



BDIC

BUSINESS DEVELOPMENT
AND INVESTMENT CORPORATION

NWT

2016-17

Annual Report

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MESSAGE FROM THE CHAIR AND CEO

We are pleased to present the Northwest Territories Business Development and Investment Corporation's (BDIC) 2016/17 Annual Report to the Minister Responsible for the BDIC. Over the past year, the BDIC continued to support economic development and diversification in the territory by providing guidance and flexible financing to entrepreneurs across the NWT.

In 2016/17, the BDIC disbursed \$4.66 million in new financing to 17 businesses. This brings the BDIC's Credit Facilities portfolio to a total of \$47.3 million, spread across more than 120 businesses in the territory.

BDIC loan clients in good standing were provided with refunds on their paid interest (up to a maximum of \$3,000 each) through a special one-year interest rebate initiative. A total of 85 businesses were able to take advantage of this initiative, and a total of \$234,000 was issued in rebates.

The Business Development Project Fund (BDPF) was accessed by 30 applicants in 2016/17, resulting in a total of \$220,605 in contributions towards business start-ups, expansions, and the purchase of raw materials for arts and crafts makers.

Demand for business services remained strong in 2016/17. The BDIC's business service centre assisted 393 people from around the territory, while NWT-based visitors to www.bdic.ca increased by 19%. A total of 80 participants took part in business learning sessions that were offered year-round for the first time in 2016/17, and a series of *Creating Your Business Plan* bootcamps hosted in Yellowknife and Inuvik attracted another 31 aspiring entrepreneurs.

This year, the BDIC's subsidiaries generated \$814,000 in sales, and directly employed 13.83 full-time equivalent staff in Fort Liard, Fort McPherson, Fort Providence and Ulukhaktok. Another 123 residents in these communities earned income through the Subsidiary Program by supplying the companies with traditional arts and crafts. Meanwhile, the Arctic Canada Trading Company added 12 new wholesale clients to its Canada-wide distribution network, making NWT arts and crafts available at more retail locations than ever before.

A successful year for the BDIC was capped off by the 7th biennial Northern Economic Development Practitioners Conference (NEDP), which brought together 107 attendees to discuss economic development in the territory.

In September 2016, we welcomed the Honourable Wally Schumann as the Minister Responsible for the BDIC. We wish to thank our outgoing Minister, Premier Bob McLeod for his support of the BDIC.



Dr. Pawan Chugh
Chief Executive Officer



Darrell Beaulieu
Chairperson

CORPORATE OVERVIEW

MINISTER, CHAIR AND CEO



The Honourable Wally Schumann

Minister Responsible for the BDIC

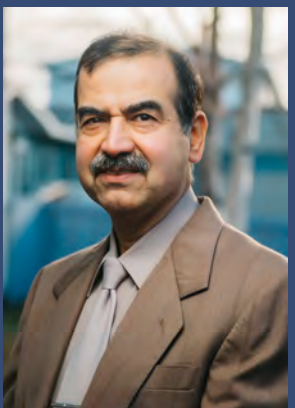
The Honourable Wally Schumann became the Minister Responsible for the BDIC in September, 2016. Mr. Schumann is a small business owner and Red Seal Certified Auto body Journeyperson, and has also served as President of the Hay River Métis Government Council, as a member of the NWT Chamber of Mines Aboriginal Participation Committee, and as a Director for the NWT Manufacturer's Association.



Darrell Beaulieu

Chair of the BDIC

Born and raised in the North, Darrell Beaulieu has been Chair of the BDIC since 2005. Mr. Beaulieu is currently President and CEO of Denendeh Investments Incorporated (DII) and sits as Director of Northland Utilities (Yellowknife & NWT) and the NWT Law Foundation.



Dr. Pawan Chugh

Chief Executive Officer

With a public service career spanning over two decades, Pawan Chugh has been CEO of the BDIC since 2005. During his tenure, Dr. Chugh has advanced the BDIC to become a leader in NWT economic development. The BDIC has assisted residents in all 33 NWT communities under his leadership. He provides expertise with his in depth knowledge of business, law, marketing and finance.

CORPORATE OVERVIEW

BOARD OF DIRECTORS

The BDIC's Board of Directors is currently 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.

| | |
|--|-------------|
| Darrell Beaulieu - Chairperson | N'Dilo |
| Denise Yuhas - Vice Chairperson | Fort Smith |
| Gwen Robak - Director | Hay River |
| Ruby Simba - Director (term ended November 2016) | Kakisa |
| Andy Wong - Director | Yellowknife |
| Denny Rodgers - Director | Inuvik |
| Joanne Deneron - Director | Fort Liard |
| Charlie Furlong - Director | Aklavik |

AUDIT COMMITTEE

The Audit Committee assists the Board in its oversight responsibilities, notably for the financial reporting process, the audit process and the BDIC's compliance with the law.

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



Left to Right, the BDIC Board of Directors: Darrell Beaulieu, Denise Yuhas, Gwen Robak, Ruby Simba, Andy Wong, Denny Rodgers, Joanne Deneron, Charlie Furlong

CORPORATE OVERVIEW

BDIC STAFF

Dr. Pawan Chugh, Chief Executive Officer

Leonard Kwong, Director Finance and Programs

Brad Poulter, Manager Business Services and Communications

Rhonda Macleod, Administrative Officer

Greg Debogorski, Product Promotions Specialist

Chris Taylor, Manager Financial Programs

Ron Chiasson, Business Advisor

Patricia Dillon, Business Advisor

Ray Gentile, Contracts and Information Analyst

Matt Belliveau, Policy Officer

Frances Stroeder, Finance and Budget Officer

Maggie Huynh, Subsidiary Finance and Budget Officer

Thierry Lavoie, Communications Coordinator



LONG-TIME BDIC BOARD MEMBER HONOURED

The BDIC would like to thank Ruby Simba for her service as a member of the BDIC's Board of Directors from 2010-2016. Ms. Simba's contribution as a business leader from the Deh Cho region has been invaluable to the BDIC.

Pictured to the left, Ms. Simba is recognized for her service by BDIC CEO Pawan Chugh, BDIC Chairperson Darrell Beaulieu and MLA for Deh Cho, Michael Nadli.

CORPORATE OVERVIEW

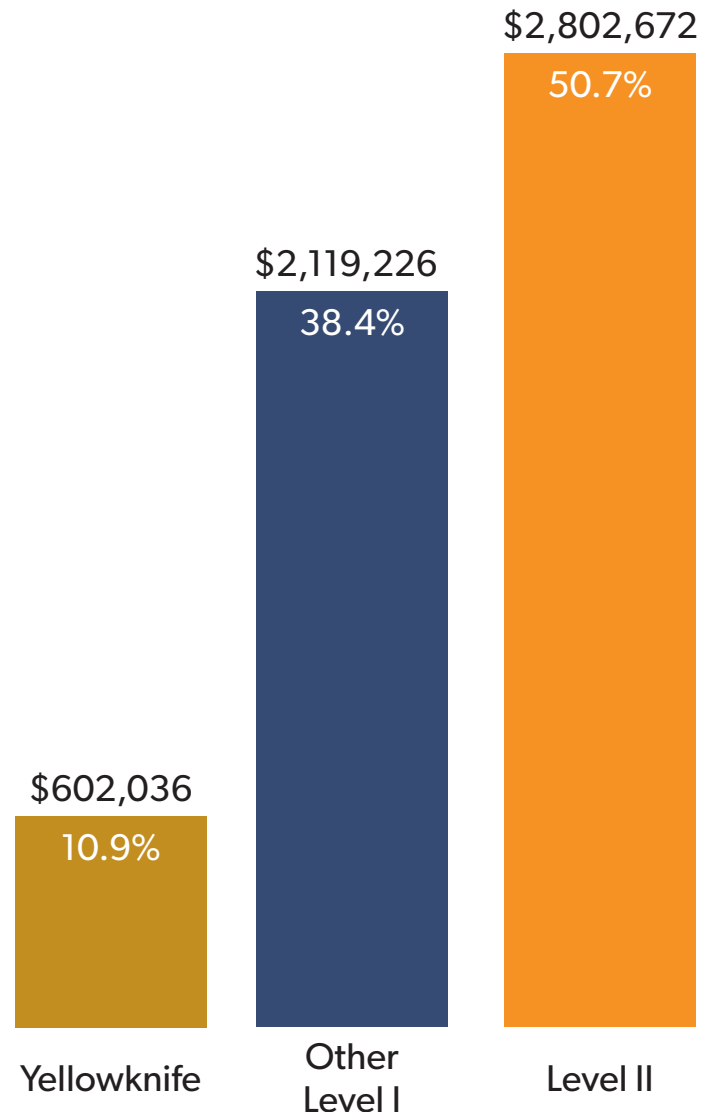
OVERVIEW OF THE BDIC

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 2016/17, the BDIC disbursed \$5.52 million in new loans, subsidies and contributions. Over 89% of this money was disbursed in communities outside of Yellowknife: 38.4% of the amount went to the regional centres of Hay River, Forth Smith or Inuvik and 50.7% was disbursed in Level II communities.

