

NUNAVUT BUSINESS
CREDIT CORPORATION

Annual 2016 Report 2017

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

On behalf of the Board of Directors of Nunavut Business Credit Corporation (NBCC), it is our pleasure to present the Annual Report for 2016/2017.

My fellow Board Members and I are proud of the progress that the organization continues to make.

Nunavut Business Credit Corporation (NBCC) continued to grow its portfolio this year. NBCC continues to support 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 pursued its community outreach initiative with continued funding from the Government of Canada's Department of Indigenous and Northern Affairs Canada. A total of eight communities were visited. Weather can be a challenge, and as a result our staff was not able to get into four other communities. We were also present at the three Regional Trade Shows.

The Corporation has again enhanced its annual statutory reporting, by including in this year's annual report procurement and contracting information and client profiles.

Staff continued the pursuit of professional development with the support of the Corporation. Professional development activities included training on all software utilized by the Corporation and attendance at the annual Aboriginal Finance Officers Association national conference.

I, along with my fellow Board members, would like to thank the Minister of Economic Development and Transportation, the Honorable Monica Ell-Kanayuk, for her ongoing support and the opportunity to work together collaboratively throughout the past year.

We would also like to take this opportunity to thank our past Chairperson, Nancy Karetak-Lindell, for her leadership and vision. She will be missed. We congratulate her and wish her well at her tenure at Inuit Circumpolar Council (Canada).



On behalf of the Board, we wish to express our sincere condolences to the family of John Ningark, who passed away during the year. John was newly appointed to our Board. He was a respected statesman for Nunavut and will be missed.

Respectfully

Marg Epp
Chairperson

MESSAGE FROM THE Chief Executive Officer

In our 2017 – 2020 business plan, we remain cautiously optimistic about the prospects for Nunavut's economy. Traditional sectors, such as the mining sector, may rebound sooner than anticipated because of activity in the Kitikmeot region. We remain optimistic that new technologies, alternative energy, and research activity will bring different business opportunities to Nunavut.

In last year's annual report, I noted that our clients were facing challenges because of a general downturn in the economy. The Corporation, by working collaboratively with other financial institutions, was able to assist most of our clients in getting through the year. Despite these efforts, the Corporation has had to make additional specific loss provisions.

The Corporation was able though to recover more than anticipated on two credit facilities that were previously provided for.

Our team continues to support our clients in any manner possible. We were able to visit a number of clients this year in their communities and gain a better understanding of the challenges and opportunities that they are facing.

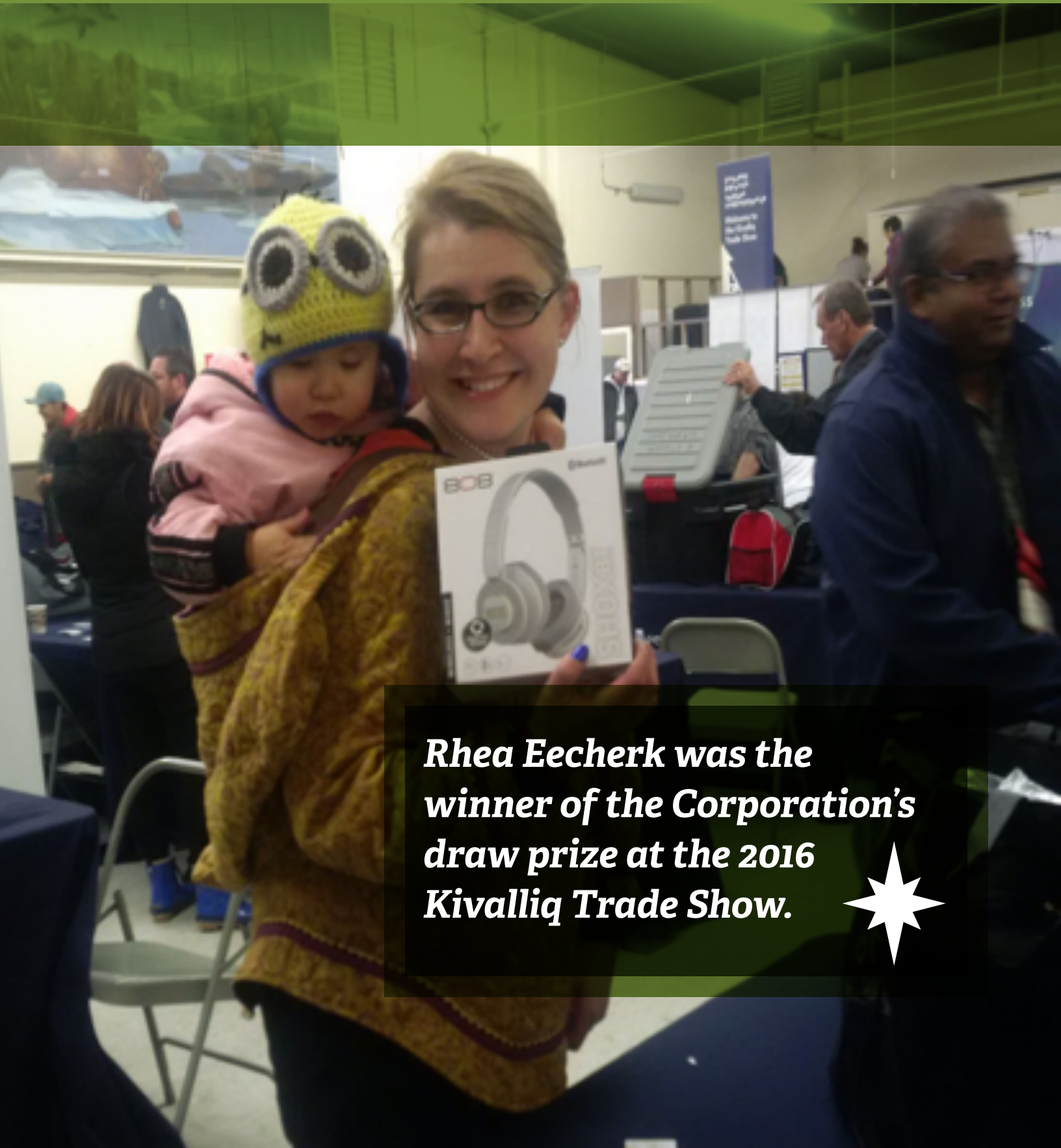
Many of our clients remain positive about the outlook for our territory.

