

# Business Credit Corporation

## 1994 Annual Report

Northwest Territories  
Business Credit Corporation

The Business Credit  
Corporation is a  
crown corporation  
responsible for  
encouraging business  
development and growth  
throughout the NWT.

NWT  
EDT  
BCC  
Bus  
1994



## **INTRODUCTION**

The NWT Business Credit Corporation (BCC) is the successor to the Business Loans & Guarantees Fund.

The BCC Act was proclaimed on October 1, 1991 and the BCC commenced its operations at that time. All lending activity after October 1st was carried out by the BCC.

## **BCC 1993/94 BOARD OF DIRECTORS**

|               |                  |               |
|---------------|------------------|---------------|
| M. King       | Chairperson      | Hay River     |
| A. Woodhouse  | Vice Chairperson | Iqaluit       |
| M. Kalluak    | Director         | Arviat        |
| A. Chang      | Director         | Yellowknife   |
| A. Zubko      | Director         | Yellowknife   |
| A. Barr       | Director         | Rankin Inlet  |
| J. Schaeffer  | Director         | Fort Smith    |
| F. Carmichael | Director         | Inuvik        |
| K. Peterson   | Director         | Cambridge Bay |

## **EQUAL REPRESENTATION**

Directors of the BCC represent a variety of businesses from all regions of the NWT. All are from the private sector.

All directors are long term territorial residents and have made valuable contributions to their community and the territorial economy.

## **NWT BUSINESS CREDIT CORPORATION**

The NWT Business Credit Corporation is designed to provide a lending institution which is more responsive to its clients and is less bound by the restrictions of normal government operations.

In particular, legislation provides for a Board of Directors of between seven and twelve people, regional loan boards, and the authority to provide loans, bonds, guarantees and indemnities.

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## HISTORICAL HIGHLIGHTS

- \* 1970 *The Small Business Loans Fund was created by Indian and Northern Affairs Canada, to provide financing to those businesses and individuals unable to obtain reasonable commercial debt financing from conventional lenders.*
- \* 1977 *The Small Business Loans Fund was transferred to the Government of the Northwest Territories. The scope of the Fund was expanded to allow the provision of loan guarantees and loan and guarantee limits were increased to \$500,000 from \$50,000.*
- \* 1982 *The Business Loans and Guarantees Fund was opened to all qualifying territorial businesses and the word "Small" was removed from the Fund's title. Previously, businesses whose gross revenues exceeded \$1 million were ineligible.*
- \* 1985 *The Fund provided contract security to businesses unable to obtain the bonding required to participate in NWT Housing Corporation construction projects.*
- \* 1986 *The Fund's capitalization was increased to \$16 million.*
- \* 1989 *The Fund's capitalization was increased to \$20 million.*
- \* 1991 *The BCC Act was proclaimed and the Corporation commenced operations. Loan and guarantee limits were raised to \$1 million.*
- \* 1992 *The assets of the Business Loans and Guarantees Fund were transferred to the BCC.*
- \* 1993 *The BCC is included in a review of Department of Economic Development & Tourism in connection with reorganization of the Department and the Business Credit Corporation.*
- \* 1994 *In accordance with the suggestions incorporated in the above review, BCC staff is increased to provide a greater degree of independence and improved service to clients.*



## ***HISTORICAL HIGHLIGHTS (CONT'D)***

- \* *Lending authority, to a maximum of \$200,000, is delegated to Regional Superintendents of Department of Economic Development & Tourism. This is designed to provide quicker turn-around time for the majority of BCC loan applications.*
  
  - \* *Operational Procedures are formulated by BCC, in consultation with the Department of Economic Development & Tourism, to provide guidance and support to Regional Superintendents and ensure conformity with prudent lending practices, at the same time acting in accordance with Ministerial Directives and the objectives of the BCC.*
- 

The objectives of the BCC are to:

- stimulate economic development;
- encourage business growth; and
- increase employment.

The BCC's current Fund limit is \$22 million. This limit can be extended as far as \$50 million under the existing legislation, upon approval of the Financial Management Board.

## **LENDING PARAMETERS**

|  |  |
|--|--|
| <i>Maximum loan and liability for any one business</i>                       | <i>\$1.0 million</i>                                   |
| <i>Maximum amount for any one business loan, bond guarantee or indemnity</i> | <i>\$1.0 million</i>                                   |
| <i>Maximum loan term</i>   | <i>5 years</i>   |
| <i>Maximum loan amortization</i>   | <i>25 years</i>  |
| <i>Interest rate</i>   | <i>2% over CIBC's prime lending rate set quarterly</i> |

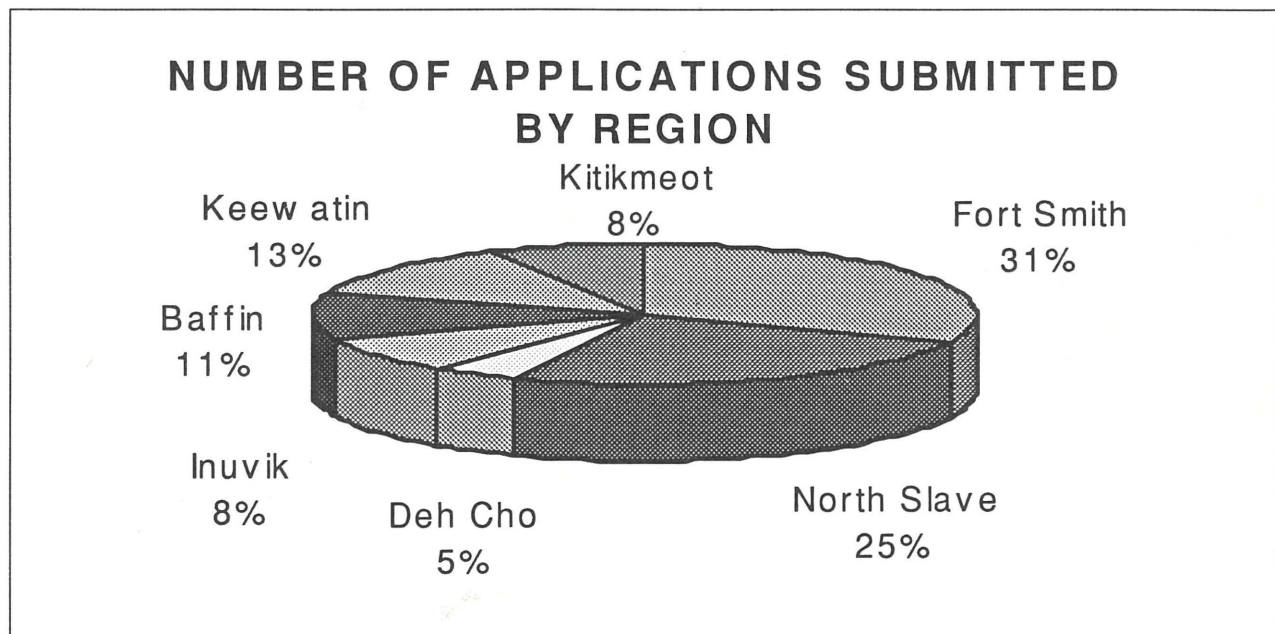
**LENDING ACTIVITY.** . . . During the 1993/94 fiscal year, the BCC examined a total of 64 loans with an aggregate value of \$12.0 million. Of the applications submitted, 46 (72%) were approved for a total value of \$9.5 million (79%).

