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BUSINESS DEVELOPMENT AND INVESTMENT CORPORATION NWT

Northwest Territories Business Development and Investment Corporation

2019/20 ANNUAL REPORT

Société d'investissement et de développement des Territoires du Nord-Ouest TNO

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EXECUTIVE SUMMARY

On behalf of the Board of Directors and staff at the Northwest Territories Business Development and Investment Corporation (BDIC), we are pleased to present the BDIC's 2019/20 Annual Report to the Minister Responsible for the BDIC.

The BDIC's continued achievements are a reflection of the interests of the people and businesses we serve. We depend on their support as our successes link together.

In 2019/20, the BDIC disbursed $4.4 million in new loans, contributions and subsidies. In the reporting year, 78% (77% in 2018/19) of the money was disbursed in communities outside of Yellowknife. As in previous years, the BDIC remains focused on helping small businesses and craft makers in the smaller communities.

Of the $4.4 million disbursed, $3.6 million were in loans to 16 businesses and $153,000 in contributions to 23 businesses and arts and craft makers.

The subsidiaries generated $802,000 in sales and directly employed 11.5 full-time equivalent staff and supported 108 cottage craft producers.

The Business Services continued to be very popular. The number of business learning sessions almost doubled to 83 with 129 participants. These sessions were provided by our partner, Small Business BC. The BDIC continued to develop its online business services allowing users to provide business content feedback and suggestions.

In March, the onset of the COVID-19 pandemic had a swift and severe negative impact on the global economy, including the Northwest Territories. Businesses of all sizes were forced to close or scale-back significantly. In response, the GNWT introduced a number of initiatives to assist NWT residents and businesses.

With a mandate of supporting economic development and diversification, the BDIC quickly responded by introducing two new loan initiatives to assist northern businesses.

In the first initiative, our loan clients were able to defer or reduce their loan payments for three months. With a large positive client response, the initiative has been extended to the end of March 2021.

The second initiative has BDIC offering a low interest rate working capital loan to provide a financial bridge to businesses until the general economy recovers.

In conjunction with various federal financial programs, these two initiatives will provide temporary financial relief to businesses until they are able to reopen and operate.

The NWT economy will continue to face challenges in 2020/21 but we are confident in the determination of our residents and businesses to recover from this serious public health situation.

Tracy St. Denis
Chief Executive Officer

Denny Rodgers
Chairperson

CORPORATE OVERVIEW

Board of Directors

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.

Denny Rodgers - Chairperson	Inuvik
Andy Wong - Vice Chairperson	Yellowknife
Charlie Furlong - Director	Aklavik
David Connelly - Director	Yellowknife
Donna Lee Demarcke - Director	Hay River
Janet Toner - Director	Yellowknife
Lloyd H. Jones - Director	Fort Smith

Audit Committee

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.

Janet Toner - Chairperson	Yellowknife
Chervahun Emilien - Vice Chairperson	Yellowknife
Peter Allen	Yellowknife
Denny Rodgers	Inuvik

CORPORATE OVERVIEW

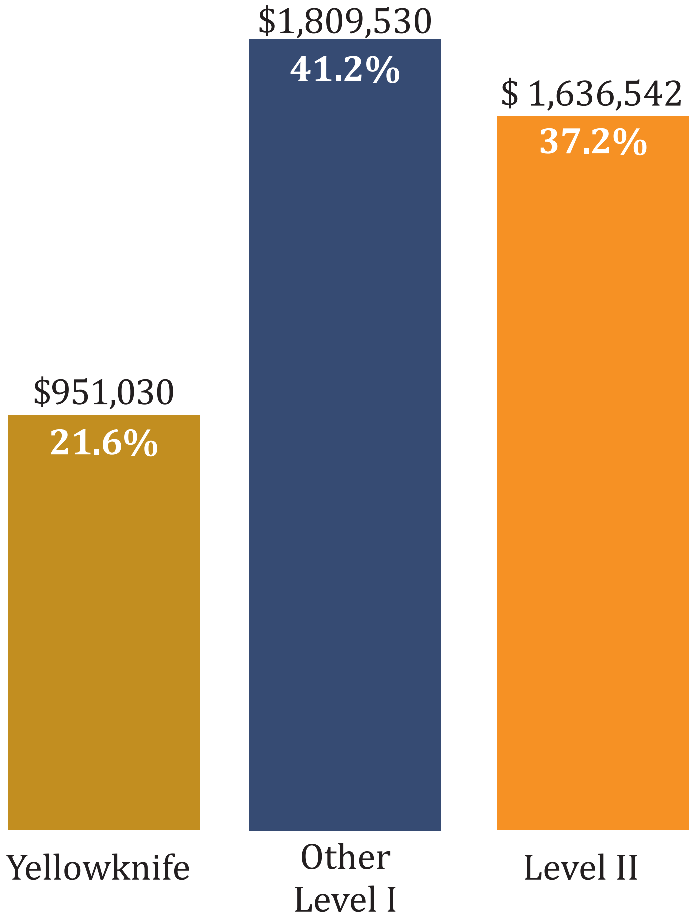
Overview of the BDIC

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 2019/20, the BDIC disbursed $4.4 million in new loans, subsidies and contributions. 78% of this money was disbursed in communities outside of Yellowknife.