The Corporation, once again, looks forward to another productive year.



Yours truly,

Peter Ma, CPA, CA
Chief Executive Officer



Rhea Echerk was the winner of the Corporation's draw prize at the 2016 Kivalliq Trade Show.



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."

Corporate Governance

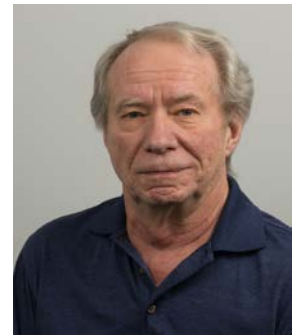
TERRITORIAL CORPORATION

- 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.
- In the interests of transparency, accountability, and potential conflicts of interest (perceived and actual), Board members may not hold a NBCC credit facility and no member may work for the Department of Economic Development and Transportation.

Our Board



BOARD MEMBERS

NAME OF MEMBER	POSITION	COMMUNITY	CURRENT TERM EXPIRES
Marg Epp	Chairperson	Cambridge Bay	July 7, 2019
Elijah Evaluarjuk	Vice-Chairperson	Igloolik	March 30, 2018
Al Lahure	Director at Large	Baker Lake	August 29, 2017
Tommy Owlijoot	Director at Large	Arviat	May 31, 2018
Greg Cayen	Director at Large	Iqaluit	May 31, 2018
Tracy Wallace	Director at Large	Rankin Inlet	July 6, 2019
Donald Havioyak	Director at Large	Kugluktuk	July 7, 2019

Mr. John Ningark was appointed to the Board of Directors on July 7, 2016. Mr. Ningark subsequently passed away on November 17, 2016.

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 2016/2017.

Recommendations by Board of Directors to Minister of Credit Facilities

- Section 30 (1) of the *Nunavut Business Credit Corporation Act* requires the Board 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.
- In 2016/2017, the Board recommended ten (2016 - eight) credit facilities to the Minister for approval in the amount of \$6,710,459 (2016 - \$7,188,158), all of which were approved by the Minister. There were no increases to existing credit facilities that were previously approved (2016 - \$3,029,673).

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 2016/2017, the Board approved one (2016 - three) new credit facility totaling \$360,000 (2016 - \$750,000) and increases to one (2016 - two) credit facility totaling \$300,000 (2016 - \$464,396). The total amount of the credit facility increased was \$450,000 (2016 - \$718,000). There were no (2016 - nil) 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 2016/2017 by the Board, 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

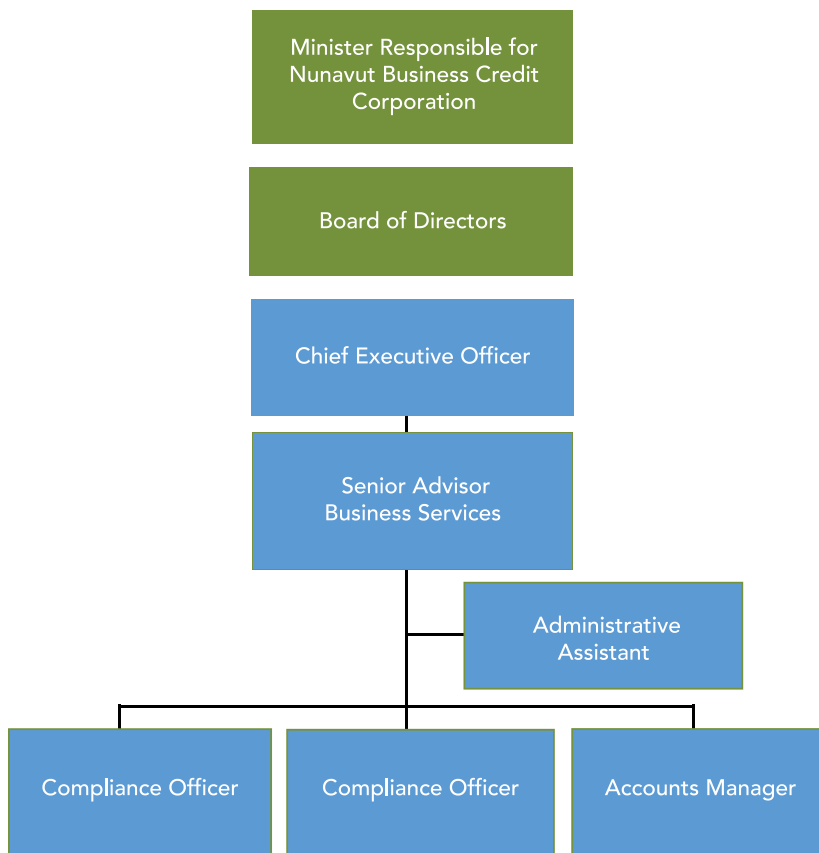
As at March 31, 2017, only the Administrative Assistant position was vacant. Both Compliance Officers are beneficiaries, both of whom also do some financial accounting.

