

NUNAVUT BUSINESS
CREDIT CORPORATION

Annual 2015 Report 2016

NUNAVUT BUSINESS
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CREDIT CORPORATION
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"Lender of Northern Opportunity"



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"Lender of Northern Opportunity"

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Message From The Chairperson

This has been another good year for the Nunavut Business Credit Corporation (NBCC) and I, along with my fellow Board Members, are proud of the strides the organization continues to take. We would like to thank the Minister of Economic Development and Transportation, the Honorable Monica Ell-Kanayuk, for her support and the opportunity to work together throughout the past year.

NBCC has supported businesses in all three regions and our staff are actively engaged in providing on-going advice and assisting business owners in all aspects of their operations. We succeed when our clients succeed.

The Corporation has pursued its community outreach initiative with funding from the Government of Canada's Department of Aboriginal Affairs and Northern Development Canada (AANDC), now known as Indigenous and Northern Affairs Canada. A total of seven communities were visited, with an eighth community deferred to next year due to weather.

The funding from AANDC allowed for the development and publishing of "Helping Nunavut Businesses Get the Financing They Need – A Hamlet Guide to Debt Financing". Copies of this publication, which is also available in Inuktitut, were left with Hamlet officials in the communities of Igloolik, Pond Inlet, Pangnirtung, Arviat, Rankin Inlet, Kugluktuk and Taloyoak.

I, along with senior management of the Corporation, appeared in front of the Standing Committee on Oversight of Government Operations and Public Accounts in September 2015 with respect to its review of the 2013/2014 and 2014/2015 annual reports and 2015/2016 corporate and business plans. The appearance provided the Corporation with an opportunity to brief Members on the role of the Corporation and the progress that it has made since 2007.

The Standing Committee issued its report on November 3, 2015, along with recommendations. The Minister of Economic Development and Transportation tabled the Government of Nunavut's response on March 2, 2016 in the Legislative Assembly.

One of the recommendations was that the Corporation, through the Minister responsible for Nunavut Business Credit

Corporation, table its Memoranda of Understanding with Atuqtuarvik Corporation, Baffin Business Development Corporation, and Kitikmeot Community Futures Inc. These Memoranda of Understanding were recently renewed for additional terms of three years to March 31, 2019.

Another recommendation of the Standing Committee was that the Corporation enhance its annual statutory reporting, which it has with this year's annual report.

The Corporation continued to provide professional development opportunities for its staff and other organizations through funding from the Government of Nunavut's Department of Executive and Intergovernmental Affairs' Specialized Training Fund. The focus of this year's professional development was on items such as taxation, business plans and forecasting, corporate structures, and financial analysis.

The Government of Nunavut's Department of Economic Development and Transportation through its Small Business Support Program provided funding for the marketing and promotion of the Corporation's new logo as well as raising awareness of the Corporation's financial products and services.

On behalf of my fellow Board members, I would also like to take this opportunity to thank our past CEO, Sherri Rowe, for her hard work in turning this organization around and back into good standing with the Office of the Auditor General. We want to welcome our new CEO, Peter Ma, and we are confident that he will carry on the mandate of this organization and look forward to another phase of continued success.

I will be stepping down as Chairperson of NBCC and as a Board member when my term expires on July 7, 2016. I have enjoyed being on this Board and being part of the dedicated members who guided the organization through the difficult transition of qualified audits to being able to hand in unqualified audits before the statutory deadline. I wish NBCC, the Board of Directors, and staff well. I have full confidence they will be successful in helping create more economic opportunities for our fellow Nunavummiut.

Yours truly,

Nancy Karetak-Lindell
Chairperson



Message From The Chief Executive Officer

I am pleased to be back at Nunavut Business Credit Corporation and being part of the team again after having served as the Chairperson from 2007 to 2009. Progress has been made in the intervening period and I hope to be able to contribute to continued progress.

The Corporation's emphasis on community outreach has allowed it to develop closer relationships with its existing and potential clients, as well as with communities themselves. Over time, this will allow the Corporation to participate and partner with existing and potential clients on new business development opportunities.

With new funding from the Department of Economic Development and Transportation, community outreach efforts will continue in 2016/2017.

Our clients are facing challenges because of the general state of the economy. With other financial institutions the Corporation is working with its clients to assist them in getting through these difficult times. Despite these efforts, the Corporation may not always be able to assist its clients to keep their businesses viable.

At the same time, other clients are thriving because despite the general downturn in the economy there are opportunities for growth and expansion, which is why some credit facilities were increased in 2015/2016.

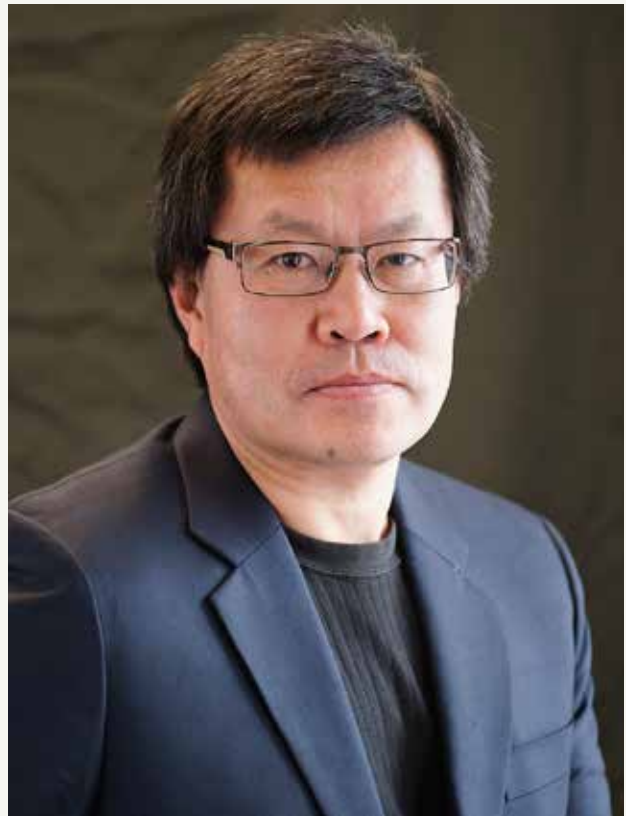
I have heard from our clients that they like the special relationship that they have with us as an organization, which is that we are approachable and make time to listen to their needs.

The team that we have as a Board and staff is special. Everyone cares about their role as we have an impact on the lives of our clients and their communities.

I am looking forward to a productive year in 2016/2017.

Yours truly,

Peter Ma
Chief Executive Officer



*The Corporation provided
a credit facility to Arctic
Fishery Alliance for
commercial fishing
operations.*



Arctic Fishery Alliance



Mandate and Mission

The Mandate of Nunavut Business Credit Corporation (NBCC) is to:

- Function as an agent of the Government of Nunavut (GN) to stimulate economic development and employment in Nunavut by supporting, financing, and investing in resident business enterprises. NBCC does not offer grants or forgivable credit facilities and cannot make equity investments.
- As a lender of northern opportunity, NBCC provides financing alternatives to small and medium business enterprises in Nunavut for whom access to credit represents a real challenge to growing their businesses. The majority of NBCC's clients are established businesses looking to expand or better establish themselves in their markets. NBCC also accepts applications for new businesses.
- Working one on one with its clients, NBCC through its due diligence process gives careful consideration to each application to ensure that the merits of proposed business ventures are evaluated. The Corporation then provides financing for those projects that offer the best opportunities for success.

NBCC's mission is to:

- Stimulate employment and economic development throughout Nunavut. NBCC provides businesses with financing if they are unable to obtain loans from other financial institutions on reasonable terms and conditions.
- As a business development agency, NBCC recognizes that access to adequate capital is one of the many challenges faced by northern businesses in their attempts to take advantage of economic opportunities.
- As an agent of the Government of Nunavut, NBCC strives to contribute to the government's mandate, *Sivumut Abluqta: Stepping Forward Together*, with particular regard to its key priority of "economic growth through responsible development across all sectors."