2019/20 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.**

Overview of the BDIC

2019/20 Disbursed Financial Assistance by Industry Sector

Industry Sector	Credit Facilities		Contributions		Subsidiaries	
	#	$(000s)	#	$(000s)	#	$(000s)
Agriculture	1	**195**				
Accommodation & Food Services	3	1,090	1	**9**		
Arts and Crafts			8	**44**	2	**240**
Construction			3	**27**		
Educational Services			1	**8**		
Fisheries			2	**9**		
Forestry and Logging	1	**183**				
Healthcare & Social Assistance			1	**11**		
Manufacturing	1	**50**			2	**380**
Mining & Mineral Exploration	1	**137**				
Other Services			5	**30**		
Professional, Scientific and Technical			1	**5**		
Real Estate and Rental	5	**1,259**				
Retail Trade	2	**535**				
Transport and Storage	1	**80**				
Travel and Tourism	1	**95**	1	**10**		
Total	**16**	**$3,624**	**23**	**$153**	**4**	**$620**

2019/20 Disbursed Financial Assistance by Region

North Slave	South Slave	Dehcho	Beaufort Delta
$951,030	$2,402,626	$597,353	$446,093

PROGRAMS AND SERVICES

Credit Facilities Program

The BDIC's credit facilities portfolio was approximately $43.8 million (including $3.6 million of interest not recognized as revenue*). New credit facilities of $7.83 million were approved with $3.62 million disbursed (including prior year approvals) in 2019/20 fiscal year.

The following credit facilities are available to BDIC clients:

$43.8M

BDIC's Credit Facilities portfolio

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.

**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.

20 applications approved for

$7.8 million

in Credit Facilities in 2019/2020

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.

PROGRAMS AND SERVICES

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 2019/20, 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)

Subsidiary	2019/20 Sales $(000s)
ACTCL*	$9
ADNC	$105
DFC	$85
FMTC	$515
UAC	$88
Total	**$802**

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

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 galleries and gift shops across Canada. 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.

Sheared knitted beaver fur cowl with lynx trim from Dene Fur Clouds.

Subsidiary Program

Maintaining community employment

In 2019/20, the BDIC's subsidiaries maintained 11.50 direct employees. Through the purchase of $98,000 worth of locally-made products the subsidiaries supported an additional 108 cottage craft producers.

11.50

Full time equivalent staff employed by the BDIC's subsidiaries in 2019/20

Subsidiary	Community	Direct Employment Positions 2019/20	Direct Employment Positions 2018/19
ACTCL	Yellowknife	N/A	N/A
ADNC	Fort Liard	1.30	1.21
DFC	Fort Providence	3.60	3.99
FMTC	Fort McPherson	6.00	6.00
UAC	Ulukhaktok	0.60	1.00
Total		**11.50**	**12.20**

Acho Dene Native Crafts storefront in Fort Liard

Subsidiary Companies

Contribution Program - Business Development Project Fund (BDPF)

The BDIC's contribution program provides funding to assist entrepreneurs in starting or expanding their business. In 2019/20 the BDPF Program remains popular with the BDIC approving $158,058 in contributions. During the year, $153,412 was disbursed.

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).

25

Number of BDPF applications approved in 2019/20

$158,058

Amount of BDPF funding approved in 2019/20

PROGRAMS AND SERVICES

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 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 the 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 2019/20, Canada Business NWT served 206 clients in person, 105 over the phone and 112 by email. The BDIC also hosted 83 training sessions that were attended by 129 participants.

CANADA BUSINESS NWT
ENTREPRISES CANADA TNO

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 2019/20, the BDIC continued to offer business training sessions. These free, interactive sessions cover topics such as bookkeeping, taxation, marketing and more.

A total of 83 sessions were held in 2019/2020 for 129 participants.

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

Business Support Services

The BDIC's staff attended 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 again a success and was attended by numerous participants.

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

The BDIC partnered in two initiatives to promote entrepreneurship to high school students. BDIC supported CDETNO's camp for young entrepreneurs. The event allowed students to create a business project that was presented to a jury, who then selected a winner.

PHOTO: ANGELA GZOWSKI PHOTOGRAPHY

Tracy St. Denis, CEO for the BDIC, is presenting the Breakout New Business award to Rhiana Bams, Cory Dohlen and Eric Binion, from Barren Ground Coffee.

Business Support Services

Presentations of the BDIC's programs and services were also made in Yellowknife high schools, in partnership with the Rotary Club's Dragon's Den competition. This initiative promoted entrepreneurship to students and provided them with options available should they decide to start their own business. Due to circumstances, the Dragon's Den event had to be cancelled.

BDIC's staff also gave training sessions to local economic development officers in all five regions of the Northwest Territories. The sessions provided training on credit evaluation, loan management as well as up-to-date information on BDIC programs and services.

IMPROVED LIGHTING IN FORT MCPHERSON

Always looking for new efficiencies, a BDIC subsidiary partnered with Arctic Energy Alliance to improve its lightning. LED lights were installed throughout the interior and exterior of Fort McPherson Tent and Canvas facilities, resulting in an average savings of 15% or about 830 kilowatts per month in energy usage.