Providing professional development opportunities to its staff is a priority to ensuring NBCC's success and staff retention. In 2016/2017, staff:

- Attended the 2017 Aboriginal Finance Officers Association national conference
- Received training on the Microsoft Office suite of software, The Exceptional Assistant, and Simply Accounting
- Took courses in Sage 50.

CORPORATE ACCOUNTABILITY CHART

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



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



SUDLIQ DEVELOPMENT LTD.

Sudliq Development Ltd. (SDL) commenced operations in 1987. This Coral Harbour based Inuit owned business, which is primarily engaged in the transportation and construction industries, also provides fuel delivery, snow clearing, and cartage services. The company also does outfitting and acts as an airline service agent.

The business is a second-generation family owned and operated enterprise. The owners are active in the business on a day-to-day basis.

SDL employs upwards of 70 local residents during peak business periods.



MANAGEMENT'S Discussion and Analysis

THE YEAR IN REVIEW

The Corporation's performing clients decreased to 39 (2016 – 40). There are 12 non-performing clients, some of whom pre-date the creation of Nunavut.

Through funding from the Government of Canada, the Corporation continued its community outreach program and provided capacity development to community officials on debt financing, governance, and administration in eight communities. Inclement weather prevented the Corporation from getting into four other communities.

The Corporation increased in its specific allowance by \$143,339 (2016 – \$1,268,449). In addition, the general allowance was increased by \$7,037 (2016 – \$47,115).

LOOKING AHEAD

The Corporation has addressed concerns about the continued viability of the some of its clients from 2015/2016.

Nonetheless, the Corporation will need to remain vigilant in monitoring the financial performance of these clients in 2017/2018.

Through its relationship with its sister corporation, Nunavut Development Corporation, and Memoranda of Understanding with Kitikmeot Community Futures Inc., Baffin Business Development Corporation, and Atuqtuarvik Corporation, the Corporation will continue to pursue new clients in a collaborative manner.

The Corporation is cautiously optimistic about Nunavut's economy and is encouraged by the recent positive developments in the mining sector. Growth for Nunavut will need to be driven by new sectors, such as technology, alternative energy, research, and tourism.

Traditional sectors, such as construction, will likely grow in specific communities because of specific construction contracts.

KEY HIGHLIGHTS 2016/2017

- Enhanced annual reporting, which includes the inclusion of information on contracting, procurement, and leasing activities and client profiles
- Completion of the audited financial statements and annual report within statutory deadlines and ahead of 2015/2016
- Continuation of community outreach efforts in eight communities
- Continuation of professional development opportunities for staff
- Sponsorship and attendance at the following:
 - Nunavut Mining Symposium
 - Kivalliq Trade Show
 - Kitikmeot Trade Show
 - Gala des Entrepreneurs du Nunavut
 - Nunavut Arts Festival
- Presenter at the Kivalliq Community Economic Development Officers Conference
- Presented at Inuksuk High School in Iqaluit to senior high students the benefits of being a business owner

SUMMARY OF Financial Results

CURRENT YEAR'S RESULTS

The Corporation posted a surplus of \$333,268 (2016 – deficit of \$973,829) for the year ended March 31, 2017. The accumulated deficit as at March 31, 2017 totaled \$1,295,932 (2016 – \$1,629,200).

REVENUES

NBCC underperformed its 2016/2017 budget estimate for revenues by \$379,130 (2016 – overperformed - \$230,388).

REVENUES	2017 BUDGET	2017 ACTUAL
Interest income on loans receivables	\$1,500,000	\$1,138,308
Other interest income	50,000	32,562
Other income	0	0
Total revenues	\$1,550,000	\$1,170,870

There was no significant change in revenues. However, budgeted interest income on loans receivable were based upon higher interest rates.

CONTRIBUTIONS

CONTRIBUTIONS	2017 BUDGET	2017 ACTUAL
Government of Nunavut – Core Funding	\$850,000	\$872,739
Government of Nunavut – Specialized Training Fund	0	(1,709)
Government of Canada – Professional Development Program	0	68,208
Total Contributions	\$850,000	\$939,238

NBCC outperformed its 2016/2017 budget estimate for contributions by \$89,238 (2016 – \$96,906).

OPERATING EXPENSES

NBCC outperformed its 2016/2017 budget estimate for operating expenses by \$197,709 (2016 – \$52,510), exclusive of provision for credit losses and interest expense on advance from Government of Nunavut.

OPERATING EXPENSES	2017 BUDGET	2017 ACTUAL
Salaries and Benefits	\$900,000	\$828,246
Professional fees	150,000	121,698
Facilities Expenses	80,000	92,036
Office Expenses	75,000	36,945
Board Meetings	75,000	47,831
Travel	125,000	191,605
Advertising and promotion	60,000	66,072
Board Honoraria	75,000	21,925
Other items, not listed	110,000	45,933
Total operating expenses	\$1,650,000	\$1,452,291

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

INTEREST EXPENSE ON ADVANCE FROM GOVERNMENT OF NUNAVUT

Interest expense on advance from Government of Nunavut increased to \$174,173 from \$132,299, due to an increase in interest rates generally.