2016/17 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.**

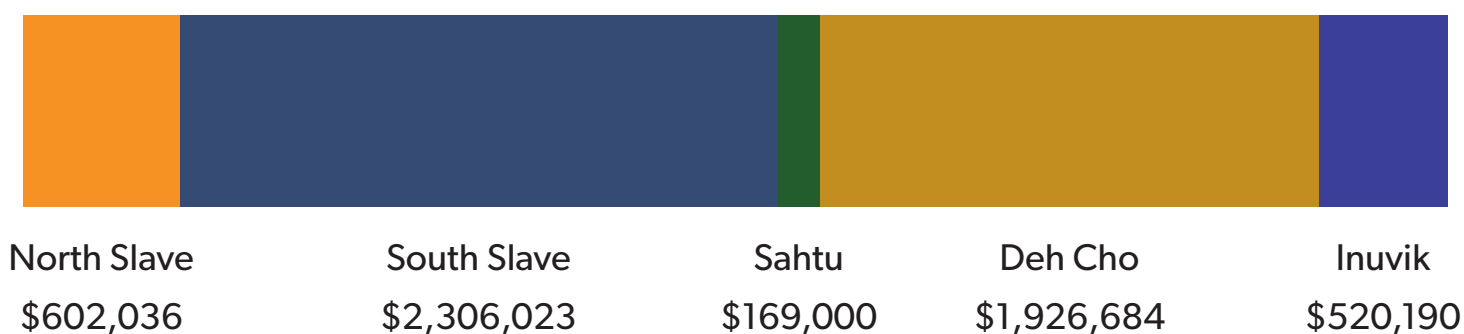
CORPORATE OVERVIEW

OVERVIEW OF THE BDIC

2016/17 Disbursed Financial Assistance by Industry Sector

| Industry Sector | Credit Facilities | | Contributions | | Subsidiaries | |
|---|-------------------|----------------|---------------|--------------|--------------|--------------|
| | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Travel, Tourism, Accommodation, Food & Beverage | 7 | \$2,762 | 6 | \$54 | | |
| Arts, Entertainment & Recreation | | | 11 | \$91 | 2 | \$240 |
| Health Care & Social Services | | | 3 | \$24 | | |
| Retail Trade | 3 | \$558 | 1 | \$3 | | |
| Manufacturing | 1 | \$179 | | | 2 | \$350 |
| Fishing, Hunting & Trapping | | | 2 | \$13 | | |
| Construction | 1 | \$450 | | | | |
| Transportation & Warehousing | 1 | \$200 | | | | |
| Professional, Scientific and Technical Services | 1 | \$169 | 5 | \$15 | | |
| Finance, Insurance, Real Estate & Leasing | 1 | \$50 | 1 | \$10 | | |
| Other Services | 2 | \$295 | 1 | \$10 | | |
| Wholesale Trade | | | | | 1 | \$50 |
| Totals | 17 | \$4,663 | 30 | \$220 | 5 | \$640 |

2016/17 Disbursed Financial Assistance by Region



CREDIT FACILITIES PROGRAM

The BDIC's credit facilities portfolio was approximately \$47.3 million (including \$4.9 million of interest not recognized as revenue). \$6.2 million in new credit facilities were approved in the 2016/17 fiscal year (some credit facilities approved at the end of the fiscal year are not disbursed until the following 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.

\$47.3M

BDIC's Credit Facilities portfolio

INTEREST REBATE INITIATIVE

During the 2016-2017 fiscal year, BDIC clients in good standing received interest rebates of up to \$3,000 on their loans.

This initiative provided 85 NWT businesses with refunds on their paid interest, delivering extra cash flow in challenging economic times.

The BDIC disbursed a total of \$234,000 in financial assistance to eligible NWT businesses through this initiative.

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 are in a strong position to repay the BDIC and build sustainable businesses. Clients can qualify for up to \$2 million in Credit Facility financing, with interest rates set at Prime +2%, 3% or 4% depending on security sufficiency.

240 businesses approved for
\$85.5 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, including research and development. They can also be leveraged to obtain additional private sector financing.

Fully Redeemed Venture Investments

| | |
|-----------------------------------|------|
| Tli Cho Cooperative Ltd. | 2006 |
| F.C. Services Ltd. | 2006 |
| ADK Petroleum Partnership | 2006 |
| Rat River Development Corporation | 2010 |
| Enodah Wilderness Travel Ltd. | 2015 |
| Holman Eskimo Co-operative Ltd. | 2016 |

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 centralized functions in general operational support, accounting and marketing. In 2016/17, 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 the local 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



A rabbit fur Oookpik from the Ulukhaktok Arts Centre



Sheared knitted beaver fur mitts with lynx fur cuffs from Dene Fur Clouds

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. With the assistance of Arctic Canada Trading Company*, the BDIC's subsidiaries had combined sales of \$814,000.

In 2016/17, the BDIC's subsidiaries maintained 13.83 direct employees and supported 123 cottage craft producers by purchasing \$191,000 worth of locally-made products.

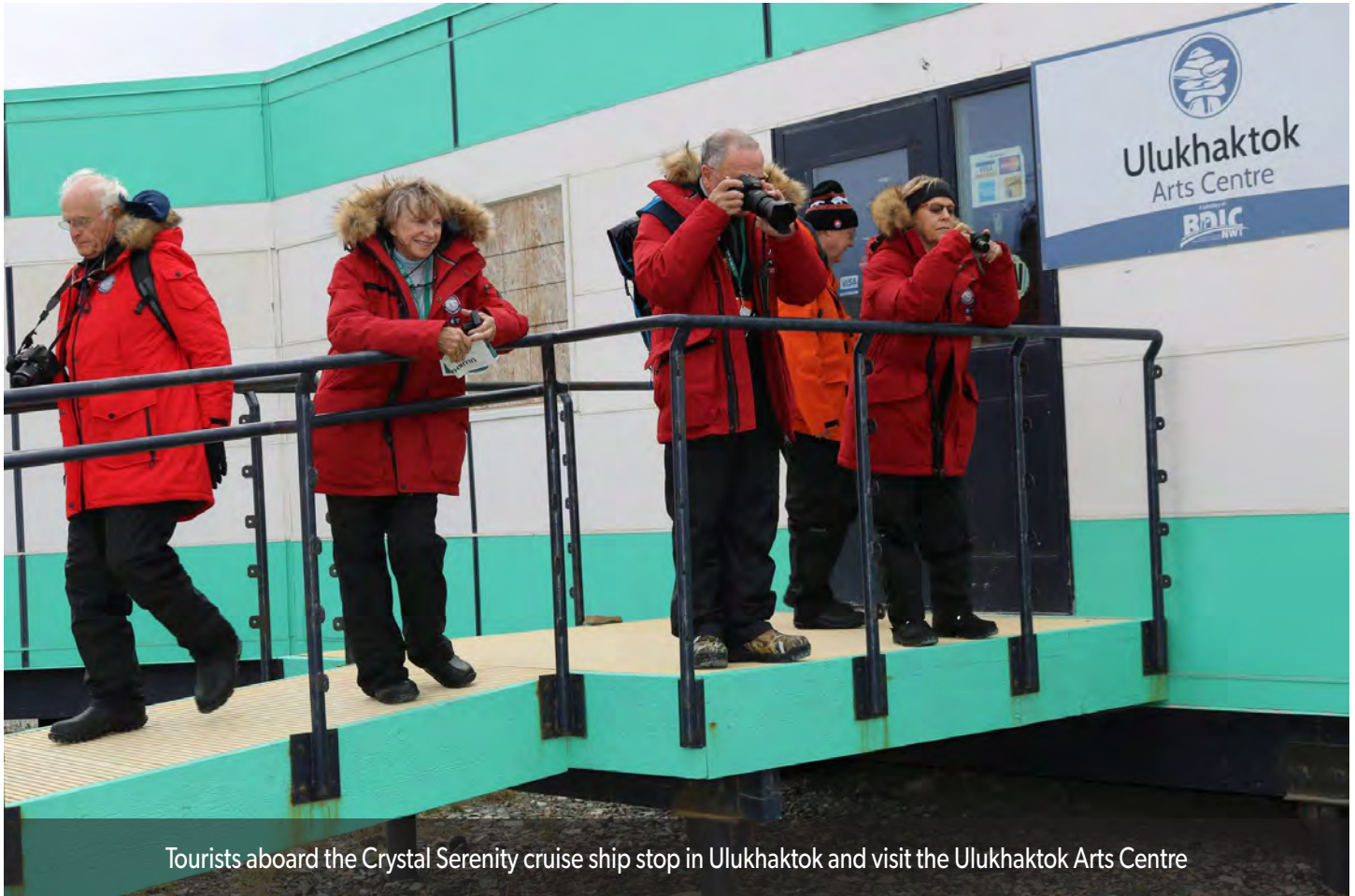
**Arctic Canada Trading Company is operated by BDIC staff.*