CARVING WORKSHOPS IN ULUKHAKTOK

The Ulukhaktok Arts Centre partnered with the Ulukhaktok Community Corporation to deliver a carving workshop at the Centre. Four participants attended the workshop and learned the fundamentals of carving from Buddy Alikamik - an experienced carver in the community.

A BDIC SUCCESS STORY

Laughing Lichen Wildcrafted Herb & Tea

Born and raised in the Northwest Territories, Amy Maund had a vast experience of working on the land with the flora and fauna when she launched Laughing Lichen Wildcrafted Herb & Tea in 2010.

The family run business is located off the grid near Yellowknife. It crafts a wide range of natural products made from ingredients that are hand foraged from their wild environment. To create these goods, it uses wild herbs, berries, fungi and lichens that are found on the land across the Northwest Territories.

In addition to its manufacturing facility, Laughing Lichen also operates a wilderness farm and a learning centre, where they teach workshops about sustainable foraging, botany, ecology and crafting products using ingredients from the land.

Laughing Lichen is working hard to lead by example, making sure it's minimizing the impacts its operations are having on the environment. Facilities are powered using solar panels, ingredients that are not harvested in the wild are sourced from eco-responsible companies and, whenever possible, packaging are made from recyclable or compostable materials. "Laughing Lichen was founded upon our value of ethical harvesting to ensure a sustainable future for everyone – our forests included", explains Amy Maund.

The backing from the BDIC was a cornerstone to the success of Laughing Lichen's expansion. The financial support received allowed for the building of a new manufacturing facility and the expansion of the activities. "It helped us to grow as a business", says Amy Maund.

The majority of the ingredients used by Laughing Lichen are hand foraged from their wild environment.

A BDIC SUCCESS STORY

Riverside Growers

BDIC's financing supported the expansion of Riverside Growers. Within a few years, the business went from a small research project to a large 130 foot greenhouse.

When Cynthia Mandeville and Alex McMeekin started Riverside Growers, the business venture was more of a concept and a research project.

Within a few years, the entrepreneurs saw their project expand from a few hydroponic growing systems to a small greenhouse and finally to a large 130 foot greenhouse last year. Theses expansions allowed the production and efficiency to go up, giving Riverside Growers the opportunity to reach markets across the Northwest Territories.

Riverside Growers currently produces different types of greens, among them a variety of lettuce, Swiss chard, watercress and kale, as well as herbs like basil and mint. The entrepreneurs also distribute grass seed and horticulture and agriculture supplies. In addition to selling their products directly to customers, they distribute their products weekly to restaurants, grocery stores and wholesalers around Yellowknife and Hay River.

Growing their products in the controlled environment of a greenhouse is a definite advantage for the business. "We are able to provide a consistent product and quantities week after week", explains Alex, adding that it also allows

A BDIC SUCCESS STORY

Riverside Growers

Riverside Growers to have a longer production season than its competitors. Another benefit of the production in a greenhouse is the pest and insect control, a task that can be fulfilled without the use of pesticides or herbicides.

The success of Riverside Growers received a more than welcome boost from the BDIC. Along with tools to help them write a business plan, Alex and Cynthia were provided with much needed financing in the form of a loan. Due to the smaller size of the business, traditional lenders were not interested in supporting Riverside Growers. "Banks were not as eager to work with us. The BDIC was able to look closer at our situation and find a solution", said Alex.

Riverside Growers produces a variety of greens and herbs in a controlled environment that allows them to provide their customers with a consistent product.

2019/20 Scorecard

The objectives below were approved by the Board of Directors in the BDIC's 2019/20 Corporate Plan.

Objective	Targets	Status
Enhance and Promote the BDIC's Programs and Services	**2019/20 Target:** Enhanced BDIC programs and services are available and promoted to the public.	The BDIC increased the promotion and the number of business related webinars. The sessions were very successful as the number of webinars held increased by 93% to 83 sessions and the number of participants rose by 43%. The webinars were promoted regularly on Twitter and the schedule was sent to a list of subscribers in a monthly email blast. Training sessions were also held in all the ITI regional offices to better assist BDIC clients.
Solicit Increased Feedback from the BDIC's Clients	**2019/20 Target:** A feedback system is in place and collecting input from BDIC clients.	Improvements to the feedback system have been developed to be implemented in March 2020 in-person but has been postponed due to the COVID-19 situation.
Increase the Export-Readiness of the BDIC's Subsidiaries	**2020/21 Target:** The BDIC's subsidiaries are exporting their products to key international markets.	Work will continue in 2020/21 online due to COVID-19 pandemic.

2019/20 Scorecard

Objective	Targets	Status
Improve the BDIC's Interest Rate Risk Management	**2019/20 Target:** A completed evaluation of best practices in interest rate risk management.	Completed, the BDIC implemented an interest rate risk management policy to mitigate the interest rate risk on loans.
Provide entrepreneurial support to Indigenous people, women, youth and persons with disabilities	**2019/20 Target:** The BDIC will revise its programs to provide entrepreneurial support to Indigenous people, women, youth and persons with disabilities.	The BDIC continues to make progress in promoting its programs to the youth through several workshops and presentations. Meetings with other targeted groups have been deferred.
Analyze actions of program review and coordinate implementation as needed	**2019/20 Target:** Consider the program review's recommendations for implementation.	The BDIC will continue to work on the implementation plan in 2020/2021.