INTEREST EXPENSE	2017 BUDGET	2017 ACTUAL
Interest expense on advance from Government of Nunavut	\$500,000	\$174,173

PROVISION FOR LOSSES ON IMPAIRED CREDIT FACILITIES

NBCC overperformed its 2016/2017 budget estimate for provision for credit losses by \$99,624 (2016 – underperformed - \$1,221,334).

CREDIT LOSSES	2017 BUDGET	2017 ACTUAL
Provision for Credit Losses	\$250,000	\$150,376

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 2016/2017, which includes both of the general and specific provisions, is \$3,529,011 (2016 – \$3,378,635), which is an \$150,376 increase (2016 – \$1,221,334) 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 2016/2017, specific provisions were provided on four (2016 – five) credit facilities in the amount of \$679,754 (2016 – \$1,268,449). The specific provision on two credit facilities were reduced by \$536,415 as the recovery value of the security held was greater than anticipated.

The Corporation's overall specific allowance was \$3,157,497 (2016 – \$3,014,158) at year-end, which is an increase of 4.8% (2016 – 72.7%) from 2015/2016.

A total of twelve (2016 – nine) credit facilities have specific provisions, which is 21% (2016 – 15.8%) of the total credit facilities of 57 (2016 – 57). These twelve credit facilities encompass six (2016 – five) different communities. The Corporation currently has credit facilities in eleven (2016 – 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 2016/2017 is \$371,514 (2016 – \$364,477), which is an increase of \$7,037 or 1.9% (2016 – decrease of \$47,115; 11.5%) from 2015/2016.

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 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.

CONTRACTING, PROCUREMENT, AND LEASING ACTIVITIES

PROCUREMENT AND LEASING ACTIVITIES

There were no procurement or leasing activities in 2016/2017. The Corporation's offices in the Parnaivik Building in Iqaluit are leased through the Department of Community and Government Services. The facility expense for 2016/2017 was \$92,036 (2016 – \$78,430).

The majority of the Corporation's expenditures that are subject to contracting and procurement activity are professional services. Professional services include information technology services, legal services, and communications services.

The total amounts of contracts issued to vendors were as follows:

COMMUNITY	VENDOR	TYPE OF SERVICE	AWARD METHOD	2017 ACTUAL	2016 ACTUAL	INUIT OWNED FIRM	NNI
Iqaluit	Dubuc Osland	Legal	Sole Source	17,431	24,210		
Iqaluit	Secure North IT Solutions Inc.	Information technology	Sole Source	58,433	66,300		
Iqaluit	Outcrop Nunavut	Communication	Sole Source	35,499	-		
Iqaluit	Katittut	Communication	Sole Source	4,702	1,176		
Iqaluit	Business Development Bank of Canada	Consulting	Sole Source	1,500	-		
Iqaluit	Sila Management	Consulting	Standing Offer Agreement	-	18,156		
Iqaluit	Innirvik Support Services Ltd.	Translation	Sole Source	1,663	-	•	•
Iqaluit	Aglu Consulting	Translation	Sole Source	-	200	•	
Iqaluit	Parenty Reimer Inc	Translation	Sole Source	-	44,280		
Iqaluit	Common Goals Software	Training	Sole Source	7,950	-		
Iqaluit	Ilinniapaa Campus	Training	Sole Source	4,620	-		
Totals				131,798	154,322		

Loan Portfolio



PORTFOLIO ACTIVITY

The Corporation continues to look for opportunities to add to its portfolio. Through community outreach, possible opportunities continue to be examined, particularly, in non-decentralized communities.

Although the number of credit facilities remained constant at 57, the number of clients increased from 49 to 51.

A total of three (2016 – six) new lines of credit were approved in the amount of \$3,000,000 (2016 – \$3,000,000). At year-end, \$2,550,000 (2016 – \$450,000) had been drawn upon.

One existing line of credit was increased by \$300,000 (2016 – nil) at renewal. Eight (2016 – five) other lines of credit were renewed totaling \$3,502,000 (2016 – \$772,000). One (2016 – two) line of credit totaling \$75,155 (2016 – \$1,288,392) was paid out.

There was one (2016 – nil) new term loan approved in 2016/2017 (2016 – nil) in the amount of \$360,000. There were no clients that had increases to their term loans approved (2016 – five; \$1,218,603). Six (2016 – seven) term loans totaling \$1,140,076 (2016 – \$972,637) were renewed. Three existing lines of credit totaling \$360,000 were also converted into term loans. Five (2016 – four) term loans totaling \$869,316 (2016 – \$2,819,381) were paid out in full during the year.

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.

BAFFIN ISLAND CANNERS LTD.

Baffin Island Cannery Ltd. (BICL) commenced operations in 1972. This Iqaluit based grocery business provides a unique selection of bulk items, meats, fresh produce, and grocery items to consumers.

The business is a second-generation family owned and operated enterprise. The owners are active in the business on a day-to-day basis.

BICL gives back to the community through contributions and discounts to community organizations and events.