\$814,000

Sales from the BDIC's
subsidiaries in 2016/17

PROGRAMS AND SERVICES

SUBSIDIARY PROGRAM



Tourists aboard the Crystal Serenity cruise ship stop in Ulukhaktok and visit the Ulukhaktok Arts Centre

Photo Credit: Inuvialuit Community Economic Development Organization

| Subsidiary | Direct Employment Positions | | Change |
|--------------|-----------------------------|--------------|---------------|
| | 2016-2017 | 2015-16 | |
| ACTCL* | N/A | N/A | N/A |
| ADNC | 1.64 | 1.59 | 0.05 |
| DFC | 4.56 | 5.18 | (0.62) |
| FMTC | 6.13 | 8.74 | (2.61) |
| UAC | 1.50 | 1.11 | 0.39 |
| Total | 13.83 | 16.62 | (2.79) |

SUBSIDIARY COMPANIES

ACHO DENE NATIVE CRAFTS ORGANIZES TANNING WORKSHOP

In June of 2016, nine participants took part in a tanning workshop organized by Acho Dene Native Crafts in Fort Liard.

Working under the guidance of an experienced instructor, participants spent a few long weeks fleshing, scraping and stretching moosehides using traditional tools.

Participants' hard work and perseverance paid off – they were able to tan three moosehides over the course of the workshop.

Local craftspeople work with tanned moosehide to create a variety of beautiful items, available at Acho Dene Native Crafts.



Acho Dene Native Crafts tanning workshop – Fort Liard, NT

PROGRAMS AND SERVICES

SUBSIDIARY COMPANIES



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 a Fort Liard based company that is involved in the manufacturing and sales of clothing, jewelery 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 2016/17, the BDPF Program was oversubscribed with the BDIC approving approximately \$220,605 in contributions.

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).

30

Number of BDPF applications approved in 2016/17

\$220,605

Amount of BDPF funding approved in 2016/17

296 businesses approved for

\$2.2 million

in BDPF since 2005/06

PROGRAMS AND SERVICES

BUSINESS SUPPORT SERVICES

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

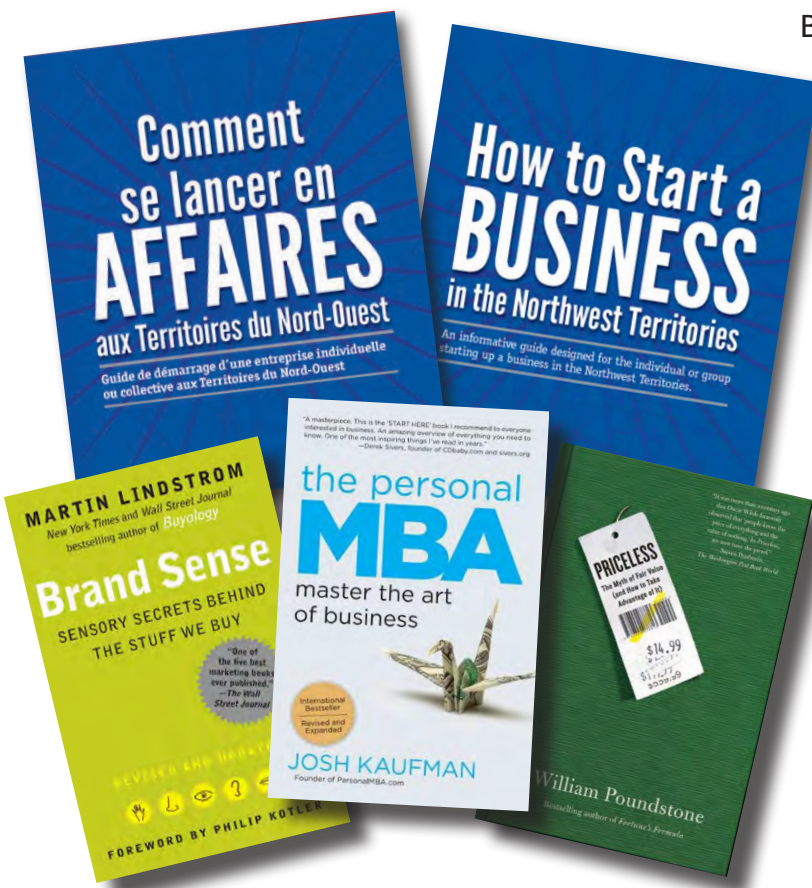
The BDIC recently updated its guide *How to Start a Business in the NWT*. This guide provides new entrepreneurs with the information they need to start their business. The document contains information about licences and regulations in the NWT, support services available for entrepreneurs, information on writing a business plan, structuring a business and much more.

How to Start a Business in the NWT is available both in print and on the BDIC's website, and was translated into French in 2016/2017.

The BDIC is 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



Some of the new and updated materials added to the BDIC's business library in 2016/17

PROGRAMS AND SERVICES

BUSINESS SUPPORT SERVICES

In 2016, the BDIC and Futurpreneur Canada partnered to launch Mentor-Me NWT, a six-month structured mentoring opportunity for young entrepreneurs – the first program of its kind in the NWT. The program targets young entrepreneurs who are either in the process of launching their business or have launched one within the previous six months.

The entrepreneurs were mentored by local business owners and experts who have demonstrated their own business acumen and are interested in giving back to the next generation of entrepreneurs. The mentors were brought together for an informal, in-person session to discuss the program and to build on their current strengths.

In 2016, five entrepreneurs were successfully matched and launched businesses across a range of industries critical to the NWT economy, including tourism, food, automotive and health and wellness.

YEAR-ROUND BUSINESS TRAINING

In 2016/17, the BDIC began offering its business training sessions year-round. These free, interactive sessions cover topics such as bookkeeping, taxation, marketing and more. A total of 44 sessions were held in 2016/2017 for 80 participants.

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



(Left to right) Mark Walker, Etienne Croteau, Dr. Pawan Chugh

393

Business Centre
clients served in
2016/2017

PROGRAMS AND SERVICES

BUSINESS SUPPORT SERVICES



Business bootcamp participants and presenters in Yellowknife

This year, the BDIC and Futurpreneur also initiated a series of *Creating Your Business Plan* bootcamps in Yellowknife and Inuvik, attended by a total of 31 participants.

The two-day training workshops ran participants through the full range of business planning fundamentals. An interactive curriculum provided the opportunity for young entrepreneurs to work on their business plans in-person and learn about valuable resources and online tools.

Participants began each bootcamp by completing a self-assessment of their entrepreneurial inclinations, followed by a practice “pitch” of their business. Instructors then provided information on a range of resources for start-ups in the territory, and guided participants through the development of their business plans, section-by-section (Company

Profile, Market Research, Operations, Marketing and Sales, and Financials). Participants delivered revised business pitches on the second day before finalizing their draft business plans.

The bootcamps also gave young entrepreneurs a chance to hear from successful entrepreneurs. The BDIC would like to thank Niels Konge (Konge Construction), Kirby Marshall (Global Storm IT), and Cory Vanthuynne (Event Rentals Yellowknife) for volunteering as guest speakers.

After a successful first year engaging business owners to leave a lasting impact on younger generations, we extended the BDIC-Futurpreneur initiative for 2017/18.

