termination, removal benefits and leave (continued)****Benefit Expense**

	000's	
	2019	2018
	\$	\$
Current period benefit cost	15	15
Interest cost	11	13
Amortization of actuarial (gain) loss	5	20
Post-employment benefits	31	48

The discount rate used to determining the accrued benefit obligation is an average of 3.20% (2018: 3.80%). The assumed rate of compensation increase is 2% (2018: 2%). Unamortized actuarial gains and losses are amortized straight line over the expected average remaining service lives of active employees which is 8.3 years (2018: 8 years). No inflation was applied.

9. Advances from the Government

The Act authorizes the Corporation to borrow, for the purpose of providing financial assistance to or making investments in business enterprises, up to \$150 million from the Government through advances. Increases to the outstanding balance of the advances must be approved by the FMB based on the needs of the Corporation. The balance was not to exceed \$45 million (2018: \$45 million) as at March 31, 2019.

Interest on the advances is based on the rate set during the last week of each month for the Government of Canada 3-year bonds, compounded annually. The rate varied from 1.45% to 2.34% (2018: 0.75% to 1.96%) during the year.

	000's	
	2019	2018
	\$	\$
Balance, beginning of year	20,935	24,794
Interest charged on the Advance	416	341
Repayments made	(417)	(4,200)
Balance, end of year	20,934	20,935

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2019

10. Government transfers

	000's					
	Lending/ Invest- ments	2019 Retail/ Manufac- turing	Total	Lending/ Invest- ments	2018 Retail/ Manufac- turing	Total
	\$	\$	\$	\$	\$	\$
Government:						
Operations and maintenance	1,287	630	1,917	2,154	665	2,819
Services received without charge (Note 15)	767	-	767	779	-	779
	2,054	630	2,684	2,933	665	3,598
Federal programs	97	-	97	97	-	97
	2,151	630	2,781	3,030	665	3,695

A stipulation included in the agreement is for any unspent funds to be repaid to the Government. There was an unspent amount in 2017 which was recognized in accounts payable and accrued liabilities and repaid through a reduction in the 2018 contribution. There were no unspent amounts in 2019 (2018: nil).

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2019

11. Expenses by object

	000's					
	Lending/ Invest- ments	2019 Retail/ Manu- factur- ing	Total	Lending/ Invest- ments	2018 Retail/ Manu- factur- ing	Total
	\$	\$	\$	\$	\$	\$
Advertising and promotion	17	8	25	23	20	43
Amortization	48	32	80	5	34	39
Asset retirement	5	1	6	-	1	1
Bad debts (recovery)	-	28	28	-	(4)	(4)
Bank charges and interest	1	29	30	2	25	27
Board members	20	1	21	26	1	27
Business Development Fund	212	-	212	186	-	186
Business Service Centre	236	-	236	245	-	245
Computers and communications	99	21	120	105	22	127
Cost of goods sold	-	915	915	-	801	801
Credit losses (net)	147	-	147	390	-	390
Insurance	-	27	27	-	26	26
Interest expense on advances from the Government	416	-	416	341	-	341
Loss on disposal of tangible capital assets	6	-	6	-	-	-
Office and general	44	16	60	30	21	51
Professional services	37	59	96	80	51	131
Rent	180	15	195	183	16	199
Repairs and maintenance	-	9	9	-	18	18
Salaries and benefits	2,217	246	2,463	2,155	253	2,408
Site clean up	-	-	-	-	50	50
Training and workshops	12	3	15	1	1	2
Travel	16	25	41	6	33	39
Utilities	-	59	59	-	49	49
	3,713	1,494	5,207	3,778	1,418	5,196

12. Commitments

As at March 31, 2019, loans to businesses approved but not yet disbursed, totalled \$962,000 at a weighted average interest rate of 4.6% (2018: \$2.0 million at a weighted average interest rate of 4.7%). These loans do not form part of the loans receivable balance until disbursed. Also as at March 31, 2019, contributions to businesses approved but not yet disbursed totalled \$29,000 (2018: \$18,000).