NBCC Staff at Northern Lights 2016





Corporate Governance

Territorial Corporation

- NBCC is a territorial corporation of the Government of Nunavut. NBCC came into existence on April 1, 1999 by virtue of section 29 of the *Nunavut Act* (Canada). The *Nunavut Business Credit Corporation Act* defines its legal and operational structure and its Regulations guide key aspects of its operations.
- NBCC reports formally to the Minister responsible for Nunavut Business Credit Corporation. Historically, the Minister of Economic Development and Transportation is also the Minister responsible for Nunavut Business Credit Corporation.
- NBCC, like other territorial corporations, is subject to Part IX of the *Financial Administration Act*.

Board of Directors

- Corporate policy and oversight is set by NBCC's Board of Directors (Board).
- The Commissioner-in-Executive Council appoints members of the Board on the recommendation of the Minister responsible for Nunavut Business Credit Corporation. The Minister responsible for Nunavut Business Credit Corporation bases her recommendation on solicitations of her Executive Council colleagues, other Members of the Legislative Assembly, and the general public.
- Members of the Board have been chosen to reflect a cross-section of relevant backgrounds and representation across the territory with two members from each of the Kitikmeot, Kivalliq, and Qikiqtaaluk regions.
- Board members may not hold a NBCC credit facility and no member may work for the Department of Economic Development and Transportation.



Board Members

NAME OF MEMBER	POSITION	COMMUNITY	CURRENT TERM EXPIRES
Nancy Karetak-Lindell	Chairperson	Arviat	July 7, 2016
Marg Epp	Vice-Chairperson	Cambridge Bay	July 7, 2016
Donald Havioyak	Director at Large	Kugluktuk	June 25, 2016
Tommy Owljoot	Director at Large	Arviat	May 31, 2018
Al Lahure	Director at Large	Baker Lake	August 29, 2017
Greg Cayen	Director at Large	Iqaluit	May 31, 2018
Elijah Evaluarjuk	Director at Large	Igloolik	March 29, 2018



Together, the Board members represent a breadth of complementary skills and knowledge in business development, industry sectors, lending practices, and Canada's North. All Board members reside in Nunavut and have a depth of knowledge in at least one of the three territorial regions.

Although situated in Nunavut's capital, NBCC has a mandate that extends across the vast territory. It is therefore important to have strong northern representation on the Board as NBCC sets out to achieve its mandate to benefit Nunavummiut.

Board committees may be established to provide oversight and guidance to address key aspects of NBCC's operations and activities. Each committee has Terms of Reference which have been approved by the Board to guide its activities and priorities. Committee members are selected from the Board as a whole, depending upon their experience and interests.

Statutory Reporting

Ministerial Directive(s)

Section 78(7) of the *Financial Administration Act* (Nunavut) requires NBCC to report any Ministerial directives issued or in place during the fiscal year.

There were no Ministerial directives in place during 2015/2016.

Recommendations by Board of Directors to Minister of Credit Facilities

- Section 30 (1) of the *Nunavut Business Credit Corporation Act* requires the Board of Directors to recommend to the Minister that any credit facilities greater than \$500,000 be either approved or rejected.
- Section 30 (2) of the *Nunavut Business Credit Corporation Act* requires the Minister to either approve or reject the credit facilities recommended under Section 30 (1) by the Board of Directors.
- In 2015/2016, the Board of Directors recommended eight credit facilities to the Minister for approval in the amount of \$7,188,158, all of which were approved by the Minister. Included in this amount is \$3,908,851 that is balances that were previously approved, but included as part of increases to existing credit facilities.

Credit Facilities Approved or Rejected by Board of Directors

- Section 30 (3) of the *Nunavut Business Credit Corporation Act* requires the Board to either approve or reject any credit facilities equal to or less than \$500,000. In 2015/2016, the Board of Directors approved five credit facilities totaling \$1,468,000. There were no credit facilities rejected.

Reviews by the Minister of Credit Facilities under Section 30 (3) (b)

Because there were no credit facilities rejected under Section 30 (3) in 2015/2016 by the Board of Directors, there were no applications to the Minister for a review.





Staff

NBCC has six permanent positions, all of whom are based at its location in Iqaluit. The positions are:

- Chief Executive Officer
- Senior Advisor, Business Services
- Accounts Manager
- Compliance Officer (2)
- Administrative Assistant

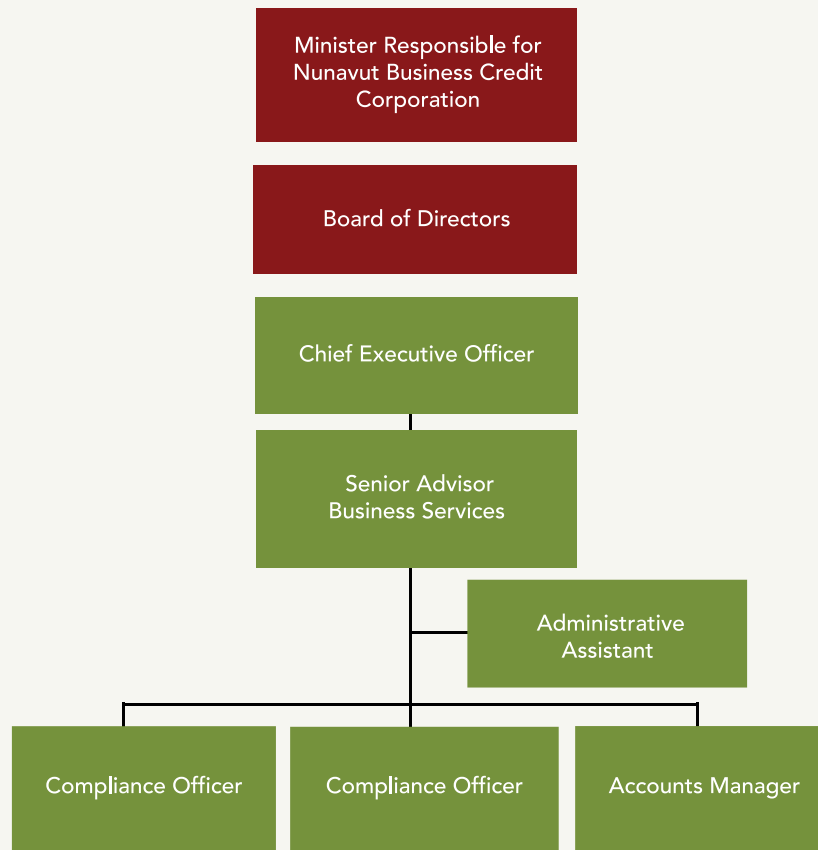
As at March 31, 2016, only the Administrative Assistant position was vacant. Both Compliance Officers are beneficiaries, with one of them also doing some financial accounting.

Providing professional development opportunities to its staff is a priority to ensuring NBCC's success and staff retention.

Corporate Accountability Chart

The Corporation's reporting relationships are shown in the following organization chart:

Corporate Accountability Chart



Note: All positions are located at NBCC's headquarters in Iqaluit.





Management's Discussion and Analysis

The Year in Review

The Corporation's performing clients declined slightly to 40 from 47 in 2015. There are nine non-performing clients, some of whom pre-date the creation of Nunavut.

Through funding from both senior levels of government (Canada and Nunavut), the Corporation continued its community outreach program and provided capacity development to community officials on debt financing, governance, and administration.

The Corporation increased its specific allowance by \$1,268,449 (2015 - \$327,274). This correspondingly caused the general allowance to decrease by \$47,115 (2015 - increase by \$29,800).

