

NUNAVUT BUSINESS
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CREDIT CORPORATION
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“Lender of Northern Opportunity”

2014-15

ANNUAL REPORT

June 28, 2015
Version #3

Lender of Northern Opportunity



Nunavut Business Credit Corporation

will be the

financial solutions provider of choice

to Nunavut's business community.

From NBCC Strategic Plan 2010-2015, September 2009, p. 1.

MESSAGE FROM THE CHAIR

I am very pleased to report that NBCC showed strong performance through 2014-15, ending the year with a small surplus. In addition to obtaining an unmodified opinion on its financial statements for the 5th year, NBCC set a new record for timely reporting with respect to its 2014-15 fiscal year, surpassing all other territorial corporations under the Government of Nunavut. This serves to further enhance NBCC's credibility and strengthen its position as Nunavut's "Lender of Northern Opportunity".

During the year, the Corporation maintained its commitment to reach more Nunavummiut through engaging in a greater number of community visits. Funding obtained from the Strategic Investment Program administered by the Department of Economic Development and Transportation enabled NBCC staff to visit every community in the Qikiqtaaluk Region during the fiscal year. This complemented an earlier initiative in 2012-13 to visit communities in the other two Regions. NBCC's focused efforts to actively seek out and address the lending needs of Nunavummiut has led to consistent increases in its lending activities to new and established northern businesses over the past few years. Nearly reaching its lending limit in 2013-14, NBCC sought and received formal approval for a \$15 million increase to \$40 million, ensuring its contribution toward the critical development of Nunavut's vital private sector economy.

One limiting obstacle is the inability to-date to secure a legislative change to increase the maximum loan that the Corporation may extend to an eligible client. Applications indicate that changed circumstances such as a higher costs and emerging opportunities for the territory's private sector warrant an increase to the \$1 million threshold that pre-dates Nunavut's inception. The Corporation continues to seek this amendment to its legislation to aid its ability to serve Nunavummiut.

The Corporation also played a lead role in holding in-house sessions on lending practices through the Specialized Training Fund sponsored by the Department of Executive and Intergovernmental Affairs. The Corporation extended invitations to other lending organizations in the territory to ensure the application of consistent best practices.

MESSAGE FROM THE CHAIR

Throughout the year, the Corporation experienced internal stability with all key positions filled on an indeterminate basis. There was one departure due to the relocation of a staff member but the position was promptly filled with a well-qualified beneficiary. Training plans have been developed and each employee has undertaken training during the year. The Corporation strives to complete more cross-training to ensure sufficient coverage and depth of knowledge during staff absences.

Lastly, I would like to acknowledge NBCC's active and engaged Board of Directors throughout the fiscal year. The Board is comprised of experienced members from across the Territory and the members' combined northern knowledge and commitment has contributed to NBCC's strong performance.

I would like to acknowledge the NBCC's senior management and its staff in their efforts in ensuring the Corporation's continued success in serving Nunavummiut and meeting its commitment to be the "Lender of Northern Opportunity".

Yours truly,



Nancy Karetak-Lindell

Acting Chair

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I am happy to report on another successful year of operations. NBCC continues to play a significant role in the development of the Territory's vital private sector economy through meeting the lending needs of Nunavummiut.

It has been a very active year with notable achievements. NBCC has once again obtained an unmodified opinion and met its statutory reporting deadline. This year it also exceeded expectations by setting a new record for timely reporting, well ahead of the other territorial corporations under the Government of Nunavut. Lending activities have also been brisk with an increase in the total loan portfolio, contributing to a positive surplus balance at the year-end.

NBCC continues to reach out across the territory to attract new loan clients and offer additional assistance to existing ones. Through an enhanced lending limit of \$40 million, from its former level of \$25 million, NBCC is well positioned to extend its lending activities to further support Nunavut-based businesses. Assistance provided by the Department of Economic Development and Transportation enabled NBCC to continue its focused efforts to visit Nunavut communities and work with entrepreneurs and business owners in person. During the year, NBCC secured a significant increase in its lending activities in the Kitikmeot Region following efforts in 2012-13 to spend more time in Nunavut's most western and central regions. The focus of this year's outreach initiative was the Qikiqtaaluk Region.