Loan applications were received from all seven regions, as detailed in Table 1. A regional analysis of the loans approved is provided in Table 2.

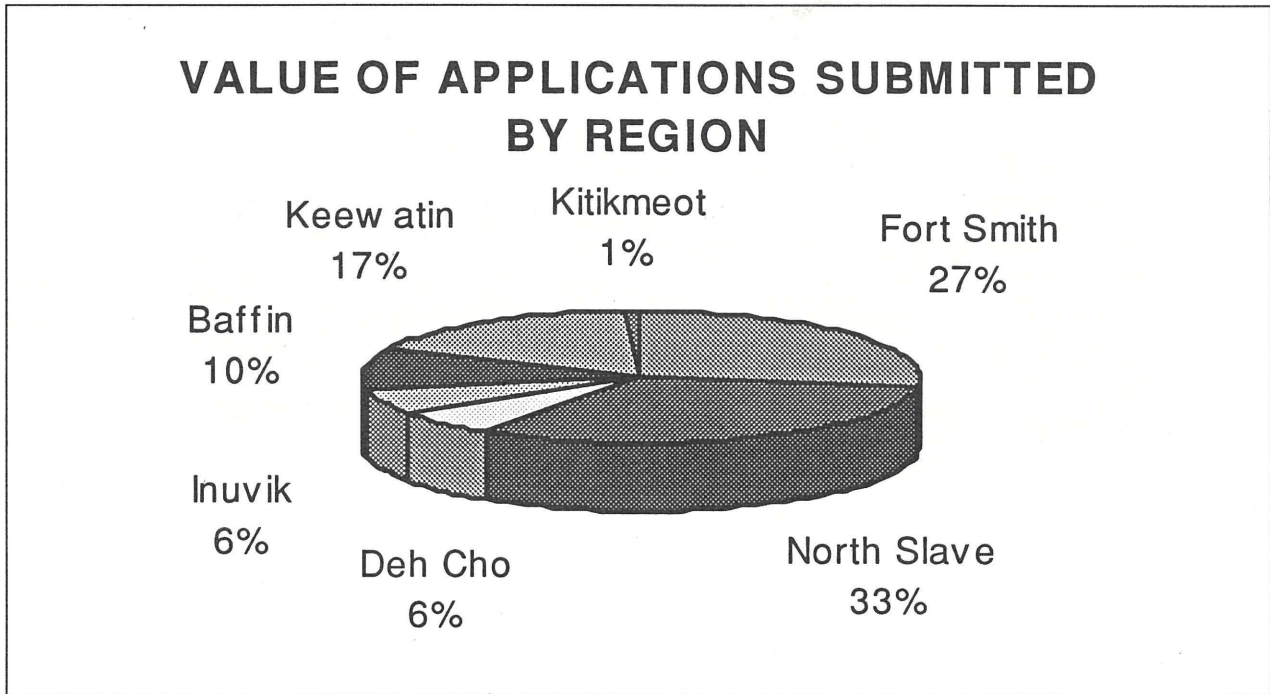
Approximately 73% of the loan applications received were for loans of \$200,000 or less. Sixty-eight percent of these were approved representing 70% of the value. Table 3 provides an analysis of the number of loan applications submitted and approved according to the size of the loan. Table 4 provides a similar analysis of the value of the applications.

**TABLE 1  
LOAN APPLICATIONS SUBMITTED BY REGION**

|              | No. of Applications | \$000's       |
|--------------|---------------------|---------------|
| Fort Smith   | 20                  | 3,214         |
| North Slave  | 16                  | 3,896         |
| Deh Cho      | 3                   | 775           |
| Inuvik       | 5                   | 763           |
| Baffin       | 7                   | 1,171         |
| Keewatin     | 8                   | 2,050         |
| Kitikmeot    | 5                   | 98            |
| <b>TOTAL</b> | <b>64</b>           | <b>11,967</b> |



**TABLE 1**



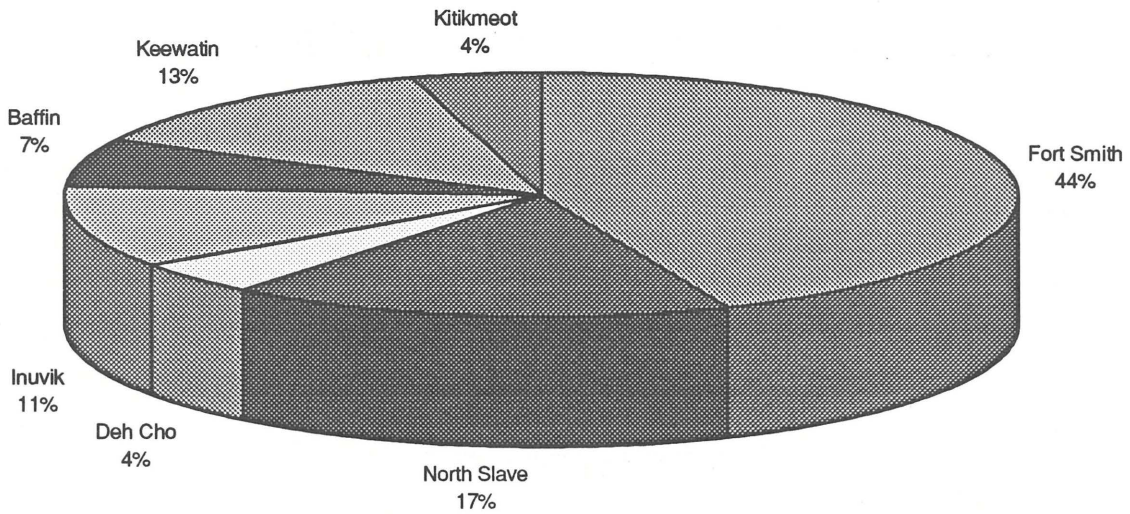
**TABLE 2  
LOAN APPLICATIONS APPROVED BY REGION**