The total combined loan loss provisions of \$1,221,334 (2015 - \$357,074) contributed to the Corporation's deficit for the year of \$973,829.

In the fall of 2015, the Corporation appeared before the Standing Committee on Oversight of Government Operations and Public Accounts with respect to a review of the 2013/2014 and 2014/2015 Annual Reports and 2015/2016 Corporate and Business Plans. The Standing Committee subsequently tabled its report on November 3, 2015 with its recommendations.

The Minister of Economic Development and Transportation tabled on March 2, 2016 the Government of Nunavut's response to the Standing Committee's report.

Copies of the Standing Committee's report and the Minister's response are available on the Legislative Assembly's website at www.assembly.nu.ca.

Looking Ahead

The Corporation has concerns about the continued viability of some of its clients and will be carefully monitoring the financial performance of these clients in 2016/2017.

Some of these clients are mutual clients with other financial institutions, and as such, the Corporation will work closely with its clients and these financial institutions.

The Corporation has renewed Memoranda of Understanding with Atuaqtuarvik Corporation, Baffin Business Development Corporation, and Kitikmeot Community Futures Inc. These Memoranda of Understanding help to prioritize areas of common interest.

In addition, the Corporation will receive additional funding in the amount of \$100,000 from the Department of Economic Development and Transportation to continue its community outreach efforts.

Key Highlights 2015/2016

- Enhancing its annual reporting
- Completion of the audited financial statements and annual report within statutory deadlines and ahead of 2014/2015
- Continuation of community outreach efforts in seven communities
- Promotion and marketing of the Corporation's new logo and financial products and services
- Continuation of professional development opportunities for its staff
- Attendance at conferences





Summary Of Financial Results

Current Year's Results

The Corporation incurred a deficit of \$973,829 for the year ended March 31, 2016 (2015 surplus of \$138,057). The accumulated deficit as at March 31, 2016 totaled \$1,629,200 (2015 – \$655,371).

Revenues

NBCC outperformed its 2015/2016 budget estimate for revenues by \$230,388.

REVENUES	2016 BUDGET	2016 ACTUAL
Interest income on loans Receivables	\$945,000	\$1,200,673
Other interest income	\$75,000	\$34,190
Other income	0	\$15,525
Total revenues	\$1,020,000	\$1,250,388

There was no significant change in revenues, although other interest income decreased to \$34,190 from \$45,448 as a result of a general decline in interest rates.

Contributions

CONTRIBUTIONS	2016 BUDGET	2016 ACTUAL
Government of Nunavut – Core Funding	\$750,000	\$740,370
Government of Nunavut – Small Business Support and Training Programs	0	39,615
Government of Canada – Professional Development Program	0	66,921
Total Contributions	\$750,000	\$846,906

NBCC outperformed its 2015/2016 budget estimate for contributions by \$96,906.

Operating Expenses

NBCC outperformed its 2015/2016 budget estimate for operating expenses by \$52,510, exclusive of provision for credit losses and interest expense on advance from Government of Nunavut.

OPERATING EXPENSES	2016 BUDGET	2016 ACTUAL
Salaries and Benefits	\$900,000	\$1,122,640
Professional fees	195,000	230,892
Facilities Expenses	80,000	78,430
Office Expenses	75,000	46,713
Board Meetings	100,000	37,192
Travel	125,000	91,836
Advertising and promotion	100,000	67,360
Board Honoraria	100,000	25,525
Other items, not listed	95,000	16,902
Total operating expenses	\$1,770,000	\$1,717,490

The Corporation continues to operate in the most appropriate cost efficient manner.

Interest expenses on advance for Government of Nunavut

Interest expense on advance from Government of Nunavut declined to \$132,299 from \$238,578, due to a decrease in interest rates generally.

INTEREST EXPENSE	2016 BUDGET	2016 ACTUAL
Interest expense on advance from Government of Nunavut	0	\$132,299



Provision for Losses on Impaired Credit Facilities

NBCC underperformed its 2016 budget estimate for provision for credit losses by \$1,221,334.

CREDIT LOSSES	2016 BUDGET	2016 ACTUAL
Provision for Credit Losses	0	\$1,221,334

The provision for losses on impaired credit facilities is based upon a review of all client credit facilities. The provision represents management’s best estimate of probable credit losses. The total allowance for 2015/2016, which includes both of the general and specific provisions, is \$3,378,635 (2015 - \$2,157,301), which is an increase of \$1,221,334 (2015 - \$357,074) over the previous year.

Specific Allowance

Management reviews the portfolio on a regular basis to determine if any credit facilities should be classified as impaired. In 2015/2016, specific provisions were provided on five credit facilities in the amount of \$1,268,449.

The Corporation’s overall specific allowance was \$3,014,158 (2015 - \$1,745,709) at year-end, which is an increase of 72.7% (2015 - 23.1%) from 2014/2015.

A total of nine (2015 - eight) credit facilities have specific provisions, which is 15.8% (2015 - 13.3%) of the total credit facilities of 57 (2015 - 60). These nine credit facilities encompass five different communities. The Corporation currently has credit facilities in eleven different communities.

General Allowance

A general allowance is calculated each year to provide for possible impairments within the overall credit facility portfolio after taking into account specific allowances. The general allowance is calculated as the total loans receivable, less the specific allowance at the end of the fiscal year, less any payout of loan balances after year end and is multiplied by 2%.

The general allowance for 2015/2016 is \$364,477 (2015 - \$411,592), which is a decrease of \$47,115 or 11.5% (2015 - increase of \$29,800; 7.8%) from 2014/2015.

Write-offs

Under the provisions of the *Financial Administration Act*, the outstanding principal and interest on a loan can be approved for write-off by the Corporation’s Board of Directors if the total outstanding on a loan is \$20,000 or less; or by the Legislative Assembly of Nunavut if the total outstanding on a loan is over \$20,000. A loan written-off is still subject to collection action.

There have been no loan write-offs during the year.



Polar Builders was provided with a credit facility to complete a number of real estate development projects.

Polar Builders



Loan Portfolio

Portfolio Activity

The Corporation continues to look for opportunities to add to its portfolio. Through community outreach, possible opportunities are being examined. In particular, some of the opportunities are in non-decentralized communities.

The number of credit facilities decreased to 57 from 60 in the previous year. The number of clients also decreased from 52 to 49.

A total of six new lines of credit were approved in the amount of \$3,000,000. At year-end, \$450,000 had been drawn upon. Two lines of credit totaling \$1,288,392 were paid out.

There were no new term loans approved in 2015/2016. However, five clients had increases totaling \$1,218,603 approved. Four term loans totaling \$2,819,381 were paid out in full during the year.

A total of twelve renewals in the amount of \$1,744,637 were approved, of which seven were term loans totaling \$972,637 and five were lines of credit totaling \$772,000.

Portfolio Risk Management

To minimize risk in its portfolio, the Corporation diversifies its credit facilities by community and by industry sector. Information in this regard is provided in the tables that follow.

In addition, because the Corporation can only legislatively lend to a maximum of \$1,000,000 to any one business enterprise or group of related enterprises, it employs risk management to individual clients in terms of credit facility amounts. Within individual clients, the Corporation secures its credit facilities with clients' assets.



Portfolio Activity by Community

The Corporation has the ability and mandate to provide credit facilities to every community in Nunavut. At year-end, the Corporation had issued credit facilities in 11 of Nunavut's

twenty-five communities. These eleven communities are Cambridge Bay, Gjoa Haven, and Kugluktuk in the Kitikmeot region; Arviat, Coral Harbour, and Rankin Inlet in the Kivalliq region; and Clyde River, Qikiqtarjuaq, Pangnirtung, Iqaluit, and Cape Dorset in the Qikiqtaaluk region.