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

REGION	2016/2017				2015/2016			
Community	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Qikiqtaaluk								
Cape Dorset	3	1	1,020,923	4.1	3	1	1,254,583	5.9
Clyde River	2	-	1,171,276	4.7	2	-	1,204,781	5.7
Iqaluit	22	9	12,909,220	51.9	23	9	10,511,011	49.9
Pangnirtung	1	-	139,593	0.6	1	-	147,881	0.7
Qikiqtarjuaq	1	-	294,959	1.2	1	-	336,781	1.6
Qikiqtaaluk – Total	29	10	15,535,971	62.5	30	10	13,455,037	63.8
Kivalliq								
Arviat	2	-	750,571	3.0	2	-	750,571	3.6
Coral Harbour	2	-	1,009,786	4.0	2	-	742,376	3.5
Rankin Inlet	3	1	2,982,116	12.0	3	1	2,578,291	12.3
Kivalliq – Total	7	1	4,742,473	19.0	7	1	4,071,238	19.4
Kitikmeot								
Cambridge Bay	4	2	2,496,627	10.0	4	1	1,531,542	7.3
Gjoa Haven	1	-	437,811	1.8	1	-	461,053	2.2
Kugluktuk	2	1	1,666,165	6.7	2	1	1,527,951	7.3
Kitikmeot – Total	7	3	4,600,603	18.5	7	2	3,520,546	16.8
Total Loan Portfolio	43	14	24,879,047	100.0	44	13	21,046,821	100.0

AYAYA COMMUNICATIONS INC.

Ayaya Communications Inc. commenced operations in 2002. This Iqaluit based communications business provides a range of creative advertising, marketing, and promotional services.

The business is a second-generation family owned and operated enterprise. The owners are active in the business on a day-to-day basis.

Ayaya employs staff full-time in Nunavut and also employs Nunavut freelancers, including photographers, models, translators, and illustrators.



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	2016/2017				2015/2016			
	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
Construction	7	7	6,803,351	27.4	8	4	4,301,974	20.4
Media	-	-	-	-	1	-	527,927	2.5
Fisheries	1	-	294,959	1.2	1	-	336,781	1.6
Hospitality	8	-	2,837,190	11.4	5	1	2,006,706	9.5
Real Estate	3	2	3,102,122	12.5	4	2	2,884,397	13.7
Retail	4	2	2,195,852	8.8	7	2	3,549,050	16.9
Service	7	2	4,111,975	16.5	7	3	3,216,090	15.3
Transportation	1	1	792,609	3.2	1	1	812,782	3.9
Total – Performing	31	14	20,138,058	81.0	35	13	17,661,573	83.9
Non-Performing	12	-	4,740,989	19.0	9	-	3,385,248	16.1
Total Loan Portfolio	43	14	24,879,047	100.0	44	13	21,046,821	100.0

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.



CAP ENTERPRISES LTD.

CAP Enterprises Ltd. (CAP) is a medium sized Inuit owned business located in Gjoa Haven. CAP started operations in 2002 offering construction and heavy equipment services after realizing the demand for a local company.

Largely due to the tenacity of CAP, Gjoa Haven now reaps the benefits of local construction and heavy equipment operations that reinvests back into the community. CAP employs 25 – 30 people year-round and upwards of 40 people during the summer.

CAP believes the establishment of successful small businesses, and associated infrastructure, is the cornerstone to community development in Nunavut.





Nunavut Business Credit Corporation

Financial Statements

FOR THE YEAR ENDED MARCH 31, 2017

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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, CPA, CA
Chief Executive Officer

June 6, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for Nunavut Business Credit Corporation

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 2017, 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 2017, 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 of 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.



Chantale Perreault, CPA, CA
Principal
for the Auditor General of Canada

6 June 2017
Ottawa, Canada

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

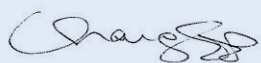
as at March 31

	2017	2016
Financial assets		
Cash (Note 3)	\$ 2,908,070	\$ 6,097,184
Accounts receivable	28,458	25,290
Due from Government of Nunavut	62,472	63,565
Loans receivable (Note 4 and Note 5)	21,675,908	17,875,300
Total financial assets	\$24,674,908	\$24,061,339
Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 884,387	\$ 390,503
Post-employment benefit liabilities (Note 8)	36,906	199,780
Due to Government of Nunavut (Note 9)	25,174,173	25,132,299
Total liabilities	\$26,095,466	\$25,722,582
Net debt	(1,420,558)	(1,661,243)
Non-financial assets		
Tangible capital assets (Schedule A)	\$ 112,354	\$ 26,791
Prepaid expenses	12,272	5,252
Total non-financial assets	\$ 124,626	\$ 32,043
Accumulated deficit	\$(1,295,932)	\$(1,629,200)

Contractual obligations (Note 11)

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

Approved by the Board:



Marg Epp

Chairperson of the Board

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

	2017 Budget (Note 13)	2017 Actual	2016 Actual
Revenues			
Interest income on loans receivable	\$ 1,500,000	\$ 1,138,308	\$ 1,200,673
Other interest income (Note 3)	50,000	32,562	34,190
Other income	-	-	15,525
Total revenues	\$ 1,550,000	\$ 1,170,870	\$ 1,250,388
Expenses			
Salaries and benefits	\$ 900,000	\$ 828,246	\$ 1,122,640
Provision for credit losses	250,000	150,376	1,221,334
Interest expense on advance from Government of Nunavut (Note 9)	500,000	174,173	132,299
Professional fees	150,000	121,698	230,892
Facilities expense	80,000	92,036	78,430
Office expense	75,000	36,945	46,713
Board meetings	75,000	47,831	37,192
Travel	125,000	191,605	91,836
Advertising and promotion	60,000	66,072	67,360
Board honoraria	75,000	21,925	25,525
Amortization	10,000	17,203	9,008
Training and development	50,000	23,264	5,133
Other expenses	50,000	576	2,761
Loss on disposal of fixed assets	-	4,890	-
Total expenses	\$ 2,400,000	\$ 1,776,840	\$ 3,071,123
Deficit for the year before Government contributions	\$ (850,000)	\$ (605,970)	\$(1,820,735)
Contribution from Government of Nunavut			
Core Funding (Note 12)	\$ 850,000	\$ 872,739	\$ 740,370
Small Business Support Program (Schedule B)	-	-	23,045
Specialized Training Fund (Schedule C)	-	(1,709)	16,570
Total contribution from Government of Nunavut	\$ 850,000	\$ 871,030	\$ 779,985
Contribution from Government of Canada			
Professional and Institutional Development Program (Schedule D)	\$ -	\$ 68,208	\$ 66,921
Total contribution from Government of Canada	\$ -	\$ 68,208	\$ 66,921
Surplus/(Deficit) for the year	\$ -	\$ 333,268	\$ (973,829)
Accumulated deficit - beginning of the year	\$(1,629,200)	\$(1,629,200)	\$ (655,371)
Accumulated deficit - end of the year	\$(1,629,200)	\$(1,295,932)	\$(1,629,200)