DISBURSEMENTS

The BDIC disbursed funds to the following NWT businesses during the 2019/20 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	$250,000.00
Acho Dene Native Crafts Ltd.	BDIC	Fort Liard	Subsidiary	$150,000.00
Dene Fur Clouds Ltd.	BDIC	Fort Providence	Subsidiary	$130,000.00
506444 NWT Ltd (o/a Pandaville Restaurant)	Zhang, Yu	Fort Simpson	Credit	$351,000.00
Arctic Char Expeditions Inc.	Carpenter, Merle and Territorial Investments	Inuvik	Credit	$61,904.19
Brave Adventures Ltd.	Pellissey, Wesley	Hay River	Credit	$183,000.00
Dezron Inc.	McDonald, Meika	Fort Smith	Credit	$225,000.00
Figure 8 Limited	Groat, Wendy and Groat, Kirby	Fort Simpson	Credit	$89,019.00
Ford, Lana (o/a Off The Hook)	Ford, Lana	Yellowknife	Credit	$9,903.73
Gateway Gas & Convenience Store Inc.	McDonald, Meika and Utman, Newely	Enterprise	Credit	$525,000.00
Great Slave Drilling & Exploration Ltd.	Makepeace, Breanna; and Grandguillot, Shawn	Hay River	Credit	$137,000.00
Hardisty, Betty (o/a R&B Real Estate Ventures)	Hardisty, Betty	Fort Simpson	Credit	$7,334.17
JALL Enterprises Ltd.	Harrold, Liza; Harrold, Lee; Harrold, Jessann; and Harrold, Alexander	Fort Smith	Credit	$80,000.00
Mandeville, Cynthia and McMeekin, William (o/a Riverside Growers)	Mandeville, Cynthia and McMeekin, William	Hay River	Credit	$195,043.00
Martselos Services Ltd.	Martselos, Freida; and Martselos, Peter	Fort Smith	Credit	$650,000.00

DISBURSEMENTS

Business Name	Owners	Community	Program	Total Amount Disbursed
Maund, Cara (o/a Laughing Lichen Wildcrafted Herb & Tea)	Maund, Cara	Yellowknife	Credit	$50,000.00
North Star Adventures Ltd.	Bailey, Joseph	Yellowknife	Credit	$94,486.00
Treestone Holdings Ltd	Popplestone, Terrence	Fort Smith	Credit	$270,000.00
Yellowknife Condominium Services Ltd. (o/a Century 21 Prospect Realty)	Bell, Adrian	Yellowknife	Credit	$695,000.00
Beamish, Jeremy	Beamish, Jeremy	Fort Smith	Contribution	$7,583.11
Cockney, Marilyn	Cockney, Marilyn	Tuktoyaktuk	Contribution	$5,365.30
Coumont, Shirley	Coumont, Shirley	Yellowknife	Contribution	$3,722.43
Czarnecki, Andrea and Van Metre, Blair (o/a Back Bay Bed and Breakfast)	Czarnecki, Andrea and Van Metre, Blair	Yellowknife	Contribution	$8,738.05
Doulev, Evgeni (o/a Arctic Turf)	Doulev, Evgeni	Yellowknife	Contribution	$9,669.76
Ettagiak-Adam, Sarah	Ettagiak-Adam, Sarah	Tuktoyaktuk	Contribution	$3,015.00
Fireside Denture Inc.	Lennie, Nadja	Yellowknife	Contribution	$10,944.14
Lahey, Wendy (o/a Lahey Consulting)	Lahey, Wendy	Yellowknife	Contribution	$8,400.82
Lang, Becky (o/a NWT's Finest)	Lang, Becky	Yellowknife	Contribution	$3,598.00
Lennie, Megan	Lennie, Megan	Aklavik	Contribution	$6,182.37
Marceau, Audrey (o/a Mamselle-Ethno--Photographe)	Marceau, Audrey	Yellowknife	Contribution	$10,000.00
NWT Fish Company Ltd. (o/a Due North Services)	Forsbloom, Bonnie and Forsbloom, Derek	Yellowknife	Contribution	$5,208.13
Ovayuak, Janette K.	Ovayuak, Janette K.	Tuktoyaktuk	Contribution	$4,457.88
Payne, Keegen (o/a YZF Tech Repairs)	Payne, Keegen	Yellowknife	Contribution	$2,040.66
Raddi, Roxanne	Raddi, Roxanne	Tuktoyaktuk	Contribution	$5,810.00
Sadler, Shane (o/a Gem Contracting)	Sadler, Shane (o/a Gem Contracting)	Yellowknife	Contribution	$9,613.65
Storr, Terri-Lynn	Storr, Terri-Lynn	Aklavik	Contribution	$10,397.85