The tables below provides information on the type and amount (principal only) of the credit facilities in each community.

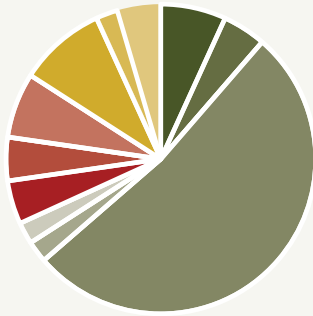
REGION	2015/2016				2014/2015			
Community	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Qikiqtaaluk								
Cape Dorset	3	1	1,254,583	5.9	3	1	1,182,482	5.1
Clyde River	2	-	1,204,781	5.7	3	-	1,348,385	5.8
Iqaluit	23	9	10,511,011	49.9	23	9	11,877,411	51.2
Pangnirtung	1	-	147,881	0.7	1	-	151,872	0.7
Qikiqtarjuaq	1	-	336,781	1.6	1	-	378,080	1.6
Qikiqtaaluk – Total	30	10	13,455,037	63.8	31	10	14,938,230	64.4
Kivalliq								
Arviat	2	-	750,571	3.6	2	-	750,571	3.2
Coral Harbour	2	-	742,376	3.5	2	-	756,005	3.3
Rankin Inlet	3	1	2,578,291	12.3	3	1	1,720,559	7.4
Kivalliq – Total	7	1	4,071,238	19.4	7	1	3,227,135	13.9
Kitikmeot								
Cambridge Bay	4	1	1,531,542	7.3	5	2	2,900,639	12.5
Gjoa Haven	1	-	461,053	2.2	1	-	482,805	2.1
Kugluktuk	2	1	1,527,951	7.3	2	1	1,648,145	7.1
Kitikmeot – Total	7	2	3,520,546	16.8	8	3	5,031,589	21.7
Total Loan Portfolio	44	13	21,046,821	100.0	46	14	23,196,954	100.0



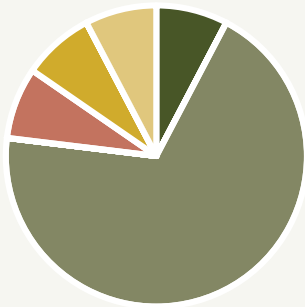
PORTFOLIO ACTIVITY BY COMMUNITY BREAKDOWN

2015/2016 Portfolio

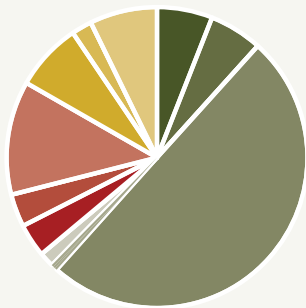
Term Loans



Lines of Credit

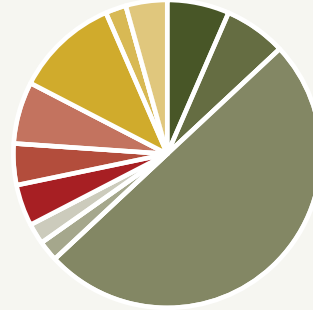


Total Amount

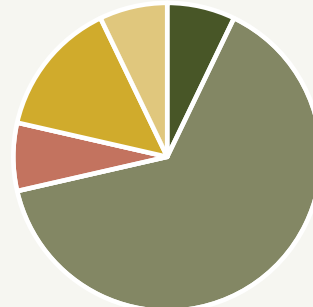


2014/2015 Portfolio

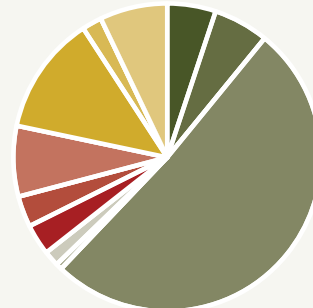
Term Loans



Lines of Credit



Total Amount



- Cape Dorset
- Clyde River
- Iqaluit
- Pangnirtung
- Qikiqtarjuaq

- Arviat
- Coral Harbour
- Rankin Inlet

- Cambridge Bay
- Gjoa Haven
- Kugluktuk



Portfolio Activity by Industry

The Corporation as part of its portfolio risk management strategy diversifies its credit facilities by industry.

At year-end, the Corporation's credit facilities (principal only) by industry sector, is identified in the table below.

INDUSTRY	2015/2016				2014/2015			
	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Performing Loans								
Communication	1	-	25,866	0.1	2	-	51,212	0.2
Construction	8	4	4,301,974	20.4	9	4	5,847,552	25.2
Media	1	-	527,927	2.5	1	-	535,986	2.3
Financial	-	-	-	-	-	1	(33)	-
Fisheries	1	-	336,781	1.6	1	-	378,080	1.6
Hospitality	5	1	2,006,706	9.5	5	-	1,918,258	8.3
Real Estate	4	2	2,884,397	13.7	3	2	2,812,299	12.1
Retail	7	2	3,549,050	16.9	7	3	4,447,323	19.2
Service	7	3	3,216,090	15.3	9	3	3,932,799	17.0
Transportation	1	1	812,782	3.9	1	1	352,530	1.5
Total – Performing	35	13	17,661,573	83.9	38	14	20,276,006	87.4
Non-Performing	9	-	3,385,248	16.1	8	-	2,920,948	12.6
Total Loan Portfolio	44	13	21,046,821	100.0	46	14	23,196,954	100.0

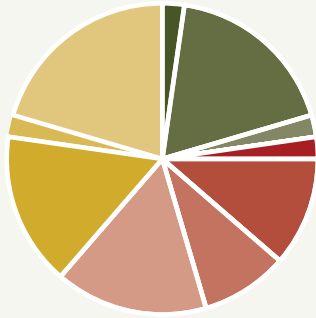
The Corporation provides credit facilities to Nunavut Construction Limited to complete projects in the construction industry.



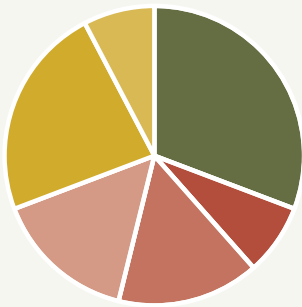
PORTFOLIO ACTIVITY BY INDUSTRY BREAKDOWN

2015/2016 Portfolio

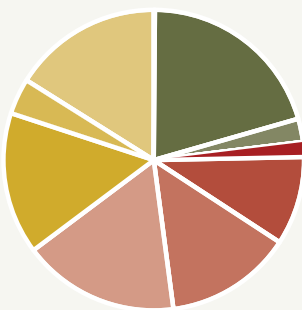
Term Loans



Lines of Credit

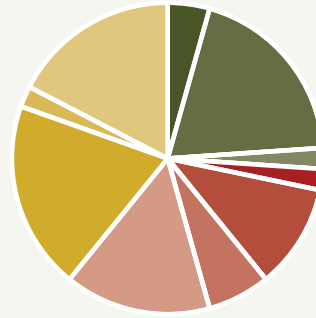


Total Amount

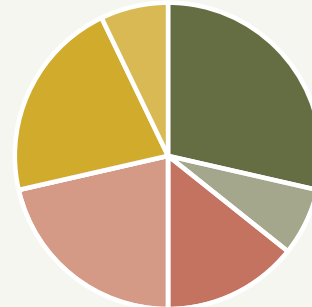


2014/2015 Portfolio

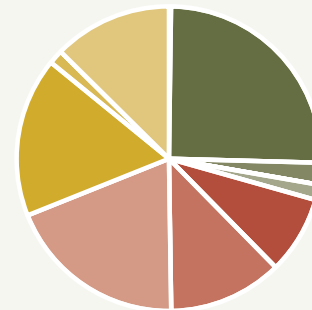
Term Loans



Lines of Credit



Total Amount



- | | | |
|-----------------|---------------|------------------|
| ■ Communication | ■ Fisheries | ■ Service |
| ■ Construction | ■ Hospitality | ■ Transportation |
| ■ Media | ■ Real Estate | ■ Non-Performing |
| ■ Financial | ■ Retail | |





Lending Requirements

Generally, Canadian chartered banks, but particularly in Nunavut, do not provide credit facilities for start-up businesses or businesses without a history of successful operation.