13. Contingencies

Loans

The Corporation has three outstanding loans to two Northern Community Futures organizations for their own lending purposes totalling \$409,000 (2018: three outstanding loans totalling \$471,000). Loans provided by these two organizations may be assigned to the Corporation when impaired. If assigned,

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2019

13. Contingencies (continued)

the Corporation would then write off the Northern Community Futures organization loan balance and would attempt to recuperate its loss directly from the borrowers. In 2019, no accounts were assigned to the Corporation (2018: nil).

Letters of credit

The Corporation has two outstanding irrevocable standby letters of credit. The amounts of these letters of credit totalled \$2,100,000 (2018: \$2,201,000) and expire in fiscal 2020 and 2021. Payment by the Corporation is due from these letters in the event that the applicants are in default of the underlying debt. To the extent that the Corporation has to pay out to third parties as a result of these agreements, these payments will be owed to the Corporation by the applicants. Each letter of credit is secured by promissory note, general security agreement, guarantee or collateral mortgage. During the year, no payments were made (2018: nil).

One of the letters in the amount of \$100,000 was issued in July 2015 and expired the following year with no renewals in subsequent years. However, the original letter offering the standby letter of credit had a 5 year term. As long as the credit facility has not expired, the company is able to request another standby letter of credit. The Corporation has included it in the contingency note because of the 5 year term condition.

14. Related party transactions

The Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, territorial corporations, public agencies, its board of directors and key management personnel and their close family members. The Corporation enters into transactions with these entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises except that certain services are provided without charge (Note 15).

Transactions with related parties during the year and balances at year end are as follows:

	000's	
	2019	2018
	\$	\$
Revenues		
Sales	31	28
Government transfers (Note 10)	2,684	3,598
Expenses		
Purchases	215	241
Interest on advances from the Government	416	341
Balances at year end		
Accounts receivable	21	6
Accounts payable and accrued liabilities	168	135
Advances from the Government	20,934	20,935

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2019

15. Services received without charge

The Corporation records the estimated cost of services provided by the Government without charge. Services received without charge from the Government include regional and human resource services and office accommodation. The estimated cost of such services is as follows:

	000's	
	2019	2018
	\$	\$
Staff support	540	549
Accommodation	227	230
	767	779

16. Budgeted figures

Budgeted figures have been derived from the budgets approved by the Minister and the FMB. The budget figures for the Corporation's organizations have been approved by the Corporation's senior management.

The 2019 and 2018 budgeted expenses are as follows:

	000's					
	2019			2018		
	Lending/ Invest- ments	Retail/ Manu- factur- ing	Total	Lending/ Invest- ments	Retail/ Manu- factur- ing	Total
	\$	\$	\$	\$	\$	\$
Advertising and promotion	25	12	37	25	12	37
Amortization	6	29	35	6	34	40
Bad debts	-	4	4	-	6	6
Bank charges and interest	-	27	27	-	27	27
Board members	40	2	42	40	2	42
Business Development Fund	200	-	200	200	-	200
Business Service Centre	268	-	268	220	-	220
Computers and communications	105	18	123	115	18	133
Cost of goods sold	-	747	747	-	786	786
Freight and courier	-	3	3	-	2	2
Insurance	-	23	23	-	26	26
Interest expense	165	-	165	165	-	165
Office and general	57	21	78	40	22	62
Professional services	175	65	240	80	54	134
Provision for credit losses, net	300	-	300	100	-	100
Rent	173	16	189	237	16	253
Repairs and maintenance	-	12	12	-	11	11
Salaries and benefits	2,615	256	2,871	2,530	248	2,778
Travel and vehicles	50	20	70	50	30	80
Utilities	-	38	38	-	38	38
	4,179	1,293	5,472	3,808	1,332	5,140

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2019

17. Economic dependence

The Corporation received 43.8% (2018: 53.3%) of its revenues in the form of a contribution and services without charge from the Government. The Corporation's continued operations are dependent on these arrangements.

18. Risk management

The Corporation is exposed to the following risks as a result of holding financial instruments:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet its obligations.

The risk associated with cash is minimized substantially by ensuring that these financial assets are placed with well-capitalized financial institutions.