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

	2017 Budget (Note 13)	2017 Actual	2016 Actual
Surplus/(Deficit) for the year	\$ -	\$ 333,268	\$ (973,829)
Tangible capital assets (Schedule A)			
Additions	\$ -	\$ (107,656)	\$ -
Amortization	10,000	17,203	9,008
Loss on disposal of fixed assets	-	4,890	-
	\$ 10,000	\$ (85,563)	\$ 9,008
Net additions to prepaid expenses	-	(7,020)	(4,348)
Change in net debt	\$ 10,000	\$ 240,685	\$ (969,169)
Net debt - beginning of the year	(1,661,243)	(1,661,243)	(692,074)
Net debt - end of the year	\$(1,651,243)	\$(1,420,558)	\$(1,661,243)

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

	2017	2016
Cash provided by operating activities		
Interest on loans receivable	\$ 1,095,916	\$1,188,850
Government of Nunavut contributions	700,182	589,748
Government of Canada contributions	72,195	62,389
GST rebate	20,758	15,886
Suppliers	(609,909)	(564,937)
Interest payments on Government of Nunavut advance	(132,299)	(238,578)
Interest on current bank account	33,472	34,059
Cash paid to Government of Nunavut	(433,301)	(769,790)
Cash provided by operating activities	\$747,014	\$ 317,627
Cash used for capital activities		
Tangible capital asset acquisitions	\$ (107,656)	\$ -
Cash used for capital activities	\$ (107,656)	\$ -
Cash (used for)/provided by investing activities		
Repayment of loans receivable	\$ 2,583,037	\$5,318,164
Fee payments received	3,753	1,622
Disbursements of loans receivable	(6,415,262)	(3,168,033)
Cash (used for)/provided by investing activities	\$(3,828,472)	\$2,151,753
Cash provided by financing activities		
Working capital advance	\$ -	\$ -
Cash provided by financing activities	\$ -	\$ -
(Decrease)/Increase in cash	\$(3,189,114)	\$2,469,380
Cash - beginning of the year	\$ 6,097,184	\$3,627,804
Cash - end of the year (Note 3)	\$ 2,908,070	\$6,097,184

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 Public Sector Accounting Board (PSAB). 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 that existed at the financial statement date that were known at the date these financial statements are prepared, including past events.

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.

(d) Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management 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, management 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.

(e) 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, 2017.

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.

(f) 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.

2. Significant accounting policies (continued)**(g) 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 as other income.

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.

(h) 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.

2. Significant accounting policies (continued)

(i) 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 recommends the write-off of a loan only after all means of collecting the loan have been exhausted.

(j) 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.

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.

(k) 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.

2. Significant accounting policies (continued)**(l) 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.

(m) Future changes in accounting standards

A number of new and amended standards used by the Public Sector Accounting Board of Canada are not yet effective and have not been applied in preparing these financial statements. The Corporation plans to adopt these new and amended standards on their effective dates and is currently assessing the impact these standards will have on the Corporation's financial statements. The following standards will become effective as follows:

PS 2200 Related Party Disclosures (effective April 1, 2017), a new standard providing disclosure requirements for related party transactions.

PS 3210 Assets (effective April 1, 2017), a new standard providing guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets (effective April 1, 2017), a new standard establishing disclosure requirements for contingent assets.

PS 3380 Contractual Rights (effective April 1, 2017), a new standard defining and establishing disclosure requirements for contractual rights.

PS 3420 Inter-Entity Transactions (effective April 1, 2017), a new standard establishing guidance on how to account for and report transactions between public sector entities that comprise the Corporation's reporting entity from both a provider and a recipient perspective.

PS 3430 Restructuring Transactions (effective April 1, 2018), a new standard defining a restructuring transaction and establishing guidance for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

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 2017, the Corporation earned interest income of \$32,562 (2016 - \$34,190) with an average yield of 0.69% (2016 - 0.53%).

As of March 31, 2017, cash includes a trust advance of \$46,650 (2016 - \$1,302,934), which relates to undisbursed loans receivable.