This has changed recently in Nunavut due to the entrance of Atuqtuarvik Corporation and First Nations Bank of Canada, both of whom are either wholly-owned or majority owned by Nunavut Tunngavik Incorporated. Nunavut Tunngavik Incorporated is the signatory to the Nunavut Land Claims Agreement.

The Corporation can provide credit facilities to a maximum of \$1,000,000 to any one business enterprise or to any related business enterprises as follows:

- Loans to business enterprises;
- Guarantee loans made by financial institutions to business enterprises;
- Provide bonds to resident business enterprises;
- Indemnify bonds provided by bonding companies to resident business enterprises.

With respect to loans, the Corporation provides lines of credit and term loans. Lines of credit must be renewed annually. For term loans, the maximum term available is five years while the amortization period can be as long as twenty-five years.

Interest rates are set at the cost of borrowing plus a risk adjustment factor that can range from 0% to 5%. The cost of borrowing is the rate that the Government of Nunavut charges the Corporation for its working capital loan. The interest rate that the Corporation charges its clients is the interest rate in effect on the first day of the quarter in which the Corporation's Board of Directors approved the credit facility plus the applicable risk adjustment factor.



Photo: Kirt Ejesiak





Polar Builders





Nunavut Business Credit Corporation

Financial Statements

FOR THE YEAR ENDED MARCH 31, 2016



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NUNAVUT BUSINESS CREDIT CORPORATION**FINANCIAL STATEMENTS****March 31, 2016**

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Nunavut Business Credit Corporation (the Corporation) and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors.

The financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS). The financial statements include amounts, such as the allowance for losses on loans and the provision for employee future benefits, which are based on management's best estimates and judgment.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized and recorded, assets are safeguarded and controlled, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information, and adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The external auditors have full and free access to the Board of Directors.

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

Peter Ma, CA
Chief Executive Officer

June 10, 2016



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INDEPENDENT AUDITOR'S REPORT

To the Minister of Economic Development and Transportation

Report on the Financial Statements

I have audited the accompanying financial statements of the Nunavut Business Credit Corporation, which comprise the statement of financial position as at 31 March 2016, and the statement of operations and accumulated deficit, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Nunavut Business Credit Corporation as at 31 March 2016, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of Nunavut, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards 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 Nunavut Business Credit Corporation and the financial statements are in agreement therewith. In addition, the transactions of the Nunavut Business Credit Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX the *Financial Administration Act* of Nunavut and regulations, the *Nunavut Business Credit Corporation Act* and regulations, and the by-laws of the Nunavut Business Credit Corporation.



Terrance DeJong, CPA, CA
Assistant Auditor General
for the Auditor General of Canada

10 June 2016
Ottawa, Canada

NUNAVUT BUSINESS CREDIT CORPORATION**Statement of Financial Position**

as at March 31, 2016

	2016	2015
Financial assets		
Cash (Note 3)	\$6,097,184	\$3,627,804
Accounts receivable	25,290	15,886
Due from Government of Nunavut	63,565	13,068
Loans receivable (Note 4 and Note 5)	17,753,676	21,113,318
Loan charges receivable	121,624	46,802
Total financial assets	\$24,061,339	\$24,816,878
Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$390,503	\$234,213
Post-employment benefit liabilities (Note 8)	199,780	36,161
Due to Government of Nunavut (Note 9)	25,132,299	25,238,578
Total liabilities	\$25,722,582	\$25,508,952
Net debt	(1,661,243)	(692,074)
Non-financial assets		
Tangible capital assets (Schedule A)	\$26,791	\$35,799
Prepaid expenses	5,252	904
Total non-financial assets	\$32,043	\$36,703
Accumulated deficit	\$(1,629,200)	\$(655,371)

Contractual obligations (Note 11)

The accompanying notes and schedules are an integral part of these financial statements.

Approved by the Board:



Nancy Karetak-Lindell
Chairperson of the Board

NUNAVUT BUSINESS CREDIT CORPORATION
Statement of Operations and Accumulated Deficit
for the year ended March 31, 2016

	2016 Budget (Note 13)	2016 Actual	2015 Actual
Revenues			
Interest income on loans receivable	\$945,000	\$1,200,673	\$1,148,163
Other interest income	75,000	34,190	45,448
Other income	-	15,525	-
Total revenues	\$1,020,000	\$1,250,388	\$1,193,611
Expenses			
Salaries and benefits	\$900,000	\$1,122,640	\$800,264
Provision for credit losses	-	1,221,334	357,074
Interest expense on advance from Government of Nunavut (Note 9)	-	132,299	238,578
Professional fees	195,000	230,892	117,754
Facilities expense	80,000	78,430	78,430
Office expense	75,000	46,713	82,193
Board meetings	100,000	37,192	28,039
Travel	125,000	91,836	78,134
Advertising and promotion	100,000	67,360	46,553
Board honoraria	100,000	25,525	20,075
Amortization	10,000	9,008	12,103
Training and development	35,000	5,133	1,866
Other expenses	50,000	2,761	1,221
Total expenses	\$1,770,000	\$3,071,123	\$1,862,284
(Deficit) for the year before Government contributions	\$(750,000)	\$(1,820,735)	\$(668,673)
Contribution from Government of Nunavut			
Core Funding (Note 12)	\$750,000	\$740,370	\$740,370
Small Business Support Program (Schedule B)	-	23,045	-
Strategic Investments Program (Schedule C)	-	-	49,815
Specialized Training Fund (Schedule D)	-	16,570	16,545
Total contribution from Government of Nunavut	\$750,000	\$779,985	\$806,730
Contribution from Government of Canada			
Professional and Institutional Development Program (Schedule E)	\$-	\$66,921	\$-
Total contribution from Government of Canada	\$-	\$66,921	\$-
(Deficit)/Surplus for the year	\$-	\$(973,829)	\$138,057
Accumulated deficit - beginning of the year	\$(655,371)	\$(655,371)	\$(793,428)
Accumulated deficit - end of the year	\$(655,371)	\$(1,629,200)	\$(655,371)

The accompanying notes and schedules are an integral part of these financial statements.

NUNAVUT BUSINESS CREDIT CORPORATION**Statement of Change in Net Debt****for the year ended March 31, 2016**

	2016 Budget (Note 13)	2016 Actual	2015 Actual
(Deficit)/Surplus for the year	\$-	\$(973,829)	\$138,057
Tangible capital assets (Schedule A)			
Additions	\$-	\$-	\$(2,618)
Amortization	10,000	9,008	12,103
	\$10,000	\$9,008	\$9,485
Net additions to prepaid expenses	-	(4,348)	(180)
Change in net debt	\$10,000	\$(969,169)	\$147,362
Net debt - beginning of the year	(692,074)	(692,074)	(839,436)
Net debt - end of the year	\$(682,074)	\$(1,661,243)	\$(692,074)

The accompanying notes and schedules are an integral part of these financial statements.