|              | No. of Applications | \$000's      |
|--------------|---------------------|--------------|
| Forth Smith  | 20                  | 3,214        |
| North Slave  | 8                   | 2,681        |
| Deh Cho      | 2                   | 691          |
| Inuvik       | 5                   | 763          |
| Baffin       | 3                   | 631          |
| Keewatin     | 6                   | 1,475        |
| Kitikmeot    | 2                   | 40           |
| <b>TOTAL</b> | <b>46</b>           | <b>9,495</b> |

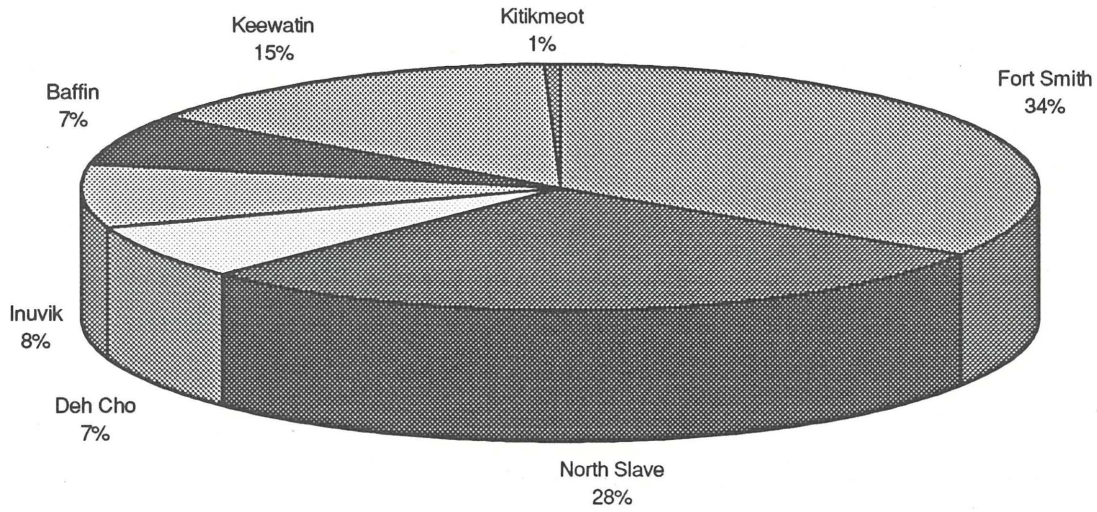


**TABLE 2**

**NUMBER OF APPLICATIONS APPROVED BY REGION**



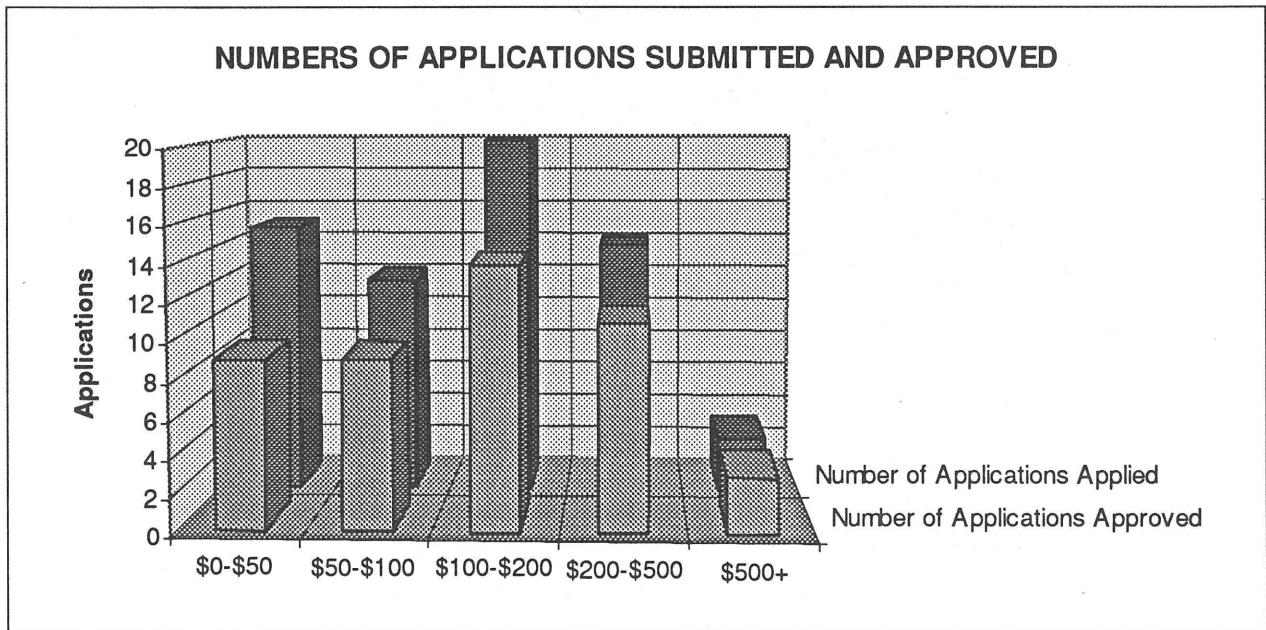
**VALUE OF APPLICATIONS APPROVED BY REGION**