Credit granting and loan management are based on established credit policies. The maximum exposure to credit risk from borrowers and investees is limited to the carrying amount of the loans and investments. The Corporation's management of credit exposures from borrowers and investees includes:

- a standardized credit risk rating classification system established for all loans;
- credit policies and directives, communicated to lending officers whose activities and responsibilities include credit granting and monitoring client performance;
- independent review of loan applications in excess of \$1 million; and,
- limiting the concentration of loans and investments with any one business enterprise or group of related enterprises to \$2 million. Amounts greater than \$2 million must be approved by the FMB.

The principal collateral held as security and other credit enhancements for loans include: (i) real estate; (ii) equipment; (iii) corporate and personal guarantees; and (iv) assignment of leases.

As at March 31, 2019, \$682,000 (2018: \$334,000) of the impaired loans are secured by assets the Corporation has the ability to sell in order to satisfy borrowers' commitments. There were no significant changes to the Corporation's credit risk management policies and practices from the prior year.

The table below illustrates the maximum credit exposure to the Corporation if all counterparties defaulted on March 31, 2019:

	000's	
	2019	2018
Cash	\$ 17,245	\$ 15,574
Accounts receivable	204	103
Loans receivable	37,924	38,497
Letters of credit	2,100	2,101

18. Risk management (continued)**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk in that changes in market interest rates will cause fluctuations in the future cash flows of the advances from the Government, fluctuations in the fair value and future cash flows of loans receivable, and interest revenue from cash.

The Corporation's borrowing from the Government is based on a variable market rate and it lends to the majority of its clients at fixed term rates. The Corporation's interest rate margin or spread widens when interest rates fall and it narrows when interest rates rise.

The Corporation manages its interest rate risk by paying down the advances from the Government with cash available from the Loans and Bonds fund. During the year, the Corporation repaid \$513 (2018: \$3,859,000) to the Government.

Based on the Corporation's advances from the Government as at March 31, 2019 and the monthly cash balance on hand, a 100 basis point increase in interest rates would decrease annual surplus by \$49,000 (2018: \$49,000). A 100 basis point decrease in interest rates would increase annual surplus by \$78,000 (2018: \$41,000).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with its financial liabilities. The Corporation manages its liquidity risk by regularly monitoring forecasted and actual cash flows.

The advances from the Government are due on demand with no fixed repayment terms. Repayment on advances is made whenever the Corporation has sufficient cash on hand which is not earmarked for lending purposes.

Accounts payable and accrued liabilities are expected to be settled within the next 12 months.

19. Contractual rights

In March 2018, the Corporation entered into a shared cost agreement with the Canadian Northern Economic Development Agency (CANNOR) to co-fund the operations of the Canada-NWT Business Service Centre (Centre) for one year beginning on April 1, 2018. CANNOR has extended the agreement for an additional year beginning April 1, 2019. The Corporation is responsible for managing the Centre and operational costs above CANNOR's share of up to \$97,100.

Northwest Territories Business Development and Investment Corporation

Consolidated Schedule of Tangible Capital Assets

**Schedule A
000's**

	Land	Buildings	Vehicle and Equipment	Leasehold Improvements	Computer Equipment	March 31, 2019	March 31, 2018
Cost of tangible capital assets, opening	\$ 80	\$ 1,950	\$ 695	\$ 460	\$ 16	\$ 3,201	\$ 3,202
Acquisitions	-	-	-	181	-	181	7
Disposals	-	-	(27)	(131)	(7)	(165)	(8)
Cost of tangible capital assets, closing	80	1,950	668	510	9	3,217	3,201
Accumulated amortization, opening	-	1,823	668	454	13	2,958	2,927
Amortization expense	-	12	21	46	1	80	39
Disposals	-	-	(25)	(127)	(7)	(159)	(8)
Accumulated amortization, closing	-	1,835	664	373	7	2,879	2,958
Net book value	80	115	4	137	2	338	243

**Please contact us for business information and assistance.
Contactez-nous pour obtenir de l'aide et des renseignements d'affaires.**
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