PROGRAMS AND SERVICES



NORTHERN ECONOMIC DEVELOPMENT PRACTITIONERS 2016 CONFERENCE



The Honorable Wally Schumann addresses the crowd at NEDP 2016

The biennial Northern Economic Development Practitioners Conference (NEDP) brings together Northwest Territories' economic development service providers and leaders to provide training, increase awareness of available programs and services and learn about future economic and business projects in the territory.

In 2016, a total of 107 conference attendees gathered for NEDP, representing economic development service providers who work at the local, territorial and federal levels of government, as well as in the private sector.

The first day of the conference included presentations on funding programs and other supports for community economic development available in the territory.

The morning of the second day focused on future economic and business projects in the territory, with presentations covering recent developments in the agriculture, tourism and media sectors.

The afternoon of the second day was designated to custom tailored training for economic development practitioners. Topics covered innovation and economic diversification in smaller NWT communities.

PROGRAMS AND SERVICES



The NWT Disabilities Council



Evening networking at NEDP 2016

The BDIC would like to thank its NEDP partners, the Canadian Northern Economic Development Agency (CanNor) and GNWT Department of Industry Tourism and Investment (ITI), as well as all of those who presented at the conference:

- Alain Paul Martin
- Andy Wong
- Angel Investment Network
- Business Development Bank of Canada
- Le Conseil de développement économique des TNO
- Darrel Manitowabi
- Denendeh Development Corporation
- Futurpreneur Canada
- Inuvik Greenhouse
- Metis Dene Development Fund
- Mikey McBryan
- Northern Farm Training Institute
- NWT Disabilities Council
- NWT Professional Media Association
- Polar Eggs
- Tides Canada
- Tłı̨ch̨ Community Economic Development Officers
- Yellowknife Farmers Market



NWT Professional Media Association



OUTSTANDING BUSINESS PERFORMANCE AWARDS



(Left to right) Darrell Beaulieu, Nicole Redvers, Peter Guther, Lorraine Tremblay, Mark MacDonald, Wally Schumann

On October 12th, 2016, three businesses were presented with the BDIC's Outstanding Business Performance Awards, in recognition of their achievements and contributions to the territorial economy. The winners included:

YAMOURI INN

Yamouri Inn Ltd. was started in 1993. Lorraine Tremblay and Peter Guther have been involved in its operations since the beginning. In addition to a hotel, a restaurant and a bar, the Norman Wells business offers office and residential apartment rentals. The owners also operate a grocery store as a separate venture.

Like many businesses in Norman Wells, Yamouri Inn faced a major challenge when the community was confronted with a shortage of natural gas. Lorraine Tremblay and Peter Guther decided to use biomass

heating in all the business's buildings. Serious capital investment was needed to pursue the conversion, but the change resulted in substantial operational cost savings.

Two decades of continued success has allowed Yamouri Inn Ltd. to employ many Northerners.

GAIA INTEGRATIVE CLINIC

When Nicole Redvers founded Gaia Integrative Clinic, she was the only practitioner at what was then a home-based business. Within a year, she purchased a building in downtown Yellowknife and converted it to make space for several other professionals, transforming her business into a truly integrative health clinic.

The business quickly met with success and expanded to meet increasing demand. This new

PROGRAMS AND SERVICES

expansion created new jobs and gave many health professionals the opportunity to establish their own practices.

In 2014, Nicole Redvers was selected as a national finalist for the BDC Youth Entrepreneur Award.

SUNRISE CABINETS

Mark and Chivon MacDonald bought Sunrise Cabinets in 2010. The business had been manufacturing custom cabinets since 1979.

One of the first changes made by the new owners was to improve equipment by introducing new technologies, resulting in quicker production times and less wastage of materials, giving them a competitive advantage.

The business, located in Enterprise, makes more than just cabinets. Over the years, they've also built

custom furniture, designed home theatres and installed drywall.

The territorial government has certified Sunrise Cabinets as an NWT Manufacturer, recognizing the added value of their products.

BDIC CEO RECEIVES OPAL AWARD

In 2016/17, Central Queensland University recognized BDIC CEO Dr. Pawan Chugh with the Opal Award for Excellence in Engagement. He won the Engaged Service Learning category for his doctoral dissertation, *A Holistic Approach to Accountability: Measuring Outcomes of Economic Development Funding in Northern Canadian Aboriginal Communities*.

BREAKOUT NEW BUSINESS AWARD



Alayna Ward of Award Communications receives the Breakout New Business Award from Dr. Pawan Chugh

The BDIC once again sponsored the Breakout New Business Award at the Yellowknife Chamber of Commerce Business Award Gala. The award recognizes businesses launched within the past three years.

BDIC CEO Dr. Pawan Chugh was in attendance to present the award to Alayna Ward, President of Award Communications.

Award Communications offers a wide range of communications services, including copywriting, media relations, web design and development of awareness campaigns.

TARGETED INITIATIVE FOR OLDER WORKERS



Dr. Pawan Chugh (left) with participants of the Targeted Initiative for Older Workers (TIOU)

Participants of the Targeted Initiative for Older Workers (TIOU) attended a presentation delivered by the BDIC to help them learn how to start their own businesses.

TIOU is a national program that supports the reintegration of workers over 55 years old to the job market. Participants in the course were provided resume writing assistance and advice to assist with furthering their careers.

Attendees were very keen on the idea of starting their own businesses, and received information on how the BDIC's programs can help.

Approximately 30% of all start-ups in Canada are formed by individuals aged 50 and older, according to a 2012 study by CIBC. Since 1990, the rate of entrepreneurs in this age group has more than doubled.

A HOLISTIC VIEW OF ECONOMIC DEVELOPMENT

Dr. Pawan Chugh, CEO of the BDIC, delivered a presentation on the topic of resiliency and holistic approaches to economic development during the 2016 Professional Development Conference of the Local Government Administrators of the NWT (LGANT).

His presentation covered a review of Aboriginal economic development and how it is impacted by factors including language and culture, governance, financial accountability, housing, employment and the environment.

All levels of government need to create an environment that encourages not only economic development, but also the empowerment of Aboriginal people. To reach this objective, funding mechanisms that match the cultural values and expectations of Aboriginal peoples are needed.



Dr. Pawan Chugh delivers a presentation to members of the Local Government Administrators of the NWT (LGANT)

PROMOTING VOLUNTEERISM DELIVERS BENEFITS

The BDIC encourages staff to seek out volunteer opportunities in their community as a way to strengthen relationships, build skills, and increase awareness of the BDIC's programs and services. This year, in addition to various school and sports organizations, BDIC staff have been involved with:

- 100 Men Who Give A Damn
- AVENS
- Baker Centre
- Centre for Northern Families
- NWT Disabilities Council
- NWT SPCA
- Special Olympics NWT
- Yellowknife Association for Community Living
- YWCA: Lynn's Place & GirlSpace Program

2016/17 SCORECARD

The objectives below were approved by the Board of Directors in the BDIC's 2016/17 Corporate Plan.

| Objective | Action | 2016/2017 Target | Status |
|---|---|--|---|
| Provide financial support to BDIC loan clients | Implement interest rebate to reduce costs to clients | Rebates to qualifying BDIC loan clients | Clients in good standing have received rebates of up to \$3,000 |
| | Expand the BDIC's Credit Facilities program to include a new option for clients | New Credit Facilities option available to clients | A line of credit option has been developed |
| Revise the Venture Investment Program | Develop a revised Venture Investment Program that is applicable to Northern entrepreneurs | Finalize Venture Investment model | Venture Investment Program guidelines have been revised to include preferred share and revenue-based investment options |
| Increase BDPF uptake in level two communities | Increase promotion of BDPF in level two communities | Businesses in level two communities receive at least half of all approved BDPF contributions | Businesses in level two communities received 41.4% (\$91,293.35) of contributions in 2016/17 |
| Build capacity of Northern Economic Development Practitioners | Host 7th biennial Northern Economic Development Practitioners (NEDP) conference in the fall of 2016 | At least two sessions on capacity building | Hosted 107 attendees and held capacity building sessions on innovation and economic diversification |

2016/17 SCORECARD (CONTD.)