NUNAVUT BUSINESS CREDIT CORPORATION**Statement of Cash Flow**

for the year ended March 31, 2016

	2016	2015
Cash provided by operating activities		
Interest on loans receivable	\$1,188,850	\$1,282,130
Government of Nunavut contributions	589,748	716,650
Government of Canada contributions	62,389	-
GST rebate	15,886	11,179
Suppliers	(564,937)	(396,514)
Interest payments on Government of Nunavut advance	(238,578)	(290,558)
Interest on current bank account	34,059	44,725
Cash paid to Government of Nunavut	(769,790)	(968,142)
Cash provided by operating activities	\$317,627	\$399,470
Cash used for capital activities		
Tangible capital asset acquisitions	\$-	\$(2,618)
Cash used for capital activities	\$-	\$(2,618)
Cash provided by/(used for) investing activities		
Repayment of loans receivable	\$5,318,164	\$3,510,981
Fee payments received	1,622	7,922
Disbursements of loans receivable	(3,168,033)	(5,840,222)
Cash provided by/(used for) investing activities	\$2,151,753	\$(2,321,319)
Cash provided by financing activities		
Working capital advance	\$-	\$-
Cash provided by financing activities	\$-	\$-
Increase/(Decrease) in cash	\$2,469,380	\$(1,924,467)
Cash - beginning of the year	\$3,627,804	\$5,552,271
Cash - end of the year (Note 3)	\$6,097,184	\$3,627,804

The accompanying notes and schedules are an integral part of these financial statements.

1. The Corporation**(a) Authority**

The Nunavut Business Credit Corporation (the Corporation) is a territorial corporation wholly owned by the Government of Nunavut (the Government). The Corporation came into existence on April 1, 1999 by virtue of section 29 of the *Nunavut Act*. The *Nunavut Business Credit Corporation Act* (Act) defines the legal and operational structure. The Corporation functions under the auspices of the Government's Department of Economic Development and Transportation (the Department) and is subject to Part IX of the *Financial Administration Act* of Nunavut.

(b) Mandate

The mandate of the Corporation is to function as an "arms-length" territorial corporation to stimulate economic development and employment in Nunavut through the loan program by supporting, financing, and investing in resident business enterprises. The Corporation's role is a blend of being a lender of northern opportunity and a developmental agency for Nunavut businesses. The Corporation does not offer any grants, concessionary loans, or forgivable loans and cannot make equity investments. As such, the Corporation only has one program.

(c) Government contributions and advances

The Corporation is economically dependent on the Government's continuing contributions for its direct administrative expenses. The Contribution Agreement with the Department specifies a fixed contribution for the year.

Section 47 of the Act also authorizes the Government to advance to the Corporation an amount out of the Consolidated Revenue Fund not exceeding \$50 million for the purposes of providing financial assistance to business enterprises. The Financial Management Board has set the working capital advance limit at \$40 million. These advances are repayable to the Government on such terms and conditions as the Minister of Finance may determine.

(d) Taxes

The Corporation is non-taxable under the *Income Tax Act* (Canada).

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) as issued by the Chartered Professional Accountants of Canada (CPA Canada). The following is a summary of the significant accounting policies.

(a) Cash

Cash is comprised of bank account balances, net of outstanding cheques, and trust advances. Surplus cash earns interest income based on the Government's bank interest rate.

(b) Accounts receivable

Accounts receivable are valued at the lower of cost or net recoverable value. Valuation allowances, if necessary, are recorded based on all circumstances known at the date these financial statements are prepared, including past events and current conditions.



2. Significant accounting policies (continued)**(c) Tangible capital assets**

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided on a declining balance basis using the following rates:

Computers and office equipment	30%
Office furniture and fixtures	20%

Tangible capital assets are amortized starting the month after they are purchased to the month after they are sold.

(d) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recorded as incurred.

(e) Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires the Corporation to make estimates and assumptions that affect the amounts of assets, liabilities, revenues, and expenses reported in the financial statements. By their nature, these estimates and assumptions are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these financial statements, the Corporation believes the estimates and assumptions to be reasonable. The more significant management estimates are the allowances for losses on loans and employee future benefits. 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.

(f) Financial instruments

Financial instruments are identified by financial asset and financial liability classifications. The Corporation's financial instruments are initially recorded at fair value and subsequently measured at cost or amortized cost using the effective interest rate method.

The following is a list of the Corporation's financial instruments and their related measurement basis as at March 31, 2016.

Financial Assets	Measurement Basis
Cash	Cost
Accounts receivable	Cost
Loans receivable	Amortized cost
Due from Government of Nunavut	Cost
Loan charges receivable	Cost
Financial Liabilities	Measurement Basis
Accounts payable and accrued liabilities	Cost
Due to Government of Nunavut	Cost

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations and Accumulated Deficit.



2. Significant accounting policies (continued)

(g) Interest income on loans receivable

Interest income on loans receivable is recognized on an accrual basis. All payments received on regular loans are applied against the outstanding balance for other charges, interest, and principal, in that order.

(h) Loans receivable

A loan is classified as impaired when, upon an analysis of all considerations, it is determined that there has been a deterioration in the credit quality of the loan such that, in the opinion of management, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Such considerations may include the following and are assessed in conjunction with other contributing and mitigating factors that may exist with respect to a specific loan:

1. Principal or interest is six months past due unless the loan is fully secured or collection efforts are reasonably expected to result in repayment of the loan;
2. Principal or interest is twelve months past due regardless of whether the loan is well secured or not;
3. Principal or interest is three months past due, if the loan has been previously restructured; or
4. The security of the credit facility is compromised.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated net realizable amount. The estimated net realizable amount is the discounted expected future cash flows at the effective interest rate of the loan. Where the amount and timing of future cash flows cannot be estimated with reasonable reliability, the estimated net realizable amount is the fair market value of the security underlying the loan, net of expected costs of realization and any amounts legally required to be paid to the borrower.

The amount of initial impairment and any subsequent changes in the amount of impairment are recorded as a charge or a credit to the specific allowance for losses on loans.

The Corporation ceases to accrue interest once a loan is classified as impaired. All payments received on impaired loans are credited to the suspended interest, protective loan disbursements, arrears payments for accrued loan interest, and loan principal balance in that order. Once the suspended interest, protective loan disbursements, and accrued loan interest are current then the loan is no longer classified as impaired. All payments received on previously written off loans are recognized as revenue.

Loans are restored to performing status when it is determined that there is a reasonable assurance of timely collection of principal and interest. Refinanced loans are considered performing unless they meet the criteria of impaired loans. When an impaired loan is restored or refinanced to an accrual basis, any non-accrued capitalized interest as a result of cash payments received is recognized in income immediately and any remaining non-accrued capitalized interest is recognized over the remaining term of the loan.



2. Significant accounting policies (continued)

(i) Allowance for losses on loans

The allowance for losses on loans is based upon a review of all loans to borrowers and represents management's best estimate of probable credit losses. The allowance includes two components: general and specific.

The general allowance component represents management's estimate of probable losses on those loans which cannot yet be specifically identified as impaired. The general allowance is calculated as the total loans receivable, less the specific allowance at the end of the fiscal year, less any payout of loan balances after year end and is multiplied by 2%.

The specific allowance component is established on an individual loan basis to recognize credit losses. The amount of the initial impairment and any underlying subsequent changes due to re-evaluation of estimated realizable values are recorded through the provision for credit losses as an adjustment to the specific allowance for impaired loans.

The general allowance for performing loans and the specific allowance for impaired loans are shown as a reduction to loans receivable.

(j) Write-offs

Under the provisions of the *Financial Administration Act* of Nunavut, the outstanding principal and interest on a loan can be approved for write-off by the Corporation's Board of Directors if the total outstanding on a loan is \$20,000 or less; or by the Legislative Assembly of Nunavut if the total outstanding on a loan is over \$20,000. A loan written-off is still subject to collection action.

Management generally recommends the write-off of a loan only after all means of collecting the loan have been exhausted.