NUNAVUT BUSINESS CREDIT CORPORATION

Notes to Financial Statements

March 31, 2017

4. Loans receivable

As of March 31, 2017, loans receivable are expected to mature as follows:

Terms to Maturity	Annual Interest Rate %	2017	Annual Interest Rate %	2016
1 year	5.48% - 6.13%	\$7,517,156	4.25% - 6.56%	\$ 4,283,107
1 - 2 years	5.53% - 6.40%	5,087,263	5.54% - 6.25%	2,379,522
2 - 3 years	5.52% - 6.13%	2,731,374	5.54% - 6.40%	7,401,425
Over 3 years	5.32% - 6.05%	4,802,265	5.48% - 6.13%	3,597,518
Impaired loans	5.48% - 8.5%	4,740,989	5.75% - 8.5%	3,385,249
		\$24,879,047		\$21,046,821
Accrued loan interest receivable (Note 6)		127,882		85,490
Loan charges receivable		197,990		121,624
		\$25,204,919		\$21,253,935
Less: Allowance for losses on loans receivable (Note 5)		3,529,011		3,378,635
Loans receivable - net		\$21,675,908		\$17,875,300

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

Regions	Annual Interest Rate %	2017	Annual Interest Rate %	2016
Performing Loans				
Qikiqtaaluk	5.48% - 6.40%	\$12,600,885	4.25% - 6.56%	\$11,875,692
Kivalliq	5.32% - 5.54%	2,936,570	6.05% - 6.25%	2,265,335
Kitikmeot	5.53% - 6.21%	4,600,603	5.48% - 6.21%	3,520,546
Total - Performing Loans		\$20,138,058		\$17,661,573
Impaired Loans				
Qikiqtaaluk	5.48% - 6.56%	\$ 2,935,086	5.75% - 6.56%	\$ 1,579,345
Kivalliq	6.09% - 8.5%	1,805,903	6.09% - 8.5%	1,805,903
Kitikmeot	-	-	-	-
Total - Impaired Loans		\$ 4,740,989		\$ 3,385,248
Total		\$24,879,047		\$21,046,821
All Loans				
Qikiqtaaluk	5.48% - 6.56%	\$15,535,971	4.25% - 6.56%	\$13,455,037
Kivalliq	5.32% - 8.5%	4,742,473	6.05% - 8.5%	4,071,238
Kitikmeot	5.53% - 6.21%	4,600,603	5.48% - 6.21%	3,520,546
Total		\$24,879,047		\$21,046,821

5. Allowance for losses on loans

	2017	2016
Specific Allowance		
Balance, beginning of the year	\$ 3,014,158	\$ 1,745,709
Change in provision for the year	143,339	1,268,449
Balance, end of the year	\$ 3,157,497	\$ 3,014,158
General Allowance		
Balance, beginning of the year	\$ 364,477	\$ 411,592
Change in provision for the year	7,037	(47,115)
Balance, end of the year	\$ 371,514	\$ 364,477
Total balance of all allowances, end of the year	\$3,529,011	\$ 3,378,635

6. Accrued loan interest receivable

	2017	2016
Performing loans	\$ 29,210	\$ 26,227
Impaired loans	98,672	59,263
	\$ 127,882	\$ 85,490

7. Accounts payable and accrued liabilities

	2017	2016
Trade payables	\$ 19,391	\$ 33,111
Annual leave, lieu time, and optional leave	108,664	131,280
Accrued liabilities	756,332	226,112
	\$ 884,387	\$ 390,503

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 1.01 (2016 - 1.15) for members enrolled before January 1, 2013 and 1.0 (2016 - 1.11) for members enrolled beginning January 1, 2013. The Corporation's contributions of \$66,251 (2016 - \$63,987) were recognized as an expense in the current year. This amount is included in salaries and benefits. The employees' contributions to the Plan were \$59,016 (2016 - \$50,954).

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.

	2017	2016
Severance	\$ 24,565	\$ 195,152
Removal	12,341	4,628
	\$ 36,906	\$ 199,780

9. Due to Government of Nunavut

	2017	2016
Balance, beginning of the year	\$25,132,299	\$25,238,578
Interest expense on advance for the year	174,173	132,299
Amount repaid	(132,299)	(238,578)
Balance, end of the year	\$25,174,173	\$25,132,299

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 2017, the rate varied from 0.51% to 0.92% (2016 - 0.38% to 0.69%).

There are no fixed repayment terms on the advances, which are due on demand.

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.

NUNAVUT BUSINESS CREDIT CORPORATION**Notes to Financial Statements**

March 31, 2017

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.

As at March 31, 2017, \$3,704,173 (2016 - \$2,488,026) of the impaired loans are secured by assets the Corporation has the ability to sell in order to satisfy borrowers' commitments.

There were no significant changes to the Corporation's credit risk management policies and practices from the prior year.

The table below illustrates the maximum credit exposure to the Corporation if all counterparties defaulted on March 31, 2017.

	2017	2016
Cash	\$ 2,908,070	\$ 6,097,184
Accounts receivable	28,458	25,290
Loans receivable, net of allowances	21,350,036	17,668,186
Accrued interest receivable	127,882	85,490
Loan charges receivable	197,990	121,624
	\$24,612,436	\$23,997,774

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 \$1,160,252 (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	2017	2016
31 - 60 days	\$ -	\$ -
61 - 90 days	-	-
Over 90 days	552,514	1,624,485
	\$ 552,514	\$ 1,624,485

At the end of 2017, 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, 2017 and the monthly cash balance on hand, a 100 basis point increase in annual interest rates would decrease the surplus by \$248,055 (2016 – increase the deficit by \$217,333). A 100 basis point decrease in annual interest rates would increase the surplus by \$174,173 (2016 – decrease the deficit by \$132,299).

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 maturities of the accounts payable and accrued liabilities at year-end are within 1 – 31 days. The advances from the Government are due on demand with no fixed repayment terms. Repayment on advances is made whenever the Corporation has sufficient cash on hand which is not earmarked for lending purposes.