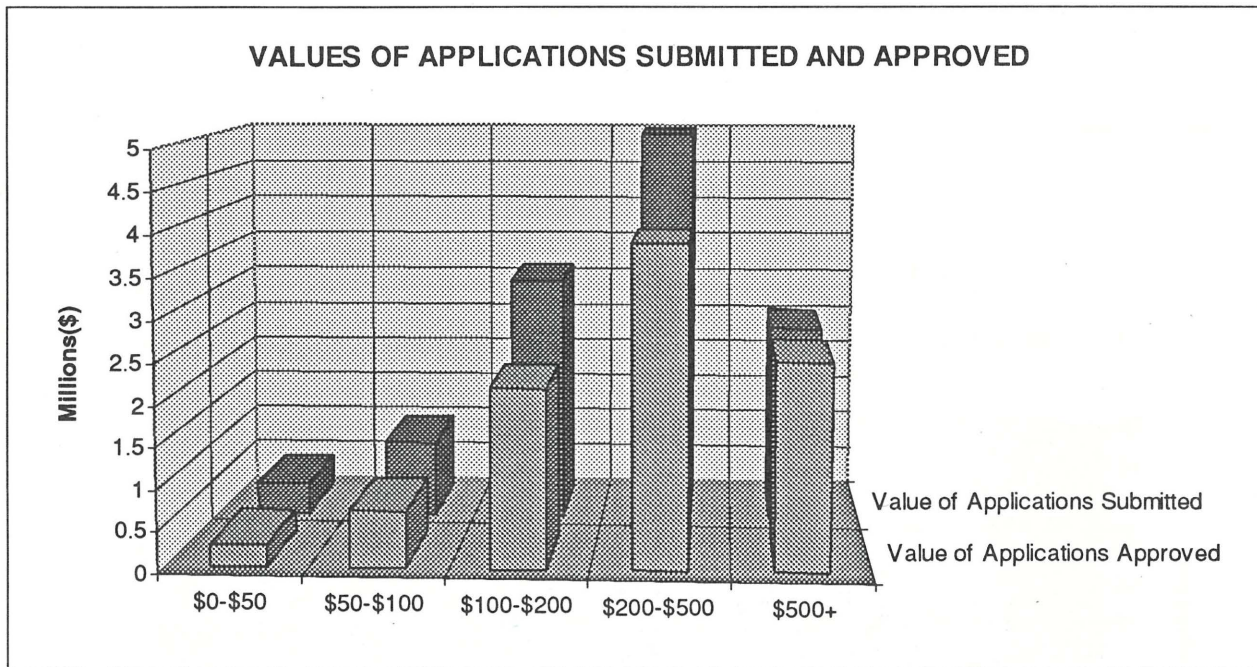
**TABLE 3**  
**RANGE OF NUMBERS OF APPLICATIONS SUBMITTED AND APPROVED**

| Range        | No. of Applications Submitted | No. of Applications Approved |
|--------------|-------------------------------|------------------------------|
| 0 - 50       | 15                            | 9                            |
| 50 - 100     | 12                            | 9                            |
| 100 - 200    | 20                            | 14                           |
| 200 - 500    | 14                            | 11                           |
| 500 - 1,000  | 3                             | 3                            |
| <b>TOTAL</b> | <b>64</b>                     | <b>46</b>                    |



**TABLE 4**  
**RANGE OF VALUES OF APPLICATIONS SUBMITTED AND APPROVED**

| Range        | Amount \$000's<br>Submitted | Amount \$000's<br>Approved |
|--------------|-----------------------------|----------------------------|
| 0 - 50       | 399                         | 261                        |
| 50 - 100     | 959                         | 681                        |
| 100 - 200    | 3,109                       | 2,168                      |
| 200 - 500    | 4,999                       | 3,884                      |
| 500 - 1,000  | 2,501                       | 2,501                      |
| <b>TOTAL</b> | <b>11,967</b>               | <b>9,495</b>               |



**FINANCIAL STATEMENTS . . . .** The audited financial statements of the Corporation are shown in Appendix A. These statements reflect the operations for the year ended March 31, 1994

**PROVISION FOR LOSSES ON LOANS.** . . . During the 1993/94 year, the BCC made provisions totalling \$ 313 thousand for losses on loans.

Provisions represent the BCC's best estimate of probable losses on loans at the end of the year.

**WRITE OFFS** . . . . During the current year, loan accounts totalling \$2.3 million were approved for write off. According to the Financial Administration Act which the BCC adheres to, its Board of Directors may approve the write offs of loan accounts whose outstanding balance is \$ 20,000 or less. Loan accounts that exceed \$ 20,000 must be approved by the Legislative Assembly.

A schedule of the approved write offs is shown in Appendix B.