| Objective | Action | 2016-2017 Target | Status |
|--|--|---|---|
| Increase awareness of BDIC programs and services online across the NWT | Publish three issues of the BDIC's newsletter, translate "How to Start a Business in the NWT" into French and refine communications strategy | At least a 10% increase in NWT-based website visitors to BDIC.ca | Increased NWT-based website visitors by 19% |
| Increase support for young entrepreneurs in the NWT | Partner with Futurpreneur Canada to deliver moMENTum and business bootcamp programs | Complete five mentor-mentee matches and deliver four bootcamps | Five Mentor-mentee matches completed and four bootcamps delivered (31 participants total) |
| | Partner with organizations to give presentations promoting BDIC programs and services | Reach NWT residents through presentations in at least three communities | Presentations were delivered in Jean Marie River, Samba K'e and Fort Providence |
| Increase the availability of training for NWT-based businesses | Increase the frequency of BDIC business learning sessions | Offer at least one business learning session each month | Business learning sessions are now offered year-round (the schedule can be accessed at www.bdic.ca) |

2016/17 SCORECARD (CONTD.)

| Objective | Action | 2016/2017 Target | Status |
|--|--|--|--|
| Increase capacity at subsidiary companies | Assist subsidiary managers/supervisors with developing Continuing Professional Development (CPD) plans | At least 12 hours of CPD completed by each manager/supervisor | Monthly CPD materials sent to subsidiary managers/supervisors, including webinars, customer service bulletins, software communiqués, and other reading materials - managers/supervisors are also advised to request any desired training materials |
| Assist subsidiary companies with marketing | Help subsidiaries take advantage of the NWT tourist market | Translate subsidiary product tags into languages most spoken by NWT tourists | Dene Fur Clouds product tags have been translated into Manadarin |
| | Promote subsidiary products to wholesalers and update wholesale packaging | Increase in subsidiary wholesale sales by at least 5% and new wholesale clients by at least 5% | Updated packaging and added artist biography tags to Ulukhaktok Arts Centre products Wholesale sales increased by 10% and acquired 12 new wholesale clients |

REPORTING

2016/17 ECONOMIC IMPACTS

| HEADQUARTERS | GDP Basic Prices (\$000s) | Labour Income (\$000s) | Employment (# of person years) |
|--------------|------------------------------|---------------------------|-----------------------------------|
| Indirect | 232 | 133 | 1 |
| Induced | 707 | 402 | 5 |
| Total | 939 | 535 | 6 |

| SUBSIDIARIES | GDP Basic Prices (\$000s) | Labour Income (\$000s) | Employment (# of person years) |
|--------------|------------------------------|---------------------------|-----------------------------------|
| Indirect | 294 | 189 | 4 |
| Induced | 120 | 68 | 1 |
| Total | 414 | 257 | 5 |

WRITE-OFFS AND FORGIVENESS

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

A forgiven account is assigned a zero value in the

BDIC's financial statements and the Corporation is no longer able to collect the amount.

In 2016-17, five accounts were written-off by the Board of Directors and no accounts were forgiven by the FMB.

Debts Written-off by the Board of Directors

| | |
|--|--------------|
| 974202 NWT Ltd. o/a Target Services 2004 | \$205,375.86 |
| David Beamish o/a Beamish Enterprises | \$15,169.64 |
| Derek Beaulieu o/a Northern Wrenching | \$38,724.21 |
| Felipe Ramon Ortiz o/a Diamond Audio | \$83,672.68 |
| Winter Lennie Outfitter Inc. | \$496,231.53 |

Total **\$839,173.92**

DISBURSEMENTS

The BDIC disbursed funds to the following NWT businesses during the 2016/17 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 | \$100,000.00 |
| Arctic Canada Trading Company Ltd. | BDIC | Yellowknife | Subsidiary | \$50,000.00 |
| 506878 NWT Ltd. o/a The Lenny Burger | Jason, Matthew and Jason, Alexandra | Yellowknife | Credit | \$338,950.30 |
| After 8 Pub Incorporated | Snow, Jamie and Snow, Crystal | Yellowknife | Credit | \$100,000.00 |
| 5366 NWT Ltd. o/a Lou's Small Engine | Walterhouse, Blaine | Fort Smith | Credit | \$108,000.00 |
| DEZRON INC. | McDonald, Meika | Fort Smith | Credit | \$50,000.00 |
| L & A Aviation Ltd. | King, Darcy and King, Kim | Hay River | Credit | \$200,000.00 |
| Andy's Auto Services Ltd. | Vermillion, Andy, Vermillion, Leonie, Vermillion, Misty and Vermillion, Dale | Hay River | Credit | \$300,000.00 |
| 5730 NWT Ltd. (o/a Super A Foods Hay River) | Hill, Tracy, Hill, John and Anderson, Steve | Hay River | Credit | \$150,000.00 |
| McArthur-Cahill, Brittany (o/a Harokita Salon) | McArthur-Cahill, Brittany | Fort Smith | Credit | \$25,000.00 |
| 6233 NWT Ltd.(o/a Sunrise Cabinets & Millwork) | MacDonald, Mark and MacDonald, Chivon | Enterprise | Credit | \$179,130.00 |
| 507038 N.W.T. Ltd. (o/a Ace's) | Lepine, Anne | Fort Smith | Credit | \$450,000.00 |
| SK Contracting Ltd. | Kukovica, Stan | Fort Smith | Credit | \$450,000.00 |
| Melnyk, Natalie | Melnyk, Natalie | Fort Smith | Credit | \$270,000.00 |
| Frosty's Arctic Pub and Apartment Hotel 2004 Ltd | Adams, Richard Craig | Inuvik | Credit | \$100,000.00 |
| Global Technical Systems Ltd. | Guther, Peter, Tremblay, Lorraine and Hamlyn, Stewart | Norman Wells | Credit | \$169,000.00 |

DISBURSEMENTS

| Business Name | Owners | Community | Program | Total Amount Disbursed |
|---|---|--------------|--------------|------------------------|
| Ehmbee Ltd. | Sibbeston, Karen and Sibbeston, Nick | Fort Simpson | Credit | \$264,065.00 |
| Granny's Suites and Rentals Ltd. | Sibbeston, Darlene | Fort Simpson | Credit | \$885,000.00 |
| 507026 NWT Ltd (o/a MacKenzie Rest Inn) | Canney, Lynn and Canney, Michael | Fort Simpson | Credit | \$624,184.00 |
| NARWAL Northern Adventures Ltd. | Allooloo, Catherine, Ayalik, Tiffany and Allooloo, Devon | Yellowknife | Contribution | \$10,000.00 |
| Falling Tree Productions | Cox, Mary | Yellowknife | Contribution | \$4,744.95 |
| MacDougall, Kelsey (o/a N60° Interiors) | MacDougall, Kelsey | Yellowknife | Contribution | \$2,902.50 |
| RY-LO EXPRESS LTD. | Cunningham, Alan | Yellowknife | Contribution | \$3,508.27 |
| Skelton, Jennifer (o/a Align) | Skelton, Jennifer | Yellowknife | Contribution | \$3,179.61 |
| Dean, Merrill o/a Dean Educational & Psychological | Dean, Merrill | Yellowknife | Contribution | \$10,599.92 |
| Stephens, David (o/a Borealis Bike Tours Unlimited) | Stephens, David | Yellowknife | Contribution | \$348.94 |
| The Wintergarden | Kalnay-Watson, Charles, Kalnay-Watson, Sarah, Gamble, Chris and Purchase, Eli | Yellowknife | Contribution | \$2,400.00 |
| Hawkins, Robert (o/a APEX Property Management) | Hawkins, Robert | Yellowknife | Contribution | \$9,759.20 |
| Lafferty, Catherine (o/a Northern Enterprises) | Lafferty, Catherine | Yellowknife | Contribution | \$1,849.89 |
| Artless Collective Inc. | Bulckaert, Jay and Saravanja, Pablo | Yellowknife | Contribution | \$10,000.00 |
| Austin, Bryan (o/a Austin Psychology) | Austin, Bryan | Yellowknife | Contribution | \$1,651.60 |
| Wong, Daniel (o/a Yellowknife Canoe Lessons) | Wong, Daniel | Yellowknife | Contribution | \$9,976.89 |
| Flavour Trader Inc. / Saveurs de L'Artisan Inc. | Croteau, Etienne | Yellowknife | Contribution | \$10,000.00 |
| Paul Parker Law Professional Corporation | Parker, Paul | Yellowknife | Contribution | \$2,164.35 |