DISBURSEMENTS

Business Name	Owners	Community	Program	Total Amount Disbursed
Thomson, James	Thomson, James	Yellowknife	Contribution	$5,058.20
Trinity Tactical Consulting Ltd.	Ellsworth, Ian	Yellowknife	Contribution	$10,000.00
Utilipro Infrastructure Management Ltd.	Comartin, Trina	Yellowknife	Contribution	$4,800.00
van Bochove, Dingeman (o/a Summit Roofing)	van Bochove, Dingeman	Yellowknife	Contribution	$9,846.00
Wilson, Helen M	Wilson, Helen M	Fort McPherson	Contribution	$4,542.30
Wolki, Emma Cynthia	Wolki, Emma Cynthia	Tuktoyaktuk	Contribution	$4,418.50

TOTAL: $4,397,102.24

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

For the year ended

March 31, 2020

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 her report thereon.

Tracy St. Denis
Chief Executive Officer

L Kwong

Leonard Kwong
Director, Finance and Programs

August 27, 2020

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

Qualified 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 2020, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, 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 Qualified Opinion

On 11 March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). As a result, measures were put in place that impacted our ability to observe the counting of physical inventories as at 31 March 2020. We were also unable to satisfy ourselves concerning those inventory quantities by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to reported inventories on the consolidated statement of financial position as at 31 March 2020, and to the consolidated results of operations and consolidated changes in net financial assets for the year then ended.

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 qualified 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 Auditor General of Canada

Edmonton, Canada
27 August 2020

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Financial Position (000's)

	March 31, 2020	March 31, 2019
	$	$
Financial Assets		
Cash (Note 3)	19,436	17,245
Accounts receivable	186	204
Inventories held for resale (Note 4)	498	458
Loans receivable (Notes 5 and 6)	36,723	37,924
	56,843	55,831
Liabilities		
Accounts payable and accrued liabilities	921	1,450
Post-employment benefits (Note 8)	345	315
Advances from the Government (Note 9)	21,228	20,934
Asset retirement obligations	31	30
	22,525	22,729
Net financial assets	34,318	33,102
Non-financial assets		
Tangible capital assets (Schedule A)	318	338
Prepaid expenses	1	5
	319	343
Accumulated surplus	34,637	33,445

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

Janet Toner
Janet Toner
Chairperson of the Audit Committee

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Change in Net Financial Assets (000's)

For the year ended March 31	Budget 2020	Actual 2020	Actual 2019
	$	$	$
Annual surplus	345	1,192	926
Acquisition of tangible capital assets	-	(89)	(181)
(Gain) loss on disposal of tangible capital assets	-	(41)	6
Amortization of tangible capital assets	40	79	80
Proceeds received from disposal of tangible capital assets	-	71	-
	40	20	(95)
Acquisition of prepaid expenses	-	(16)	(5)
Use of prepaid expenses	-	20	26
	-	4	21
Increase in net financial assets	385	1,216	852
Net financial assets, beginning of year	**33,102**	**33,102**	**32,250**
Net financial assets, end of year	**33,487**	**34,318**	**33,102**

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 2020	Actual 2020	Actual 2019
	$	$	$
Revenues			
Interest on loans receivable	2,200	2,511	2,124
Sales and other income	753	831	916
Gain on disposal of tangible capital assets	-	41	-
Interest on pooled cash (Note 3)	135	399	312
	3,088	3,782	3,352
Government transfers (Note 10)	2,770	2,922	2,781
	5,858	6,704	6,133
Expenses (Note 11)			
Lending and investments	4,160	4,086	3,713
Retail and manufacturing	1,353	1,426	1,494
	5,513	5,512	5,207
Annual surplus	**345**	**1,192**	**926**
Accumulated surplus, beginning of year	**33,445**	**33,445**	**32,519**
Accumulated surplus, end of year	**33,790**	**34,637**	**33,445**

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	2020	2019
	$	$
Operating transactions		
Cash received from:		
Governments	2,056	1,977
Customers	886	854
Interest	2,811	2,419
	5,753	5,250
Cash paid for:		
Compensation and benefits	3,169	2,187
Payments to suppliers	1,319	1,193
Interest on advances from the Government	-	416
Grants and contributions	153	212
	4,641	4,008
Cash provided by operating transactions	**1,112**	**1,242**
Capital transactions		
Acquisition of tangible capital assets	(255)	(16)
Proceeds from disposal of tangible capital assets	77	-
Cash used for capital transactions	**(178)**	**(16)**
Investing transactions		
Loans receivable disbursed	(3,351)	(3,985)
Loans receivable repaid	4,608	4,431
Cash provided by investing transactions	**1,257**	**446**
Financing transactions		
Repayment of advances from the Government	-	(1)
Cash used for financing transactions	**-**	**(1)**
Increase in cash	**2,191**	**1,671**
Cash, beginning of year	17,245	15,574
Cash, end of year	**19,436**	**17,245**

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

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.

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.

At the time of preparation of these consolidated financial statements, management believes the estimates and the assumptions to be reasonable under the circumstances. However, the effect on the consolidated financial statements of changes to such estimates and assumptions in future periods could be significant especially given the added uncertainties resulting from the COVID-19 pandemic declared by the World Health Organization on March 11, 2020.