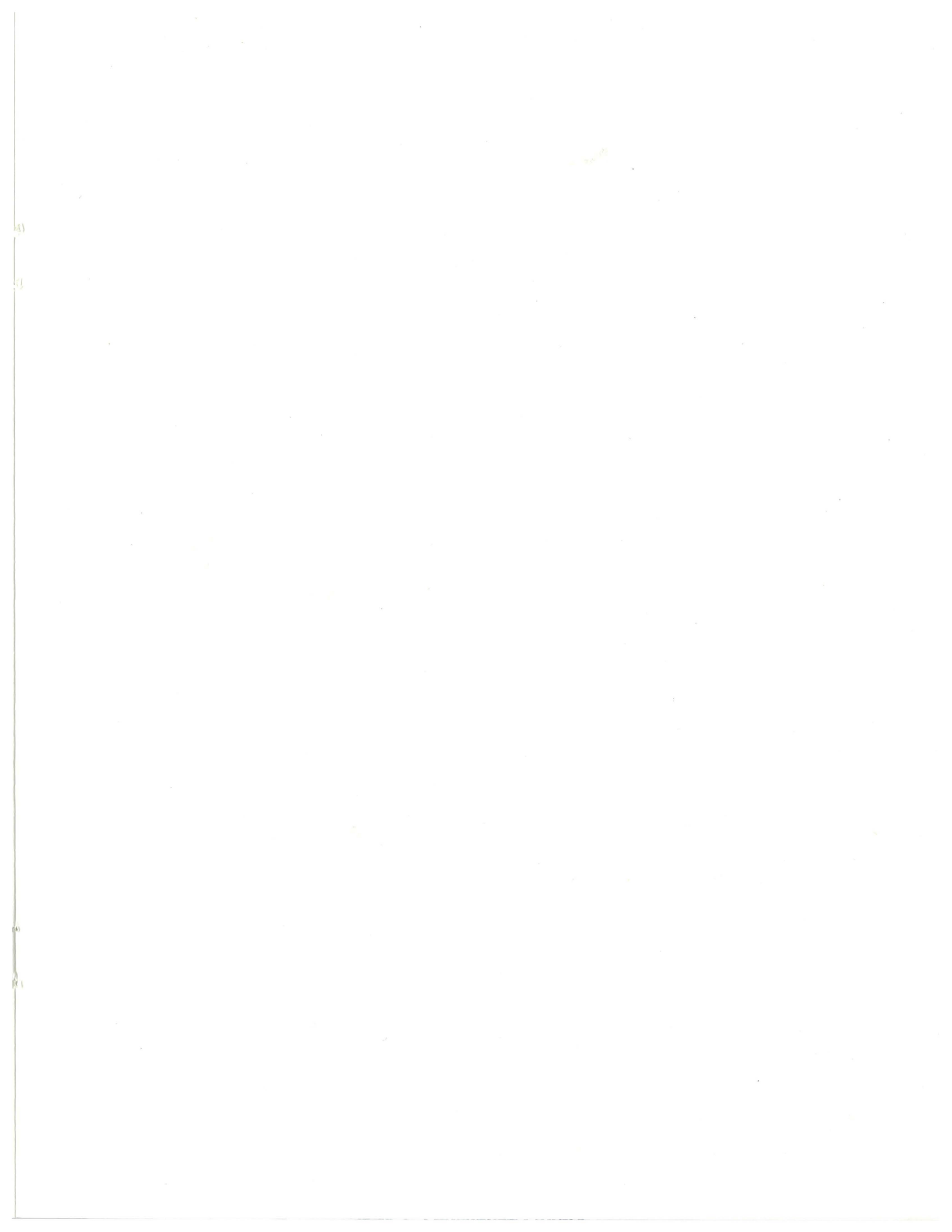


**APPENDIX A**

**Report on the audit of the  
accounts and financial statements of the**

**NORTHWEST TERRITORIES  
BUSINESS CREDIT CORPORATION**

**for the year ended March 31, 1994**



**FINANCIAL STATEMENTS**

**MARCH 31, 1994**

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## NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

### Management's Responsibility for Financial Reporting

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The Corporation maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired prudently, are used to further the Corporation's aims, and are protected from loss.

The accompanying financial statements of the Corporation were prepared by Management in accordance with generally accepted accounting principles as described in the notes to the financial statements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they normally include amounts requiring estimates, which have been made based upon informed judgment as to the expected results of current transactions and events. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the financial statements.

The Northwest Territories Business Credit Corporation is subject to the NWT Business Credit Corporation Act and the Financial Administration Act. The Corporation also receives Ministerial Directives to establish operational procedures and significant accounting policies. Management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable legislation and for maintaining standards of conduct that are appropriate to a Territorial Crown Corporation.

In discharging its responsibilities for the integrity, fairness and quality of the financial statements and for the accounting systems from which they are derived, management maintains a system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors, through the Audit Sub-Committee which is comprised of Directors who are not employees of the Corporation, is responsible for reviewing and approving the audited annual financial statements and oversees the management's responsibilities for financial reporting. The external auditors have full and free access to the Audit Sub-Committee.

The independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon. He provides an independent, objective audit for the purpose of expressing his opinion on the financial statements. He also considers whether the transactions that come to his notice in the course of this audit are, in all significant aspects, in accordance with the specified legislation.



Afzal Curimbhoy,  
Chief Executive Officer.

April 29, 1994



AUDITOR GENERAL OF CANADA

VERIFICATEUR GENERAL DU CANADA

## AUDITOR'S REPORT

To the Minister responsible for the  
Northwest Territories Business Credit Corporation

I have audited the balance sheet of the Northwest Territories Business Credit Corporation as at March 31, 1994 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation and the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Northwest Territories Business Credit Corporation Act and by-laws of the Corporation.

Raymond Dubois, FCA  
Deputy Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
April 29, 1994

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

BALANCE SHEET

MARCH 31, 1994  
(Thousands of Dollars)

| ASSETS                              | <u>1994</u>      | <u>1993</u>      |
|-------------------------------------|------------------|------------------|
| Loans Receivable (Note 3)           | \$ 17,984        | \$ 18,381        |
| Accrued Interest Receivable         | 332              | 668              |
|                                     | <u>18,316</u>    | <u>19,049</u>    |
| Less: Allowance for Losses on Loans | 5,307            | 7,300            |
|                                     | <u>13,009</u>    | <u>11,749</u>    |
| Accounts Receivable                 | 8                | 10               |
| Capital Assets (Note 4)             | 22               | -                |
|                                     | <u>\$ 13,039</u> | <u>\$ 11,759</u> |

LIABILITIES

|   |               |               |
|---|---------------|---------------|
| Accounts Payable  | \$ 41         | \$ 33         |
| Working Capital Advance from the<br>Government of the Northwest<br>Territories (Note 5) | 15,623        | 14,244        |
|   | <u>15,664</u> | <u>14,277</u> |


DEFICIT

|         |                  |                  |
|---------|------------------|------------------|
| Deficit | (2,625)          | (2,518)          |
|         | <u>\$ 13,039</u> | <u>\$ 11,759</u> |

Statutory Limit and Commitments (Note 6)

APPROVED:

  
\_\_\_\_\_  
Chairperson of the Board of Directors

  
\_\_\_\_\_  
Chief Executive Officer

**NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION**

**STATEMENT OF OPERATIONS AND DEFICIT**

For the Year Ended March 31, 1994  
(Thousands of Dollars)