Disbursements

| Business Name | Owners | Community | Program | Total Amount Disbursed |
|---------------------------------------|--|-----------------|--------------|------------------------|
| 507047 NWT Ltd | But, Ed and But, Khuyen | Yellowknife | Contribution | \$10,000.00 |
| I've Got Your Back Inc. | Lehman, Carrie | Yellowknife | Contribution | \$10,000.00 |
| Lee, Nahum | Lee, Nahum | Yellowknife | Contribution | \$10,000.00 |
| Hawley, Chris (o/a Invoke Fitness) | Hawley, Chris | Hay River | Contribution | \$10,000.00 |
| O'Reilly, Deanna | O'Reilly, Deanna | Fort Resolution | Contribution | \$7,666.78 |
| Cassidy, Andrew | Cassidy, Andrew | Hay River | Contribution | \$6,226.33 |
| End of the Road Ltd. | Reidford, Gary, Smith, Laverna, Howard, Craig and Carpenter, Bradley | Tuktoyaktuk | Contribution | \$20,000.00 |
| Francis, Agnes | Francis, Agnes | Fort McPherson | Contribution | \$5,150.90 |
| Alexie, Connie Marie | Alexie, Connie Marie | Fort McPherson | Contribution | \$7,340.28 |
| Francis, Tracey Bella Mable | Francis, Tracey Bella Mable | Fort McPherson | Contribution | \$9,789.70 |
| Moore, Shaine L.P. | Moore, Shaine L.P. | Tsiigehtchic | Contribution | \$16,895.05 |
| Arey, Nellie | Arey, Nellie | Aklavik | Contribution | \$11,774.75 |
| Francis, Dolton | Francis, Dolton | Fort McPherson | Contribution | \$3,470.34 |
| Storr, Verna | Storr, Verna | Tuktoyaktuk | Contribution | \$5,769.60 |
| Bellefontaine, Troy (o/a Beauty Mark) | Bellefontaine, Troy | Fort Simpson | Contribution | \$3,435.95 |

TOTAL: \$5,523,935.10

Northwest Territories Business Development and Investment Corporation
Consolidated Financial Statements

For the year ended
March 31, 2017

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 the Board of Directors.

These consolidated financial statements have been prepared by management 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.

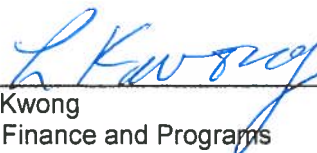
In discharging its responsibility for the integrity, fairness and quality of the consolidated financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, 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. The Board of Directors exercises this responsibility through the Audit Committee, which is comprised of directors 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.



Pawan Chugh
Chief Executive Officer



Leonard Kwong
Director, Finance and Programs

August 21, 2017



INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying consolidated financial statements of the Northwest Territories Business Development and Investment Corporation, which comprise the consolidated statement of financial position as at 31 March 2017, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Northwest Territories Business Development and Investment Corporation as at 31 March 2017, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



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

21 August 2017
Edmonton, Canada

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements (March 31, 2017)

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


| | March 31, 2017 | March 31, 2016 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Financial Assets | | |
| Cash (Note 3) | 19,385 | 15,608 |
| Accounts receivable | 78 | 120 |
| Inventories held for resale (Note 4) | 552 | 553 |
| Loans receivable (Notes 5 and 6) | 37,038 | 39,209 |
| Venture investments (Note 7) | - | 7 |
| | <hr/> 57,053 | <hr/> 55,497 |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 11) | 1,116 | 1,387 |
| Post-employment benefits (Note 9) | 434 | 306 |
| Advances from the Government (Note 10) | 24,794 | 25,115 |
| Asset retirement obligations | 24 | 24 |
| | <hr/> 26,368 | <hr/> 26,832 |
| Net financial assets | <hr/> 30,685 | <hr/> 28,665 |
| Non-financial assets | | |
| Tangible capital assets (Schedule A) | 275 | 281 |
| Prepaid expenses | 9 | 1 |
| | <hr/> 284 | <hr/> 282 |
| Accumulated surplus | <hr/> 30,969 | <hr/> 28,947 |

Commitments and contingencies (Notes 13 and 14)

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

Approved by:


Darrell Beaulieu
Chairperson of the Board of Directors


Denise Yuhas
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 2017 | Actual 2017 | Actual 2016 |
|--|------------------------|------------------------|------------------------|
| | \$ | \$ | \$ |
| Annual surplus | 2,086 | 2,022 | 3,872 |
| Acquisition of tangible capital assets | - | (39) | (53) |
| Disposal of tangible capital assets | - | 1 | - |
| Amortization of tangible capital assets | 33 | 44 | 32 |
| | 33 | 6 | (21) |
| Acquisition of prepaid expenses | - | (9) | (1) |
| Use of prepaid expenses | - | 1 | 13 |
| | - | (8) | 12 |
| Increase in net financial assets | 2,119 | 2,020 | 3,863 |
| Net financial assets, beginning of year | 28,665 | 28,665 | 24,802 |
| Net financial assets, end of year | 30,784 | 30,685 | 28,665 |

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 2017 | Actual 2017 | Actual 2016 |
|---|------------------------|------------------------|------------------------|
| | \$ | \$ | \$ |
| Revenues | | | |
| Interest on loans receivable | 2,100 | 2,394 | 3,153 |
| Sales and other income | 760 | 814 | 911 |
| Interest on pooled cash (Note 3) | 170 | 152 | 151 |
| Dividends | 1 | 1 | 2 |
| | 3,031 | 3,361 | 4,217 |
| Government transfers (Note 11) | 4,190 | 4,189 | 4,311 |
| | 7,221 | 7,550 | 8,528 |
| Expenses (Note 12) | | | |
| Lending and investments | 3,836 | 4,178 | 3,134 |
| Retail and manufacturing | 1,299 | 1,350 | 1,522 |
| | 5,135 | 5,528 | 4,656 |
| Annual surplus | 2,086 | 2,022 | 3,872 |
| Accumulated surplus, beginning of year | 28,947 | 28,947 | 25,075 |
| Accumulated surplus, end of year | 31,033 | 30,969 | 28,947 |

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 | 2017 | 2016 |
|---|---------------|----------------|
| | \$ | \$ |
| Operating transactions | | |
| Cash received from: | | |
| Governments | 3,056 | 3,626 |
| Customers | 883 | 979 |
| Interest | 2,578 | 2,286 |
| Dividends | 1 | 2 |
| | <hr/> 6,518 | <hr/> 6,893 |
| Cash paid for: | | |
| Compensation and benefits | 2,268 | 2,535 |
| Payments to suppliers | 1,322 | 1,428 |
| Interest on advances from the Government | 179 | 142 |
| Grants and contributions | 217 | 271 |
| | <hr/> 3,986 | <hr/> 4,376 |
| Cash provided by operating transactions | 2,532 | 2,517 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (39) | (53) |
| Cash (used for) capital transactions | (39) | (53) |
| Investing transactions | | |
| Loans receivable disbursed | (4,081) | (5,962) |
| Loans receivable repaid | 5,679 | 5,093 |
| Release of the proceeds from security (Note 8) | - | (2,006) |
| Redemptions of venture investments | 7 | 11 |
| Cash provided by (used for) investing transactions | 1,605 | (2,864) |
| Financing transactions | | |
| Repayment of advances from the Government | (321) | (1,158) |
| Cash (used for) financing transactions | (321) | (1,158) |
| Increase (decrease) in cash | 3,777 | (1,558) |
| Cash, beginning of year | 15,608 | 17,166 |
| Cash, end of year | 19,385 | 15,608 |

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, 2017

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.

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, 2017

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.

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.

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

(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

In 2015, the PSAB issued new sections that apply to fiscal years beginning on or after April 1, 2017 with earlier adoption permitted. The Corporation is currently assessing the impacts of the following sections:

- (i) Section PS 2200, "Related party disclosures":** This section defines a related party and establishes disclosures required for related party transactions.
- (ii) Section PS 3210, "Assets":** This section provides guidance for applying the definition of assets and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, the reason(s) for this should be disclosed.
- (iii) Section PS 3320, "Contingent assets":** Contingent assets was issued to define and establish disclosure standards on contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That certainty will ultimately be resolved when one or more future events not wholly within the Corporation's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.
- (iv) Section PS 3380, "Contractual rights":** Contractual rights was issued to define and establish disclosure standards on contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements will result in both an asset and revenue in the future. Disclosure about contractual rights is required including a description about their nature, extent and timing.
- (v) Section PS3420, "Inter-entity transactions":** This section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2017

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's average investment yield was 1.05% during the year (2016: 1.08%).

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.