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.

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.

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) Future accounting changes

The PSAB issued the following two new sections effective on or after April 2022 and 2023. 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, 2022 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, 2023 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 $399,000 in interest at an average investment yield of 2.30% during the year (2019: $312,000 at an average investment yield of 2.09%).

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

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.

3. Cash (continued)

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	
	2020	**2019**
	$	**$**
Cash held by the Corporation for operations	4,723	6,410
Cash held by the Corporation's organizations	1,606	1,573
Cash held for post-employment benefits	345	315
	6,674	8,298
Venture Investment Fund	4,190	4,190
Capital Fund	873	873
Subsidy Fund	434	432
Venture Reserve Fund	486	486
Loans and Bonds Fund	6,632	2,819
Capital Reserve Fund	147	147
	12,762	8,947
	19,436	**17,245**

4. Inventories

	000's	
	2020	**2019**
	$	**$**
Inventories held for resale:		
Arts and crafts	289	263
Canvas products	209	195
	498	**458**

During the year, $124,000 of inventories were written down (2019: $42,000) and no inventories were pledged as security. Also during the year, the Corporation had $28,000 recoveries on inventory that had been previously written down (2019: $55,000). 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			
		2020		2019	
		Rate	Balances	Rate	Balances
		%	$	%	$
Performing loans due within:	1 year	5.80	3,135	5.38	3,802
	1-2 years	5.20	9,246	5.76	5,084
	2-3 years	5.45	8,108	5.33	10,355
	3-4 years	6.03	6,204	5.45	10,202
	over 4 years	6.11	7,270	6.46	6,888
			33,963		36,331
Accrued loan interest receivable			196		161
Impaired loans			6,054		4,959
			40,213		41,451
Less: allowance for credit losses (Note 6)			3,490		3,527
			36,723		**37,924**

In 2020, no accounts (including impaired interest) were written off by the board of directors (2019: one account in the amount of $166,000 including impaired interest) and no accounts were forgiven (2019: two accounts totalling $192,000) by the FMB. Recoveries on loans previously written off from both loans receivable and allowance totalled $33,000 (2019: $53,000).

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:

5. Loans receivable (continued)

Enterprise concentration

	000's			
	2020		2019	
Enterprise	**Performing**	**Impaired**	**Performing**	**Impaired**
	$	**$**	**$**	**$**
Accommodations, food and beverage	4,575	1,041	4,639	2,056
Agriculture	281	-	97	-
Arts and craft	281	84	379	-
Business services	144	304	201	344
Communication	559	-	378	-
Construction	8,437	1,073	9,187	215
Educational services	-	-	-	10
Finance and insurance	339	-	363	46
Fisheries and wildlife	86	-	95	-
Forestry and logging	172	-	-	-
Management of companies	398	-	427	-
Manufacturing	1,092	9	1,088	15
Mining and miner	127	-	-	-
Oil and gas	-	400	-	360
Other services	1,421	82	1,527	82
Professional, scientific and tech ser.	1	-	5	-
Real estate and rentals	5,340	161	5,627	170
Retail trade	6,129	731	6,471	302
Transportation and storage	2,723	901	3,934	64
Travel and tourism	1,131	1,268	1,080	1,295
Wholesale trade	727	-	833	-
	33,963	**6,054**	**36,331**	**4,959**

The loans receivable balance contains no accounts that were made to a venture investee (2019: one loan valued at $21).

Geographic concentration

	000's			
	2020		2019	
Region	**Performing**	**Impaired**	**Performing**	**Impaired**
	$	**$**	**$**	**$**
South Slave	18,486	2,486	18,892	1,546
Dehcho	5,658	850	6,644	-
North Slave	5,301	1,652	5,918	2,252
Sahtu	2,234	204	2,530	247
Inuvik	2,284	862	2,347	914
	33,963	**6,054**	**36,331**	**4,959**

5. Loans receivable (continued)

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

	000's	
Credit risk rating	**2020**	**2019**
	$	**$**
Low	18,016	21,301
Medium	15,042	14,165
High	905	865
	33,963	**36,331**

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:

	000's	
Loans past due but not impaired	**2020**	**2019**
	$	**$**
31 – 60 days	21	14
61 – 90 days	7	2
Over 90 days	-	1
	28	**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 2020 (2019: nil).

6. Allowance for credit losses

	000's	
	2020	**2019**
	$	**$**
Balance, beginning of year	3,527	3,527
Provision for credit losses	121	404
Loans written off	-	(147)
Recoveries from repayments of allowance	(158)	(257)
Balance, end of year	**3,490**	**3,527**
Comprised of:		
Specific allowance	2,808	2,800
General allowance	682	727
	3,490	**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, 2020, the Corporation does not have significant influence in the companies in which it has invested.

The total cumulative venture investments at March 31, 2020 were $593,000 (2019: 593,000) with accumulated write-downs of $593,000 (2019: $593,000). In 2020, no venture investments were approved for write-off (2019: nil) by the board or for forgiveness by the FMB (2019: $61,000).