|   | <u>1994</u>              | <u>1993</u>              |
|---|--------------------------|--------------------------|
| <b>LOANS</b>  |                          |                          |
| Interest Income on Loans Receivable                                       | \$ 1,054                 | \$ 1,250                 |
| Interest Expense on Loans Payable   | 845                      | 1,034                    |
| Net Interest Income   | <u>209</u>               | <u>216</u>               |
| <br>  |                          |                          |
| Provision for Losses on Loans (Note 3)                                    | <u>(313)</u>             | <u>(2,339)</u>           |
| Net Interest Income after Provision for<br>Losses on Loans                | (104)                    | (2,123)                  |
| <br>  |                          |                          |
| Other Income  | <u>42</u>                | <u>-</u>                 |
| <br>  |                          |                          |
| Net Losses on Loans   | <u>(62)</u>              | <u>(2,123)</u>           |
| <br>  |                          |                          |
| <b>ADMINISTRATIVE EXPENSES</b>  |                          |                          |
| Salaries and Benefits   | 430                      | 232                      |
| Board Meetings (Note 7)   | 103                      | 63                       |
| Computer Services   | 65                       | 78                       |
| Professional Fees   | 57                       | 25                       |
| Office  | 21                       | 7                        |
| Communications  | 13                       | 11                       |
| Publications  | 9                        | 12                       |
| Amortization  | 2                        | -                        |
|   | <u>700</u>               | <u>428</u>               |
| <br>  |                          |                          |
| Less: Operating Contribution - Government of<br>the Northwest Territories | <u>655</u>               | <u>405</u>               |
| <br>  |                          |                          |
| Net Administrative Expenses   | <u>(45)</u>              | <u>(23)</u>              |
| <br>  |                          |                          |
| <b>NET LOSS FOR THE YEAR</b>  | <u>(107)</u>             | <u>(2,146)</u>           |
| <br>  |                          |                          |
| <b>DEFICIT AT BEGINNING OF THE YEAR</b>                                   | <u>(2,518)</u>           | <u>(372)</u>             |
| <br>  |                          |                          |
| <b>DEFICIT AT END OF THE YEAR</b>   | <u><u>\$ (2,625)</u></u> | <u><u>\$ (2,518)</u></u> |



**NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

For the Year Ended March 31, 1994  
(Thousands of Dollars)

|   | 1994      | 1993       |
|---|-----------|------------|
| <b>OPERATING ACTIVITIES</b>                               |           |            |
| Net Loss for the Year                                     | \$ (107)  | \$ (2,146) |
| Items Not Affecting Working Capital Advance from the GNWT |           |            |
| Provision for Losses on Loans                             | 313       | 2,339      |
| Amortization  | 2         | -          |
|   | 208       | 193        |
|   |           |            |
| Changes in Working Capital                                |           |            |
| Change in Accrued Interest Receivable                     | 336       | (643)      |
| Accrued Interest Write-off                                | (214)     | -          |
| Accounts Receivable                                       | 2         | (5)        |
| Accounts Payable  | 8         | 28         |
|   | 340       | (427)      |
|   |           |            |
| <b>INVESTING ACTIVITIES</b>                               |           |            |
| Loans Receivable Disbursed                                | (4,648)   | (5,082)    |
| Loans Receivable Repaid                                   | 2,953     | 3,866      |
| Loans Portfolio Transferred from the GNWT                 | -         | (11,010)   |
| Purchase of Capital Assets                                | (24)      | -          |
|   | (1,719)   | (12,226)   |
|   |           |            |
| Cash Used by Investing Activities                         | (1,719)   | (12,226)   |
|   |           |            |
| Increase in Working Capital Advance from the GNWT         | 1,379     | 12,653     |
|   |           |            |
| Working Capital Advance at Beginning of the Year          | 14,244    | 1,591      |
|   |           |            |
| Working Capital Advance at End of the Year                | \$ 15,623 | \$ 14,244  |

# NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 1994

### 1. AUTHORITY, OBJECTIVE AND OPERATION

The Corporation operates under the authority of the Northwest Territories Business Credit Corporation Act, which came into effect October 1, 1991. The Corporation is also subject to the Northwest Territories Financial Administration Act and is an agent Crown corporation of the Government of the Northwest Territories.

The Corporation's objective is to stimulate economic development and employment in the Northwest Territories, by making loans to business enterprises, guaranteeing loans made by financial institutions to business, providing bonds to resident business enterprises and indemnifying bonding companies which have provided bonds to resident business enterprises. In addition, the Corporation is responsible for making business development loans to Northern businesses to create economic development opportunities in communities where conventional lending institutions are not prepared to participate, and its role, therefore, is a blend of being a last resort lender and a developmental agency for higher risk entrepreneurial ventures.

Receipts are deposited in and disbursements are paid from the Consolidated Revenue Fund of the Government of the Northwest Territories.

#### **Economic dependency**

The Corporation is economically dependent upon the Government of the Northwest Territories' continuing contributions for operations and loans.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### **Allowance for losses on loans**

The allowance for losses on loans represents management's best estimate of probable losses on loans at the end of the fiscal year. The allowance has a specific component and a general component.

The specific component is that provision which is determined based on a loan-by-loan review to determine under-secured loans. Specific provisions are established for individual loans where circumstances indicate that the loan has deteriorated to the extent that the Corporation does not have reasonable assurance of ultimate collection of principal and interest, and to value these loans at the lower of their recorded balance or the net realizable value of the underlying security for the loans.

**NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 1994

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Allowance for losses on loans (cont'd)**

The general component is that provision which is established at five percent (5%) of loans receivable, net of the specific provision. This is prudential in nature and therefore established to provide for losses on loans which cannot yet be identified on a loan-by-loan basis, and to absorb losses attributable to the deterioration of quality of loans receivable on an aggregate exposure in a particular industry or geographical region.

**Interest revenue recognition**

Interest is accrued on loan principal receivable and recorded as income until such time as the loan becomes non-performing. When a loan is initially classified as non-performing, uncollected interest recognized in the year is reversed against interest income and, where necessary, uncollected interest recognized in previous years is provided for in the allowance for loan losses.

Subsequent payments are recorded as interest income after any prior write-off has been recovered and if management has determined that a specific provision is not required, otherwise they are recorded as a reduction of principal.

Non-performing is defined as any loan where an allowance for losses is determined to be necessary when:

- a) principal or interest is six months past due, unless the loan is well secured, or
- b) when circumstances indicate that a loan is impaired and there is doubt as to the ultimate collectibility of principal or interest within a reasonable period of time, or
- c) the loan has been previously restructured and principal or interest is three months past due, or
- d) principal or interest is twelve (12) months past due regardless of whether or not the loan is well secured.

# NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 1994

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Capital Assets

Capital assets are recorded at cost. Amortization is calculated on a straight line basis over the estimated useful life of the assets as follows:

|                         |         |
|-------------------------|---------|
| Computers               | 3 years |
| Furniture and Equipment | 4 years |

#### Operating Contribution

Under the terms of an operating agreement between the Corporation and the Government of the Northwest Territories, direct administrative expenses paid by the Government are recorded by the Corporation as an operating contribution from the Government of the Northwest Territories. Indirect costs covered by the Government of the Northwest Territories are not recorded.