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 9b).

| | 000's | |
|--|---------------|---------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Cash held by the Corporation for operations | 6,837 | 6,797 |
| Cash held by the Corporation's organizations | 1,334 | 1,253 |
| Cash held for post-employment benefits | 434 | 306 |
| | 8,605 | 8,356 |
| Venture Investment Fund | 4,190 | 4,182 |
| Capital Fund | 873 | 873 |
| Subsidy Fund | 471 | 488 |
| Venture Reserve Fund | 486 | 486 |
| Loans and Bonds Fund (Note 8) | 4,613 | 1,076 |
| Capital Reserve Fund | 147 | 147 |
| | 10,780 | 7,252 |
| | 19,385 | 15,608 |

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2017

4. Inventories

| | 000's | |
|-------------------------------------|------------|------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Inventories held for resale: | | |
| Arts and crafts | 293 | 309 |
| Canvas products | 259 | 244 |
| | 552 | 553 |

During the year, \$97,000 of inventories were written down (2016: \$79,000) and no inventories were pledged as security. Also during the year, the Corporation had \$24,000 recoveries on inventory that had been previously written down (2016: nil). 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 | | | |
|--|--------------|-------|---------------|------|---------------|
| | | 2017 | | 2016 | |
| | | Rate | Balances | Rate | Balances |
| | | % | \$ | % | \$ |
| Performing | 1 year | 5.62 | 4,141 | 5.10 | 11,932 |
| loans due | 1-2 years | 5.08 | 2,896 | 5.78 | 4,034 |
| within: | 2-3 years | 5.43 | 5,969 | 5.34 | 3,665 |
| | 3-4 years | 5.46 | 6,420 | 5.44 | 6,943 |
| | over 4 years | 5.06 | 16,035 | 5.46 | 11,785 |
| | | | 35,461 | | 38,359 |
| Accrued loan interest receivable | | | 169 | | 166 |
| Impaired loans | | | 6,771 | | 5,825 |
| | | | 42,401 | | 44,350 |
| Less: allowance for credit losses (Note 6) | | | 5,363 | | 5,141 |
| | | | 37,038 | | 39,209 |

In 2017, five accounts totalling \$839,000 were written off by the board of directors (2016: \$327,000 by the FMB and \$31,000 by the board of directors). In 2017, no accounts were forgiven (2016: none)

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2017

5. Loans receivable (continued)

In 2017, recoveries on loans previously written off totalled \$26,000 (2016: \$3,000).

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:

Enterprise concentration

| Enterprise | 000's | | | |
|-----------------------------------|-------------------|-----------------|-------------------|-----------------|
| | 2017 | | 2016 | |
| | Performing | Impaired | Performing | Impaired |
| | \$ | \$ | \$ | \$ |
| Construction | 7,636 | 103 | 7,679 | 142 |
| Retail trade | 6,272 | 779 | 6,339 | 584 |
| Accommodations, food and beverage | 6,219 | 3,225 | 6,159 | 1,790 |
| Transportation and storage | 4,317 | - | 4,564 | 124 |
| Real estate and rentals | 4,291 | - | 4,535 | - |
| Wholesale trade | 1,961 | - | 2,212 | - |
| Other services | 1,600 | 86 | 1,507 | 169 |
| Manufacturing | 888 | 26 | 734 | 26 |
| Management of companies | 548 | - | 676 | - |
| Communication | 454 | - | 437 | - |
| Business services | 450 | 268 | 2,225 | - |
| Finance and insurance | 410 | 129 | 432 | 609 |
| Arts and craft | 380 | - | 392 | - |
| Travel and tourism | 22 | 1,571 | 32 | 1,667 |
| Forestry and logging | 13 | - | 22 | - |
| Health care | - | - | 414 | - |
| Oil and gas | - | 484 | - | 617 |
| Educational services | - | 60 | - | 59 |
| Fisheries and wildlife | - | 40 | - | 38 |
| | 35,461 | 6,771 | 38,359 | 5,825 |

The loans receivable balance contains one loan, totalling \$2,000, made to a venture investee (2016: \$20,000). This loan is in addition to the venture investments shown in Note 7.

Northwest Territories Business Development and Investment Corporation
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March 31, 2017

5. Loans receivable (continued)
Geographic concentration

| Region | 000's | | | |
|-------------|---------------|--------------|---------------|--------------|
| | 2017 | | 2016 | |
| | Performing | Impaired | Performing | Impaired |
| | \$ | \$ | \$ | \$ |
| South Slave | 18,204 | 2,085 | 18,331 | 2,007 |
| Dehcho | 8,167 | 2 | 7,048 | 84 |
| North Slave | 5,677 | 3,920 | 7,394 | 3,141 |
| Sahtu | 1,920 | 68 | 1,981 | 165 |
| Inuvik | 1,493 | 696 | 3,605 | 428 |
| | 35,461 | 6,771 | 38,359 | 5,825 |

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

| Credit risk rating | 000's | |
|--------------------|---------------|---------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Low | 21,875 | 22,666 |
| Medium | 12,904 | 15,090 |
| High | 682 | 603 |
| | 35,461 | 38,359 |

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 | |
|---------------------------------|-----------|----------|
| | 2017 | 2016 |
| | \$ | \$ |
| 31 – 60 days | 27 | - |
| 61 – 90 days | 14 | - |
| Over 90 days | - | - |
| | 41 | - |

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 2017 (2016: nil).

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2017

6. Allowance for credit losses

| | 000's | |
|-------------------------------|--------------|--------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Balance, beginning of year | 5,141 | 5,778 |
| Provision for credit losses | 746 | 126 |
| Loans written off or forgiven | (346) | (167) |
| Recoveries from repayments | (178) | (596) |
| Balance, end of year | 5,363 | 5,141 |
| Comprised of: | | |
| Specific allowance | 4,654 | 4,374 |
| General allowance | 709 | 767 |
| | 5,363 | 5,141 |

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, 2017, the Corporation does not have significant influence in the companies in which it has invested.

| | 000's | |
|-----------------------------|----------|----------|
| | 2017 | 2016 |
| | \$ | \$ |
| Balance, beginning of year | 7 | 18 |
| Recoveries | - | - |
| Redemptions | (7) | (11) |
| Balance, end of year | - | 7 |

The total cumulative venture investments at March 31, 2017 was \$654,000 (2016: \$661,000) with accumulated write-downs of \$654,000 (2016: \$654,000). In 2017, no venture investments were approved for write-off (2016: nil) or forgiveness (2016: 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.

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2017

8. Cash security payable

The Corporation released \$2,006,000 in 2016 from realization of a life insurance policy it received in 2015 as security associated with an irrevocable standby letter of credit to a borrower. As the borrower was not in default on the underlying facility, the Corporation released the funds from the Loans and Bonds Fund after receiving satisfactory replacement security.

9. 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 1.5 times (2016: 1.8) the employee's contribution; and for employment start dates after December 31, 2012, the Corporation's contribution rate effective at year-end was 1.3 times (2016: 1.2) the employee's contribution. Total contributions of \$214,000 (2016: \$246,000) were recognized as an expense in the current year. The Corporation's and employees' contributions to the Plan for the year were as follows:

| | 000's | |
|-----------------------------|-------|------|
| | 2017 | 2016 |
| | \$ | \$ |
| Corporation's contributions | 214 | 246 |
| Employees' contributions | 150 | 141 |

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.

An actuarial valuation for accounting purposes was prepared as at March 31, 2017.

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2017

9. Employment and post-employment benefits (continued)

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

| | 000's | |
|--|------------|------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Post-employment benefits, beginning of year | 306 | 448 |
| Cost and transfer in | 11 | 16 |
| Actuarial loss (gain) | 117 | (158) |
| Post-employment benefits, end of year | 434 | 306 |

10. 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 (2016: \$45 million) as at March 31, 2017.

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 0.51% to 0.99% (2016: 0.42% to 0.68%) during the year.

11. Government transfers

| | 000's | | | | | |
|---|------------------------------|---------------------------------------|--------------|------------------------------|---------------------------------------|--------------|
| | Lending/ Invest- ments | 2017 Retail/ Manufac- turing | Total | Lending/ Invest- ments | 2016 Retail/ Manufac- turing | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Government: | | | | | | |
| Operations and maintenance | 2,568 | 645 | 3,213 | 2,717 | 640 | 3,357 |
| Services received without charge (Note 16) | 786 | - | 786 | 857 | - | 857 |
| | 3,354 | 645 | 3,999 | 3,574 | 640 | 4,214 |
| Federal programs | 190 | - | 190 | 97 | - | 97 |
| | 3,544 | 645 | 4,189 | 3,671 | 640 | 4,311 |

During the current fiscal year the Corporation had surplus funding of \$105,000 (2016: \$432,000). A stipulation included in the agreement is for any unspent funds to be repaid to the Government. This amount has been recognized in accounts payable and accrued liabilities at year end. The amount will be repaid through a reduction of next year's contribution.