(k) Post-employment benefit liabilities

Pension benefits

All of the employees of the Corporation are covered by the Public Service Pension Plan (the Plan), a 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, the employer contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

Non-pension benefits

Under the terms and conditions of employment, the Corporation's employees may earn severance and removal benefits based on years of service. These benefits are paid upon resignation, retirement, or death of an employee. The accrued liability and related expenses for these benefits are recorded as employees earn them and has been determined based on management's assumptions and best estimates.



2. Significant accounting policies (continued)

Non-pension benefits (continued)

In addition to severance and removal benefits, the Corporation's employees are entitled to sick leave under the terms of employment. Included in other non-pension benefits is an amount for employees who are permitted to accumulate unused sick leave. However, such entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which are expected to be used in future years is determined by management's assumptions and best estimates.

(l) Revenue recognition

Unless otherwise stated, all revenues are recognized and reported on an accrual basis in the period in which transactions or events give rise to the revenues. Specific revenue accounting policies are as follows:

Transfers from Government of Nunavut and others

Transfers are recognized as revenue when the funding is authorized and any eligibility criteria are met, except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability. Funding revenue is recognized in the Statement of Operations and Accumulated Deficit as the stipulated liabilities are settled. The Corporation does not have deferred revenue balances.

(m) Services provided without charge

The Government provides certain administrative contributions and services without charge to the Corporation. Administrative contributions received are not repayable. The estimated value of these contributions and services are included in their related account balances.

Audit services are provided without charge from the Office of the Auditor General of Canada to the Corporation for the audit of the Corporation's financial statements. No amount has been recognized in these financial statements in respect of the services provided.

3. Cash

The Corporation's cash is pooled with the Government's surplus cash which earns bank interest on the combined balance, rather than on an individual account basis. In 2016, the Corporation earned interest income of \$34,190 (2015 - \$45,448) with an average yield of 0.53% (2015 - 0.96%).

As of March 31, 2016, cash includes a trust advance of \$1,302,934 (2015 - \$1,170,729), which relates to undisbursed loans receivable.



NUNAVUT BUSINESS CREDIT CORPORATION

Notes to Financial Statements

March 31, 2016

4. Loans receivable

As of March 31, 2016, loans receivable are expected to mature as follows:

Terms to Maturity	Annual Interest Rate %	2016	Annual Interest Rate %	2015
1 year	4.25% - 6.56%	\$ 4,283,107	4.25% - 6.88%	\$ 5,450,235
1 - 2 years	5.54% - 6.25%	2,379,522	5.09% - 6.56%	1,358,979
2 - 3 years	5.54% - 6.40%	7,401,425	5.98% - 6.25%	3,645,354
Over 3 years	5.48% - 6.13%	3,597,518	6.09% - 6.40%	9,821,438
Impaired loans	5.75% - 10.25%	3,385,249	5.75% - 10.25%	2,920,948
Accrued loan interest receivable (Note 6)		\$21,046,821		\$23,196,954
		85,490		73,665
Less: Allowance for losses on loans receivable (Note 5)		\$21,132,311		\$23,270,619
		3,378,635		2,157,301
Loans receivable - net		\$17,753,676		\$21,113,318

The concentration of performing loans and impaired loans by region are as follows:

Regions	Annual Interest Rate %	2016	Annual Interest Rate %	2015
Performing Loans				
Qikiqtaaluk	4.25% - 6.56%	\$11,875,692	4.25% - 6.88%	\$13,823,185
Kivalliq	6.05% - 6.25%	2,265,335	6.13% - 6.25%	1,421,232
Kitikmeot	5.48% - 6.21%	3,520,546	5.98% - 6.25%	5,031,589
Total - Performing Loans		\$17,661,573		\$20,276,006
Impaired Loans				
Qikiqtaaluk	5.75% - 6.56%	\$ 1,579,345	5.75% - 6.56%	\$ 1,115,045
Kivalliq	6.09% - 10.25%	1,805,903	6.09% - 10.25%	1,805,903
Kitikmeot	-	-	-	-
Total - Impaired Loans		\$ 3,385,248		\$ 2,920,948
Total		\$21,046,821		\$23,196,954
All Loans				
Qikiqtaaluk	4.25% - 6.56%	\$13,455,037	4.25% - 6.88%	\$14,938,230
Kivalliq	6.05% - 10.25%	4,071,238	6.09% - 10.25%	3,227,135
Kitikmeot	5.48% - 6.21%	3,520,546	5.98% - 6.25%	5,031,589
Total		\$21,046,821		\$23,196,954



5. Allowance for losses on loans

	2016	2015
Specific Allowance		
Balance, beginning of the year	\$ 1,745,709	\$ 1,418,435
Change in provision for the year	1,268,449	327,274
Balance, end of the year	\$ 3,014,158	\$ 1,745,709
General Allowance		
Balance, beginning of the year	\$ 411,592	\$ 381,792
Change in provision for the year	(47,115)	29,800
Balance, end of the year	\$ 364,477	\$ 411,592
Total balance of all allowances, end of the year	\$ 3,378,635	\$ 2,157,301

6. Accrued loan interest receivable

	2016	2015
Performing loans	\$ 26,227	\$ 14,402
Impaired loans	59,263	59,263
	\$ 85,490	\$ 73,665

7. Accounts payable and accrued liabilities

	2016	2015
Trade payables	\$ 33,111	\$ 22,838
Annual leave, lieu time, and optional leave	131,280	64,166
Accrued liabilities	226,112	147,209
	\$ 390,503	\$ 234,213

8. Post-employment benefit liabilities

Pension benefits

All of the employees of the Corporation are covered by the Plan. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The contribution rate effective at year end was 1.15 (2015 - 1.28) for members enrolled before January 1, 2013 and 1.11 (2015 - 1.28) for members enrolled beginning January 1, 2013. The Corporation's contributions of \$63,987 (2015 - \$57,581) were recognized as an expense in the current year. This amount is included in salaries and benefits. The employees' contributions to the Plan were \$50,954 (2015 - \$40,918).

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



8. Post-employment benefit liabilities (continued)

Non-pension benefits

In addition to pension benefits, the Corporation provides severance and removal benefits to its employees. These benefit arrangements are not pre-funded and thus have no assets set aside to fund them, resulting in deficiencies for the arrangements equal to the accrued benefit obligations.

Severance benefits to the Corporation's employees are based on years of service and final salary. Removal assistance to eligible employees are as provided under labour contracts.

As there is no expectation that existing entitlements will be used in future years, no sick leave liability has been recorded.

	2016	2015
Severance	\$ 195,152	\$ 21,249
Removal	4,628	14,912
	\$ 199,780	\$ 36,161

9. Due to Government of Nunavut

	2016	2015
Balance, beginning of the year	\$25,238,578	\$25,290,558
Interest expense on advance for the year	132,299	238,578
Working capital advance	-	-
Amount repaid	(238,578)	(290,558)
Balance, end of the year	\$25,132,299	\$25,238,578

Interest on the advance is calculated monthly based on the average selected Government of Canada three year benchmark bond yields at month end, compounded annually. In 2016, the rate varied from 0.38% to 0.69% (2015 - 0.39% to 1.18%)

There are no fixed repayment terms on the advances.

10. Financial risk management

Credit risk

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

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.



10. Financial risk management (continued)

Credit risk (continued)

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

1. Credit policies and directives, communicated to lending officers whose activities and responsibilities include credit granting and monitoring client performance;
2. Diversifying its portfolio across different geographic regions and securing clients' assets; and
3. Limiting the concentration of loans and investments with any one business enterprise or group of related enterprises to \$1 million.

The principal collateral held as security and other credit enhancements for loans includes: (i) various securities on assets; and (ii) corporate and personal guarantees.

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, 2016.