Direct administrative expenses paid by the Government include salaries and benefits, board meetings, computer services, professional fees, office, communications and publications; and exclude the provision for losses on loans and interest expense. The operating contribution is recorded in operations.

#### Services provided without charge

The Corporation does not record the value of capital assets or services provided by the Government of the Northwest Territories without charge. Services provided by the Government include accounting support, regional, legal and personnel services as well as office accommodation. Furthermore, the Corporation receives audit services without charge from the Office of the Auditor General of Canada.

#### Pension contributions

The Corporation and its employees, who are deemed to be employees of the Government of the Northwest Territories, make contributions to the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.



**NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 1994

**3. LOANS RECEIVABLE**

**Loans and allowance for losses on loans**

|  | Range of Annual Interest Rates |                         | Principal Balance       |                         |
|--|--------------------------------|-------------------------|-------------------------|-------------------------|
|  | March 31<br><u>1994</u>        | March 31<br><u>1993</u> | March 31<br><u>1994</u> | March 31<br><u>1993</u> |
|  |                                |                         | (000s)                  |                         |
| Baffin   | 7.50-15.75%                    | 9.00-15.75%             | \$ 2,235                | \$ 2,250                |
| Deh Cho  | 7.75-16.25%                    | 9.00-16.25%             | 2,450                   | 3,039                   |
| Fort Smith   | 7.50-15.75%                    | 9.00-15.75%             | 3,798                   | 2,152                   |
| Inuvik   | 7.50-10.75%                    | 9.00-11.75%             | 1,564                   | 2,112                   |
| Keewatin   | 7.50-16.25%                    | 9.00-16.25%             | 1,330                   | 2,034                   |
| Kitikmeot  | 8.00-10.25%                    | 9.00-15.50%             | 828                     | 850                     |
| North Slave  | 7.50-16.25%                    | 8.00-16.25%             | <u>5,779</u>            | <u>5,944</u>            |
| Gross Loans Receivable                                   |                                |                         | 17,984                  | 18,381                  |
| Accrued Interest   |                                |                         | <u>332</u>              | <u>668</u>              |
|  |                                |                         | <u>18,316</u>           | <u>19,049</u>           |
| Less Allowance for Losses on Loans:                      |                                |                         |                         |                         |
| Specific   |                                |                         | ( 4,627)                | ( 6,690)                |
| General  |                                |                         | <u>( 680)</u>           | <u>( 610)</u>           |
|  |                                |                         | <u>( 5,307)</u>         | <u>( 7,300)</u>         |
| Loans Receivable Net of Allowance<br>for Losses on Loans |                                |                         | <u>\$ 13,009</u>        | <u>\$ 11,749</u>        |

Included in the accrued interest receivable of \$332,000 is an amount of \$234,000 (1993: \$491,000) that has been provided for in the allowance for losses on loans.



**NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 1994

**3. LOANS RECEIVABLE (CONT'D)**

**Provision for losses on loans**

|                    | <u>1994</u>   | <u>1993</u>     |
|--------------------|---------------|-----------------|
|                    |               | (000s)          |
| Specific Provision | \$ 242        | \$ 1,730        |
| General Provision  | <u>71</u>     | <u>609</u>      |
| Total Provision    | <u>\$ 313</u> | <u>\$ 2,339</u> |

**Write-offs**

Under the provision of the Northwest Territories Financial Administration Act, loans written off must be approved by either the Legislative Assembly or the Board of Directors. Loans whose outstanding principal and interest balances that exceed \$20 thousand are approved by the Legislative Assembly and those with balances of \$20 thousand or less are approved for write-off by the Board of Directors. Loans written off are still subject to collection action.

Seventy loans comprising of forty-five borrowers, were written off by the Legislative Assembly and the Board of Directors in 1994 for a total amount of \$2,305,000. No loans were written off in previous years by the Corporation.

**4. CAPITAL ASSETS**

The Corporation purchased capital assets in the 1993-94 fiscal year. No purchases were made in previous years.

|                            | <u>Cost</u> | <u>Accumulated<br/>Amortization</u><br>(000s) | <u>Net Book<br/>Value</u> |
|----------------------------|-------------|---|---------------------------|
| Computers                  | \$14        | \$ 2  | \$ 12                     |
| Furniture and<br>Equipment | <u>10</u>   | -   | <u>10</u>                 |
|                            | <u>\$24</u> | <u>\$ 2</u>                                   | <u>\$ 22</u>              |

# NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 1994

### 5. WORKING CAPITAL ADVANCE FROM THE GOVERNMENT OF NORTHWEST TERRITORIES

The Corporation is required to establish a fund as stipulated by the Northwest Territories Business Credit Corporation Act to process the financial activity of the Corporation. Pending formal establishment thereof, funding is made available through a working capital advance from the Government of the Northwest Territories. The balance of the working capital advance fluctuates based on the need of the Corporation, but is not to exceed \$22 million, as approved by the Financial Management Board.

Interest is calculated at a rate of selected Government of Canada 3 year Bond Rates at the end of the month. The rates are applied to the working capital advance outstanding at the end of the month, compounded annually.

|                          | <u>1994</u>      | <u>1993</u>     |
|--------------------------|------------------|-----------------|
|                          | (000s)           |                 |
| Working capital advance  | \$ 14,778        | \$ 13,210       |
| Accrued interest payable | <u>845</u>       | <u>1,034</u>    |
|                          | <u>\$ 15,623</u> | <u>\$14,244</u> |

### 6. STATUTORY LIMIT AND COMMITMENTS

The Northwest Territories Business Credit Corporation Act allows the Corporation to have outstanding loans, guarantees, bonds, and bond indemnities to borrowers up to \$50 million. The Corporation has received authorization from the Financial Management Board for a working capital advance of \$22 million, of which \$2 million was approved in the current year.