Northwest Territories Business Development and Investment Corporation
Notes to the Consolidated Financial Statements
March 31, 2017

12. Expenses by object

| | 000's | | | | | |
|---|------------------------------|--|--------------|------------------------------|--|--------------|
| | Lending/ Invest- ments | 2017 Retail/ Manu- factur- ing | Total | Lending/ Invest- ments | 2016 Retail/ Manu- factur- ing | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Advertising and promotion | 25 | 10 | 35 | 56 | 11 | 67 |
| Amortization | 11 | 33 | 44 | 6 | 26 | 32 |
| Asset retirement | - | 1 | 1 | 10 | - | 10 |
| Bad debts (recovery) | - | (14) | (14) | - | 38 | 38 |
| Bank charges and interest | 2 | 27 | 29 | 2 | 28 | 30 |
| Board members | 25 | 1 | 26 | 52 | 1 | 53 |
| Business Development Fund | 221 | - | 221 | 271 | - | 271 |
| Business Service Centre | 239 | - | 239 | 241 | - | 241 |
| Computers and communications | 88 | 19 | 107 | 112 | 22 | 134 |
| Cost of goods sold | - | 806 | 806 | - | 836 | 836 |
| Credit losses (recovery), net | 568 | - | 568 | (470) | - | (470) |
| Insurance | - | 26 | 26 | - | 25 | 25 |
| Interest expense on advances from the Government | 179 | - | 179 | 142 | - | 142 |
| Office and general | 49 | 30 | 79 | 40 | 15 | 55 |
| Professional services | 197 | 76 | 273 | 48 | 87 | 135 |
| Rent | 200 | 16 | 216 | 209 | 16 | 225 |
| Repairs and maintenance | - | 20 | 20 | - | 13 | 13 |
| Salaries and benefits | 2,342 | 240 | 2,582 | 2,319 | 270 | 2,589 |
| Training and workshops | 10 | - | 10 | 30 | - | 30 |
| Travel | 22 | 4 | 26 | 66 | 21 | 87 |
| Utilities | - | 55 | 55 | - | 113 | 113 |
| | 4,178 | 1,350 | 5,528 | 3,134 | 1,522 | 4,656 |

13. Commitments

As at March 31, 2017, loans to businesses approved but not yet disbursed, totalled \$2.8 million at a weighted average interest rate of 4.2% (2016: \$2.7 million at a weighted average interest rate of 4.2%). These loans do not form part of the loans receivable balance until disbursed. Also as at March 31, 2017, contributions to businesses approved but not yet disbursed totalled \$8,000 (2016: \$25,000).

14. Contingencies
Loans

The Corporation has four outstanding loans to three Northern Community Futures organizations for their own lending purposes totalling \$538,000 (2016: four outstanding loans totalling \$1,041,000). Loans provided by these three organizations may be assigned to the Corporation when impaired. If as-

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
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14. Contingencies (continued)

signed, 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 2017, no accounts were assigned to the Corporation (2016: nil).

Letters of credit

The Corporation has four outstanding irrevocable standby letters of credit. The amounts of these letters of credit totalled \$2,155,000 (2016: \$2,375,000) and expire in 2018 (3) and 2019 (1). 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 (2016: nil).

Legal claim

The Corporation is named as co-defendant in one legal claim in the amount of \$88,065 plus interest and cost. The proceeding is related to alleged non-payment of work performed for a loan borrower of the Corporation. The merits of the proceeding cannot be determined.

15. Related party transactions

The Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, territorial corporations and public agencies. 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 16).

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

| | 000's | |
|--|--------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Revenues | | |
| Sales | 42 | 10 |
| Government transfers (Note 11) | 3,999 | 4,214 |
| Expenses | | |
| Purchases | 208 | 186 |
| Interest on advances from the Government | 179 | 142 |
| Balances at year end | | |
| Accounts receivable | 1 | 1 |
| Accounts payable and accrued liabilities | 137 | 530 |
| Advances from the Government | 24,794 | 25,115 |

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2017

16. 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 | |
|---------------|------------|------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Staff support | 558 | 620 |
| Accommodation | 228 | 237 |
| | 786 | 857 |

17. 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 2017 and 2016 budgeted expenses are as follows:

| | 000's | | | | | |
|----------------------------------|------------------------------|------------------------------------|--------------|------------------------------|------------------------------------|--------------|
| | 2017 | | | 2016 | | |
| | Lending/ Invest- ments | Retail/ Manu- factur- ing | Total | Lending/ Invest- ments | Retail/ Manu- factur- ing | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Advertising and promotion | 22 | 9 | 31 | 30 | 7 | 37 |
| Amortization | 6 | 27 | 33 | 6 | 20 | 26 |
| Bad debts | - | 5 | 5 | - | 5 | 5 |
| Bank charges and interest | - | 26 | 26 | - | 26 | 26 |
| Board members | 45 | 1 | 46 | 50 | 1 | 51 |
| Business Development Fund | 200 | - | 200 | 300 | - | 300 |
| Business Service Centre | 194 | - | 194 | 250 | - | 250 |
| Computers and communications | 91 | 19 | 110 | 96 | 17 | 113 |
| Cost of goods sold | - | 745 | 745 | - | 719 | 719 |
| Freight and courier | - | 4 | 4 | - | 5 | 5 |
| Insurance and licenses | - | 25 | 25 | - | 25 | 25 |
| Interest expense | 180 | - | 180 | 340 | - | 340 |
| Office and general | 45 | 18 | 63 | 50 | 22 | 72 |
| Professional services | 90 | 80 | 170 | 90 | 81 | 171 |
| Provision for credit losses, net | 100 | - | 100 | 200 | - | 200 |
| Rent | 237 | 16 | 253 | 213 | 16 | 229 |
| Repairs and maintenance | - | 11 | 11 | - | 11 | 11 |
| Salaries and benefits | 2,536 | 238 | 2,774 | 2,560 | 224 | 2,784 |
| Supplies | - | - | - | - | 1 | 1 |
| Travel and vehicles | 90 | 20 | 110 | 120 | 33 | 153 |
| Utilities | - | 55 | 55 | - | 58 | 58 |
| | 3,836 | 1,299 | 5,135 | 4,305 | 1,271 | 5,576 |

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2017

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, 2017, \$559,000 (2016: \$142,000) 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, 2017:

| | 000's | |
|---------------------|--------|--------|
| | 2017 | 2016 |
| | \$ | \$ |
| Cash | 19,385 | 15,608 |
| Accounts receivable | 78 | 120 |
| Loans receivable | 37,038 | 39,209 |
| Venture investments | - | 7 |
| Letters of credit | 2,155 | 2,375 |

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.

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2017

18. Risk management (continued)

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 excess cash available from the Loans and Bonds fund.

Based on the Corporation's advances from the Government as at March 31, 2017 and the monthly cash balance on hand, a 100 basis point increase in interest rates would decrease annual surplus by \$90,000 (2016: \$93,000). A 100 basis point decrease in interest rates would increase annual surplus by \$18,000 (2016: \$3,000).

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.

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, 2017 | March 31, 2016 |
|--|-----------|------------|--------------------------|---------------------------|-----------------------|-------------------|-------------------|
| Cost of tangible capital assets, opening | \$ 80 | \$ 1,950 | \$ 665 | \$ 449 | \$ 20 | \$ 3,164 | \$ 3,163 |
| Acquisitions | - | - | 31 | 8 | - | 39 | 53 |
| Disposals | - | - | (1) | - | - | (1) | (52) |
| Cost of tangible capital assets, closing | 80 | 1,950 | 695 | 457 | 20 | 3,202 | 3,164 |
| Accumulated amortization, opening | - | 1,794 | 620 | 449 | 20 | 2,883 | 2,903 |
| Amortization expense | - | 15 | 27 | 2 | - | 44 | 32 |
| Disposals | - | - | - | - | - | - | (52) |
| Accumulated amortization, closing | - | 1,809 | 647 | 451 | 20 | 2,927 | 2,883 |
| Net book value | 80 | 141 | 48 | 6 | - | 275 | 281 |