	2016	2015
Cash	\$ 6,097,184	\$ 3,627,804
Accounts receivable	25,290	15,886
Loans receivable, net of allowances	17,668,186	21,039,653
Accrued interest receivable	85,490	73,665
Loan charges receivable	121,624	46,802
	\$23,997,774	\$24,803,810

Commitments to make future loan disbursements represent unused portions of authorizations to extend credit in the form of loans and credit lines. With respect to credit risk, the Corporation is potentially exposed to a maximum credit risk in an amount equal to the total unused commitments totaling \$1,845,086 (2015 - \$3,598,641) (Note 11).

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	2016	2015
31 - 60 days	\$ -	\$ 365,295
61 - 90 days	-	612,062
Over 90 days	1,624,485	-
	\$ 1,624,485	\$ 977,357

At the end of 2016, there was no known relevant concentration of credit risk by type of customer or geography.



10. Financial risk management (continued)

Interest rate risk

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

The Corporation's borrowing from the Government is based on a variable market rate, but the Corporation lends to borrowers 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's management monitors exposure to interest rate fluctuations; it does not employ any interest rate management policies to counteract interest rate fluctuations.

Based on the Corporation's advances from the Government as at March 31, 2016 and the monthly cash balance on hand, a 100 basis point increase in interest rates would increase the deficit by \$217,333 (2015 - \$214,300). A 100 basis point decrease in interest rates would decrease the deficit by \$132,299 (2015 - \$246,700).

The Corporation is not exposed to any other market risks.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations associated with financial liabilities. The Corporation's objective for managing liquidity risk is to manage operations and cash expenditures within the fixed contribution for the year as specified in the Contribution Agreement with the Department. The Corporation has determined that liquidity risk is not significant.

11. Contractual obligations

Under loan agreements made before year end, the Corporation had commitments to make future loan disbursements subsequent to March 31, 2016 on term loans of \$250,000 (2015 - \$1,687,934) due within the next fiscal year and lines of credit of \$1,595,086 (2015 - \$1,910,707) that are on demand with no established timelines.

12. Related party transactions

The Corporation is related in terms of common ownership to all Government created departments, statutory bodies, and territorial corporations. The Corporation enters into transactions with these entities in the normal course of business under terms and conditions similar to those with unrelated parties. Further details of related party assets, liabilities, revenues, and expenses are included in Schedule F.

(a) Administration contribution

Under the terms of the Contribution Agreement between the Corporation and the Department, the Corporation receives a fixed contribution towards its direct administrative expenses.

	2016	2015
Operational contribution	\$ 600,000	\$ 600,000
Contributions in-kind; services provided without charge	140,370	140,370
	\$ 740,370	\$ 740,370



12. Related party transactions (continued)**b) Services provided without charge**

The Corporation records in the financial statements an estimate of services provided by the Government without charge. Non-cash contributions from the Government include accounting and administrative support, regional and personnel services, office lease, utilities, insurance, and telephone and computer systems.

	2016	2015
Facility expenses	\$ 78,430	\$ 78,430
Office supplies	5,000	5,000
Insurance and risk management	3,398	3,398
Administration of employee salaries and benefits	53,542	53,542
	\$ 140,370	\$ 140,370

13. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the Main Estimates approved by the Legislative Assembly of Nunavut and the Board of Directors.

14. Comparative information

Certain comparative figures have been reclassified to conform to the current year's presentation.

15. Subsequent event

In early May 2016, one loan was identified as being impaired as the borrower is seeking voluntary receivership. On May 26, 2016, the Board of Directors approved a specific allowance for this loan. Management has determined that this event will not have a significant impact on the financial statements.



Schedule of Tangible Capital Assets

for the year ended March 31, 2016

	Computer and office equipment	Office furniture and fixtures	2016	2015
Cost of tangible capital assets				
Opening balance	\$127,458	\$45,773	\$173,231	\$170,613
Additions	-	-	-	2,618
Closing balance	\$127,458	\$45,773	\$173,231	\$173,231
Accumulated amortization				
Opening balance	\$(107,355)	\$(30,077)	\$(137,432)	\$(125,329)
Amortization	(6,030)	(2,978)	(9,008)	(12,103)
Closing balance	\$(113,385)	\$(33,055)	\$(146,440)	\$(137,432)
Net book value	\$14,073	\$12,718	\$26,791	\$35,799
Amortization rate	30%	20%		



Project Schedule - Small Business Support Program

for the year ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Revenue			
Small Business Support Program	\$28,580	\$23,045	\$-
Total revenue	\$28,580	\$23,045	\$-
Expenses			
Advertising	\$32,273	\$21,932	\$-
Trade show booth equipment	4,647	7,082	-
Translations	2,500	2,500	-
Administration	1,408	1,408	-
Total expenses	\$40,828	\$32,922	\$-
Total - Corporation share (30%)	\$(12,248)	\$(9,877)	\$-



NUNAVUT BUSINESS CREDIT CORPORATION
Project Schedule - Strategic Investments Program
for the year ended March 31, 2016

SCHEDULE C

	Budget 2016	Actual 2016	Actual 2015
Revenue			
Strategic Investments Program	\$-	\$-	\$49,815
Total revenue	\$-	\$-	\$49,815
Expenses			
Trade show	\$-	\$-	\$10,472
Community travel, meeting venues and translations	-	-	39,343
Total expenses	\$-	\$-	\$49,815
Total	\$-	\$-	\$-

Project Schedule - Specialized Training Fund

for the year ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Revenue			
Specialized Training Fund	\$18,141	\$16,570	\$16,545
Total revenue	\$18,141	\$16,570	\$16,545
Expenses			
Instructor	\$-	\$-	\$7,500
Instructor travel	2,835	2,612	3,109
Instructor accommodations	1,732	1,370	2,986
Instructor per diems	1,079	880	900
Course development and materials	12,495	11,708	2,050
Total expenses	\$18,141	\$16,570	\$16,545
Total	\$-	\$-	\$-



NUNAVUT BUSINESS CREDIT CORPORATION

SCHEDULE E

Project Schedule - Professional and Institutional
Development Program

for the year ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Revenue			
Professional and Institutional Development Program	\$69,321	\$66,921	\$-
Total revenue	\$69,321	\$66,921	\$-
Expenses			
Travel	\$39,501	\$35,999	\$-
Meeting venues	3,600	2,958	-
Professional fees	26,220	27,964	-
Total expenses	\$69,321	\$66,921	\$-
Total	\$-	\$-	\$-

Schedule of Related Party Balances

for the year ended March 31, 2016

Consolidated Financial Reporting Entity	Asset Balances	Liability Balances	Revenue Balances	Expense Balances
Consolidated Revenue Fund				
Office of the Legislative Assembly				
Departments				
Community and Government Services				
Culture and Heritage				
Economic Development and Transportation	\$60,182	\$218,689	\$623,045	
Education				
Environment				
Executive and Intergovernmental Affairs			16,570	
Family Services				
Finance	3,383	25,132,299		\$132,299
Health				
Justice				
Territorial Corporations				
Nunavut Business Credit Corporation				
Nunavut Arctic College				473
Nunavut Development Corporation (including subsidiaries)				(16,450)
Nunavut Housing Corporation (including subsidiaries)				
Qulliq Energy Corporation				
Revolving Funds				
Liquor Revolving Fund				
Petroleum Products Revolving Fund				
Statutory Bodies				
District Education Authorities				
Human Rights Tribunal				
Inuit Uqaqsinginnik Taiguusiluiqtiit				
Labour Standards Board				
Legal Services Board				
Nunavut Liquor Licencing Board				
Nunavut Liquor Commission				
Quliit Nunavut Status of Women Council				
Total Related Party Balances	\$63,565	\$25,350,988	\$639,615	\$116,322











NUNAVUT BUSINESS
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"Lender of Northern Opportunity"