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 1.07 times (2019: 1.1) 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 (2019: 1.0) the employee's contribution. Total contributions of $148,000 (2019: $175,000) were recognized as an expense in the current year. The Corporation's and employees' contributions to the Plan for the year were as follows:

8. Employment and post-employment benefits (continued)

(a) Pension benefits (continued)

	000's	
	2020	2019
	$	$
Corporation's contributions	148	175
Employees' contributions	141	158

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 March 2020 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	
	2020	2019
	$	$
Accrued benefit obligation, beginning of year	424	338
Current period benefit cost	11	15
Interest cost	11	11
Benefit payments	(8)	(36)
Actuarial (gain) loss	(189)	96
Accrued benefit obligation, end of year	249	424
Unamortized net actuarial gain (loss)	96	(109)
Accrued benefit liability (asset)*	**345**	**315**

*Total retirement, post-employment, and other leave benefits includes $317,180 (2019 - $287,046) related to severance and removal and $28,195 (2019 - $28,375) related to compensated absences.

8. Employment and post-employment benefits (continued)

(b) Termination, removal benefits and leave (continued)

Benefit Expense

	000's	
	2020	**2019**
	$	**$**
Current period benefit cost	11	15
Interest cost	11	11
Amortization of actuarial loss	16	5
Post-employment benefits	**38**	**31**

The discount rate used to determining the accrued benefit obligation is an average of 2.70% (2019: 3.20%). The assumed rate of compensation increase is 2% (2019: 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: 8.3 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 (2019: $45 million) as at March 31, 2020.

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 0.70% to 1.66% (2019: 1.45% to 2.34%) during the year.

	000's	
	2020	**2019**
	$	**$**
Balance, beginning of year	20,934	20,935
Interest charged on the Advance	294	416
Repayments made	-	(417)
Balance, end of year	**21,228**	**20,934**

10. Government transfers

	000's					
	2020			2019		
	Lending/ Invest-ments	Retail/ Manufac-turing	Total	Lending/ Invest-ments	Retail/ Manufac-turing	Total
	$	$	$	$	$	$
Government:						
Operations and maintenance	1,339	620	**1,959**	1,287	630	**1,917**
Services received without charge (Note 15)	866	-	**866**	767	-	**767**
	2,205	620	**2,825**	2,054	630	**2,684**
Federal programs	97	-	**97**	97	-	**97**
	2,302	**620**	**2,922**	**2,151**	**630**	**2,781**

A stipulation included in the agreement is for any unspent funds to be repaid to the Government. There were no unspent amounts in 2020 (2019: nil).

11. Expenses by object

	000's					
	2020			2019		
	Lending/ Invest-ments	Retail/ Manu-factur-ing	Total	Lending/ Invest-ments	Retail/ Manu-factur-ing	Total
	$	$	$	$	$	$
Advertising and promotion	16	6	**22**	17	8	**25**
Amortization	53	26	**79**	48	32	**80**
Asset retirement	-	1	**1**	5	1	**6**
Bad debts (recovery)	-	6	**6**	-	28	**28**
Bank charges and interest	2	27	**29**	1	29	**30**
Board members	31	1	**32**	20	1	**21**
Business Development Fund	153	-	**153**	212	-	**212**
Business Service Centre	247	-	**247**	236	-	**236**
Computers and communications	96	21	**117**	99	21	**120**
Cost of goods sold	-	914	**914**	-	915	**915**
(Recovery of) provision for credit losses (net)	(37)	-	**(37)**	147	-	**147**
Insurance	-	22	**22**	-	27	**27**
Interest expense on advances from the Government	293	-	**293**	416	-	**416**
Loss on disposal of tangible capital assets	-	-	**-**	6	-	**6**
Office and general	42	14	**56**	44	16	**60**
Professional services	38	60	**98**	37	59	**96**
Rent	154	15	**169**	180	15	**195**
Repairs and maintenance	-	29	**29**	-	9	**9**
Salaries and benefits	2,979	214	**3,193**	2,217	246	**2,463**
Training and workshops	2	-	**2**	12	3	**15**
Travel	17	2	**19**	16	25	**41**
Utilities	-	68	**68**	-	59	**59**
	4,086	**1,426**	**5,512**	**3,713**	**1,494**	**5,207**

12. Commitments

As at March 31, 2020, loans to businesses approved but not yet disbursed, totalled $4,503,000 at a weighted average interest rate of 5.7% (2019: $962,000 at a weighted average interest rate of 4.6%). These loans do not form part of the loans receivable balance until disbursed. Also as at March 31, 2020, all contributions to businesses approved have been disbursed (2019: $29,000 were undis-bursed).