The free balance position against this limit, determined in accordance with the requirements of the Act, is \$1,613,000 which is summarized as follows:

**NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 1994

**6. STATUTORY LIMIT AND COMMITMENTS (CONT'D)**

|  | <u>1994</u>         | <u>1993</u>         |
|--|---------------------|---------------------|
|  | (000s)              |                     |
| Working capital advance - authorized limit                             | \$ <u>22,000</u>    | \$ <u>20,000</u>    |
| Loan principal receivable  | 17,984              | 18,381              |
| Loan principal written-off during the year                             | 2,091               | -                   |
| Less: Allowance for doubtful accounts                                  |                     |                     |
| Business Loan Guarantees Fund accounts<br>transferred on April 1, 1992 | <u>4,337</u>        | <u>4,337</u>        |
|  | 15,738              | 14,044              |
| Add: Commitments and guarantees  | <u>4,649</u>        | <u>2,226</u>        |
|  | <u>20,387</u>       | <u>16,270</u>       |
| <br>Free balance   | <br><u>\$ 1,613</u> | <br><u>\$ 3,730</u> |

Commitments are approved credit facilities not yet disbursed by the Corporation.

Bonds and bond indemnities (contract security loans) are presently represented in the form of actual loans and are held in trust by the client's solicitor until the credit facility is no longer required or has expired.

**7. BOARD MEETINGS**

Board meeting expenses have been fully allocated to the Corporation. In 1993-94, the Board of Directors had 7 regular board meetings and 1 telephone poll meeting. In 1992-93, the Board had 5 regular board meetings and 7 telephone poll meetings. The following costs were incurred:

|                | <u>1994</u>  | <u>1993</u>  |
|----------------|--------------|--------------|
|                | (000s)       |              |
| Travel         | \$ 37        | \$ 23        |
| Honouraria     | 39           | 23           |
| Per Diem       | 22           | 14           |
| Other Expenses | <u>5</u>     | <u>3</u>     |
|                | <u>\$103</u> | <u>\$ 63</u> |

**NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 1994

**8. SERVICES PROVIDED WITHOUT CHARGE**

The value of services provided without charge by the Government of the Northwest Territories totalled \$317,000 as follows:

|                               | <u>1994</u><br>(000s) |
|-------------------------------|-----------------------|
| Staff support                 | \$ 269                |
| Accommodation and renovations | <u>48</u>             |
|                               | <u>\$ 317</u>         |

The Corporation did not note the value of capital assets or services provided by the Government of the Northwest Territories without charge in preceding years.

**9. RELATED PARTY TRANSACTIONS**

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.





## APPENDIX B

### Schedule of Loan Accounts Approved for Write Off

#### Loan Accounts Approved by the Legislative Assembly

|   |                   |
|---|-------------------|
| Agriborealis Ltd.                         | \$ 140,174.84     |
| C&M Lumber Ltd.                           | 99,950.77         |
| D&S Enterprises Ltd.                      | 29,224.80         |
| Deneyoua, David                           | 22,638.02         |
| Drum Lake Lodge Ltd.                      | 145,526.84        |
| Guided Arctic Expeditions Ltd.            | 65,275.92         |
| Hanavik Arts Ltd.                         | 45,027.03         |
| Hay River Hotel Ltd.                      | 243,507.95        |
| JSL Mechanical Installations Ltd.         | 56,983.42         |
| Liard Valley Band Development Corporation | 300,091.98        |
| Moses, Floyd                              | 26,185.46         |
| PM Supply & Services Ltd.                 | 49,346.84         |
| PRJ Mechanical Contractors                | 53,581.96         |
| Rankin Inlet Building Supplies Ltd.       | 100,167.20        |
| Sahtu Contractors Ltd.                    | 145,826.15        |
| Sigyamiut Ltd.                            | 335,126.46        |
| Take 2 Hair Studio Ltd.                   | 84,934.06         |
| Tundra Adventures Ltd.                    | <u>146,731.29</u> |
| Total                                     | \$ 2,090,300.99   |

#### Loan Accounts Approved by the Board of Directors

|  |              |
|--|--------------|
| 861959 NWT Ltd. o/a "Picture It Studios" and<br>"Ingrams Bookkeeping and Financial Consultant" | \$ 17,498.71 |
| 89-2576 NWT Ltd. o/a "Barkley's Auto Parts"  | 18,977.24    |
| Alex's Taxi  | 3,879.27     |
| Alikashuak, Alex   | 9,152.30     |
| Arctic Circle Outfitters   | 14,266.75    |
| Arnaluak, Jose   | 5,980.44     |
| Daniel Sonfrere Fishing  | 5,199.53     |

|   |                  |
|---|------------------|
| Edward, Thomas Leon                         | 660.00           |
| Gunn, Stephen                               | 18,302.80        |
| Hall Beach Transport Ltd.                   | 14,918.70        |
| Jeannette's Dene Handicrafts & Confectioner | 12,765.61        |
| Joe Netser Outfitters                       | 3,693.80         |
| Kudluarak, Charlie                          | 15,563.02        |
| Kaludjak, Joe                               | 1,058.44         |
| Mackay Lake Lodge '89 Ltd.                  | 1,189.44         |
| McM & McM Enterprises Ltd.                  | 6,433.68         |
| Nakashook, Jonah                            | 9,758.91         |
| North Nahanni Expediting                    | 15,355.98        |
| Palvialok, William                          | 1,543.25         |
| RJ Outfitters                               | 10,724.56        |
| Roy's Fishing & Welding                     | 10,377.98        |
| Ruman, Dan                                  | 7,542.96         |
| Sateana, Sandy                              | 2,776.55         |
| Siqiniq Taxi                                | 1,979.10         |
| Smitty's Secretarial Services               | 413.51           |
| Snowshoe, Charlie                           | 7,165.53         |
| Tee-Jay's Homestyle                         | <u>16,829.80</u> |
| Total                                       | \$ 234,007.86    |

Total value of loan accounts approved for write off:

|                        |                        |
|------------------------|------------------------|
| \$ 20,000 or less      | \$ 234,007.86          |
| greater than \$ 20,000 | <u>2,090,300.99</u>    |
|                        | <u>\$ 2,324,308.85</u> |

Note: The \$19 thousand difference between the \$2,324,308 and the \$2,305,000 shown in Note 3, Notes to Financial Statements represents the interest portion of non-performing loan accounts that were approved for write off.

Interest revenue is not recognized in the financial statements in the current year if the loan account is deemed to be non-performing. However, interest accumulation of these accounts do not stop as a result since the collection process has not ceased.