11. Contractual obligations

Under loan agreements made before year end, the Corporation had commitments to make future loan disbursements subsequent to March 31, 2017 on term loans of \$35,577 due within the next fiscal year and lines of credit of \$1,160,252 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 E.

(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.

	2017	2016
Operational contribution	\$ 700,000	\$ 600,000
Contributions in-kind; services provided without charge	172,739	140,370
	\$ 872,739	\$ 740,370

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

The Corporation records in the financial statements an estimate of cost 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.

The estimated cost of such services is as follows:

	2017	2016
Facility expenses	\$ 92,036	\$ 78,430
Information technology support	3,963	5,000
Insurance and risk management	3,686	3,398
Administration of employee salaries and benefits	73,054	53,542
	\$ 172,739	\$ 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.

Schedule of Tangible Capital Assets

for the year ended March 31

	Computer and office equipment	Office furniture and fixtures	2017	2016
Cost of tangible capital assets				
Opening balance	\$127,458	\$ 45,773	\$ 173,231	\$ 173,231
Additions	107,656	-	107,656	-
Disposals	(100,329)	(1,360)	(101,689)	-
Closing balance	\$ 134,785	\$ 44,413	\$ 179,198	\$ 173,231
Accumulated amortization				
Opening balance	\$(113,385)	\$(33,055)	\$(146,440)	\$(137,432)
Disposals	95,641	\$ 1,158	\$ 96,799	
Amortization	(14,841)	(2,362)	(17,203)	(9,008)
Closing balance	\$ (32,585)	\$(34,259)	\$ (66,844)	\$(146,440)
Net book value	\$ 102,200	\$ 10,154	\$ 112,354	\$ 26,791
Amortization rate	30%	20%		

Project Schedule - Small Business Support Program

for the year ended March 31

	Budget 2017	Actual 2017	Actual 2016
Revenue			
Small Business Support Program	\$-	\$-	\$23,045
Total revenue	\$-	\$-	\$23,045
Expenses			
Advertising	\$-	\$-	\$21,932
Trade show booth equipment	-	-	7,082
Translations	-	-	2,500
Administration	-	-	1,408
Total expenses	\$-	\$-	\$32,922
Total - Corporation share (30%)	\$-	\$-	\$(9,877)

Project Schedule - Specialized Training Fund

for the year ended March 31

	Budget 2017	Actual 2017	Actual 2016
Revenue			
Specialized Training Fund	\$-	\$(1,709)	\$16,570
Total revenue	\$-	\$(1,709)	\$16,570
Expenses			
Instructor travel	-	-	2,612
Instructor accommodations	-	-	1,370
Instructor per diems	-	-	880
Course development and materials	-	-	11,708
Total expenses	\$-	\$ -	\$16,570
Total	\$-	\$(1,709)	\$ -

**Project Schedule - Professional and Institutional
Development Program**
for the year ended March 31

	Budget 2017	Actual 2017	Actual 2016
Revenue			
Professional and Institutional Development Program	\$75,181	\$68,208	\$66,921
Total revenue	\$75,181	\$68,208	\$66,921
Expenses			
Travel	\$68,300	\$64,633	\$35,999
Meeting venues	5,200	3,575	2,958
Professional fees	1,681	-	27,964
Total expenses	\$75,181	\$68,208	\$66,921
Total	\$ -	\$ -	\$ -

Schedule of Related Party Balances

for the year ended March 31

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	\$60,000	\$ 749,528	\$700,000	
Education				
Environment				
Executive and Intergovernmental Affairs				
Family Services				
Finance	2,472	25,174,173		\$174,173
Health				
Justice				
Territorial Corporations				
Nunavut Business Credit Corporation				
Nunavut Arctic College				
Nunavut Development Corporation (including subsidiaries)				
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	\$62,472	\$25,923,701	\$700,000	\$174,173

In the News

Stories courtesy of Nunatsiaq News

Boomtown perks: new café and inn for Nunavut's Kitikmeot hub

"We're trying to bring a community element to what we're doing, not just a café"



Photo courtesy of Kuugaq Café

A recent Friday night full house at Cambridge Bay's new Kuugaq Café. [READ THE STORY »](#)

Nunavut judge blocks discharge of bankrupt taxi operator

Owner of former S&G Taxi has failed to provide info for three years worth of tax returns



Nunatsiaq file photo

A judge at Nunavut's Court of Justice in Iqaluit has indefinitely adjourned an application to discharge from bankruptcy a Rankin Inlet taxi operator who failed to pay back more than a million dollars in loans to the public lending agency Nunavut Business Credit Corp.

The NBCC appeared originally reluctant to provide additional information on its clients, but ultimately indicated it will include further details on its lending practices in future annual reports. [READ THE STORY »](#)

Nunavut public lender moving toward transparency: minister

NBCC lends millions in public dollars but does not reveal publicly to whom



Nunatsiaq file photo

Nunavut's economic development minister, Monica Ell-Kanayuk, says she expects that the territory's arms-length lending agency, the Nunavut Business Credit Corp., will eventually follow through on requests by MLAs to disclose the names of its loan recipients. [READ THE STORY »](#)

Nunavut lender cites slowing economy for deficit, struggling clients

In its 2015-16 annual report, the Nunavut Business Credit Corp. said 9 of 44 clients are struggling with loan repayments.

The Nunavut Business Credit Corp. blames the slowing economy for its reported decrease in performing clients this year, coupled with a deficit of nearly a million dollars caused in part by preparations for a rainy day. [READ THE STORY »](#)



NUNAVUT BUSINESS
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CREDIT CORPORATION
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"Lender of Northern Opportunity"