13. Contingencies

Loans

The Corporation has one outstanding loan to a Northern Community Futures organization for their own lending purposes totalling $339,000 (2019: three outstanding loans totalling $409,000). Loans provided by this organization may be assigned to the Corporation when impaired. If assigned, 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 2020, one account in the amount of $10,000 was assigned to the Corporation (2019: 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 (2019: $2,100,000) and expire in fiscal 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 (2019: 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	
	2020	2019
	$	$
Revenues		
Sales	86	31
Government transfers (Note 10)	2,825	2,684
Expenses		
Purchases	189	215
Interest on advances from the Government	294	416
Balances at year end		
Accounts receivable	67	21
Accounts payable and accrued liabilities	264	168
Advances from the Government	21,228	20,934

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 2020	000's 2019
	$	$
Staff support	665	540
Accommodation	201	227
	866	**767**

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 2020 and 2019 budgeted expenses are as follows:

	000's 2020			000's 2019		
	Lending/ Invest-ments	**Retail/ Manu-facturing**	**Total**	**Lending/ Invest-ments**	**Retail/ Manu-facturing**	**Total**
	$	$	$	$	$	$
Advertising and promotion	20	12	**32**	25	12	**37**
Amortization	5	35	**40**	6	29	**35**
Bad debts	-	-	**-**	-	4	**4**
Bank charges and interest	-	26	**26**	-	27	**27**
Board members	35	2	**37**	40	2	**42**
Business Service Centre	248	-	**248**	268	-	**268**
Compensation and benefits	2,380	263	**2,643**	2,615	256	**2,871**
Computers and communications	110	19	**129**	105	18	**123**
Cost of goods sold	-	777	**777**	-	747	**747**
Credit loss (net)	350	-	**350**	300	-	**300**
Grants, contributions and transfers	200	-	**200**	200	-	**200**
Freight and courier	-	-	**-**	-	3	**3**
Insurance	-	27	**27**	-	23	**23**
Interest expense	450	-	**450**	165	-	**165**
Office and general	56	27	**83**	57	21	**78**
Professional services	100	56	**156**	175	65	**240**
Rent	176	16	**192**	173	16	**189**
Repairs and maintenance	-	12	**12**	-	12	**12**
Travel	30	29	**59**	50	20	**70**
Utilities	-	52	**52**	-	38	**38**
	4,160	**1,353**	**5,513**	**4,179**	**1,293**	**5,472**

17. Economic dependence

The Corporation received 42.1% (2019: 43.8%) 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;
- Application Review Committee (consisting of senior management) reviews and approves loans over $500,000; 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, 2020, $2,344,000 (2019: $682,000) of the impaired loans are fully 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, 2020:

	000's	
	2020	**2019**
	$	**$**
Cash	19,436	17,245
Accounts receivable	186	204
Loans receivable	36,723	37,924
Letters of credit	2,100	2,100

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, no payments were made (2019: $513) to the Government.

Based on the Corporation's advances from the Government as at March 31, 2020 and the monthly cash balance on hand, a 100 basis point increase in interest rates would decrease annual surplus by $22,000 (2019: $49,000). A 100 basis point decrease in interest rates would increase annual surplus by $51,000 (2019: $78,000).

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. Subsequent Events

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic. Global business and investment markets were immediately and substantively affected. All industries are susceptible to impacts of the pandemic to some extent; however, industries most at risk are likely to face cash flow issues as disruptions due to consumption changes, trade issues and labour shortages take effect. These impacts will result in an erosion of working capital that could make debt repayment more difficult. In addition, certain assets held as security are at a higher risk of being devalued in the current economic environment, particularly if a default were to occur. Within the Corporation's portfolio, this would impact industries differently depending on the nature of the security.

The Corporation's operations changed as a result of the COVID-19 crisis, including the closure of its offices and employees working remotely until July, 2020. The Government announced on March 20, 2020 certain economic relief measures through the Corporation effective April 1, 2020. The Corporation is allowing clients to apply to have their loan repayments reduced or deferred until March 31, 2021 without penalty or additional interest charges. In addition, the Corporation is offering a low interest loans during the pandemic. Loans of up to $25,000 or higher in certain circumstances are being made available to qualified businesses at a rate of 1.75%.

19. Subsequent Events (continued)

In June 2020, the Corporation borrowed $3 million from the Government to help with COVID-19 economic relief loan disbursements.

There is uncertainty about the length and potential impact of the pandemic. As the pandemic continues to evolve, the cumulative financial effect of the impact on the Corporation cannot be made at this time as the duration and extent are uncertain and cannot be determined. Management estimates that the impact of certain economic relief measures effective April 1, 2020 will significantly decrease cash flows from loans and interest income next year.

Northwest Territories Business Development and Investment Corporation

Consolidated Schedule of Tangible Capital Assets
March 31, 2020

Schedule A
000's

	Land	**Buildings**	**Vehicle and Equipment**	**Leasehold Improvements**	**Computer Equipment**	**March 31, 2020**	**March 31, 2019**
	$	$	$	$	$	$	$
Cost of tangible capital assets, opening	80	1,950	668	510	9	3,217	3,201
Acquisitions	-	28	31	30	-	89	181
Disposals	(2)	(189)	(15)	-	-	(206)	(165)
Cost of tangible capital assets, closing	78	1,789	684	540	9	3,100	3,217
Accumulated amortization, opening	-	1,835	664	373	7	2,879	2,958
Amortization expense	-	12	13	53	1	79	80
Disposals	-	(161)	(15)	-	-	(176)	(159)
Accumulated amortization, closing	-	1,686	662	426	8	2,782	2,879
Net book value	**78**	**103**	**22**	**114**	**1**	**318**	**338**

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