Reporting the Corporation's success is not complete without acknowledging the contributions of its Board and staff. NBCC has benefited from a strong Board with members representing each Region of the Territory. The Board's breadth of experience, knowledge of Nunavut's business environment and familiarity with local issues has been a significant advantage to

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

NBCC and its operations. The Corporation's internal resources have also been very stable throughout the year with all key positions filled on an indeterminate basis. Staff members possess considerable northern knowledge and are highly committed to assist NBCC's clients in meeting their financing needs.

I would like to thank the Board for its direction and oversight throughout 2014-2015 and its efforts in working with NBCC's senior management to ensure the Corporation's continued success as it strives to be the "Lender of Northern Opportunity".

Yours truly,



Sherri Rowe, CGA

Chief Executive Officer

MANDATE

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 enterprises in Nunavut for whom access to credit represents a real challenge to growing their business. The majority of NBCC's clients are established businesses looking to expand or better establish themselves in their market. NBCC also accepts applications for new businesses.

Working one on one with its clients, NBCC through its rigorous due diligence process gives careful consideration to each application, ensuring the merits of each proposed enterprise. The Corporation then provides financing for those projects that offer the best opportunities for success.

MISSION

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 newly established mandate, *Sivumut Abluqta: Stepping Forward Together*, with particular regard to its key priority of "economic growth through responsible development across all sectors".

CORPORATE OVERVIEW

NBCC is a Territorial Corporation of the Government of Nunavut (GN). 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. Historically, the Minister of Economic Development and Transportation is also the Minister Responsible for NBCC.

The Territorial Corporation is subject to Part IX of the *Financial Administration Act*.

ORGANIZATIONAL STRUCTURE

Board of Directors

Corporate policy and overview is set by NBCC's Board of Directors (Board). The Commissioner-in-Executive Council appoints members of NBCC's Board on the recommendation of the Minister Responsible for the NBCC. The Minister bases her recommendation on solicitations of her cabinet colleagues, other Members of the Legislative Assembly and the general public.

Historically, members of the Board have been chosen to reflect a cross-section of relevant backgrounds and representation across the territory with two members each from the Kitikmeot, Kivalliq and Qikiqtaaluk regions. Board members may not hold an NBCC credit facility and no member may work for ED&T.

*Nunavut Business Credit Corporation Regulations (R-008-2010) address Board honoraria and expenses, amortization and term of loans and interest rates.

NBCC’s Board of Directors in place through 2014-2015 is shown below.

BOARD OF DIRECTORS			
Position	Member	Location	Term End
Greg Cayen, FCA	Chair	Iqaluit	May 31, 2015
Marg Epp	Director	Cambridge Bay	June 25, 2016
Donald Havioryak	Director	Kugluktuk	June 25, 2016
Elijah Evaluarjuk	Director	Igloolik	March 29, 2018
Nancy Karetak-Lindell	Vice Chair	Arviat	June 25, 2016
Allan Lahure	Director	Baker Lake	August 29, 2017
Tommy Owlijoot	Director	Arviat	May 31, 2015

Together, the Board members represent a breadth of complementary skills and knowledge in business development, lending practices and Canada's north. All Board members reside in Nunavut and have a depth of experience 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. In 2014-2015, three such committees existed, namely the Finance Committee, the Credit Facility Committee and the Policy and Planning Committee. Each Committee has Terms of Reference which have been approved by the full Board to guide its activities and focus. Committee members are selected from the existing Board members depending on their experience and interests. Each Board member is encouraged to participate on at least one Committee.

Staff Positions

NBCC has six permanent staff positions, all based at its location in Iqaluit. They are:

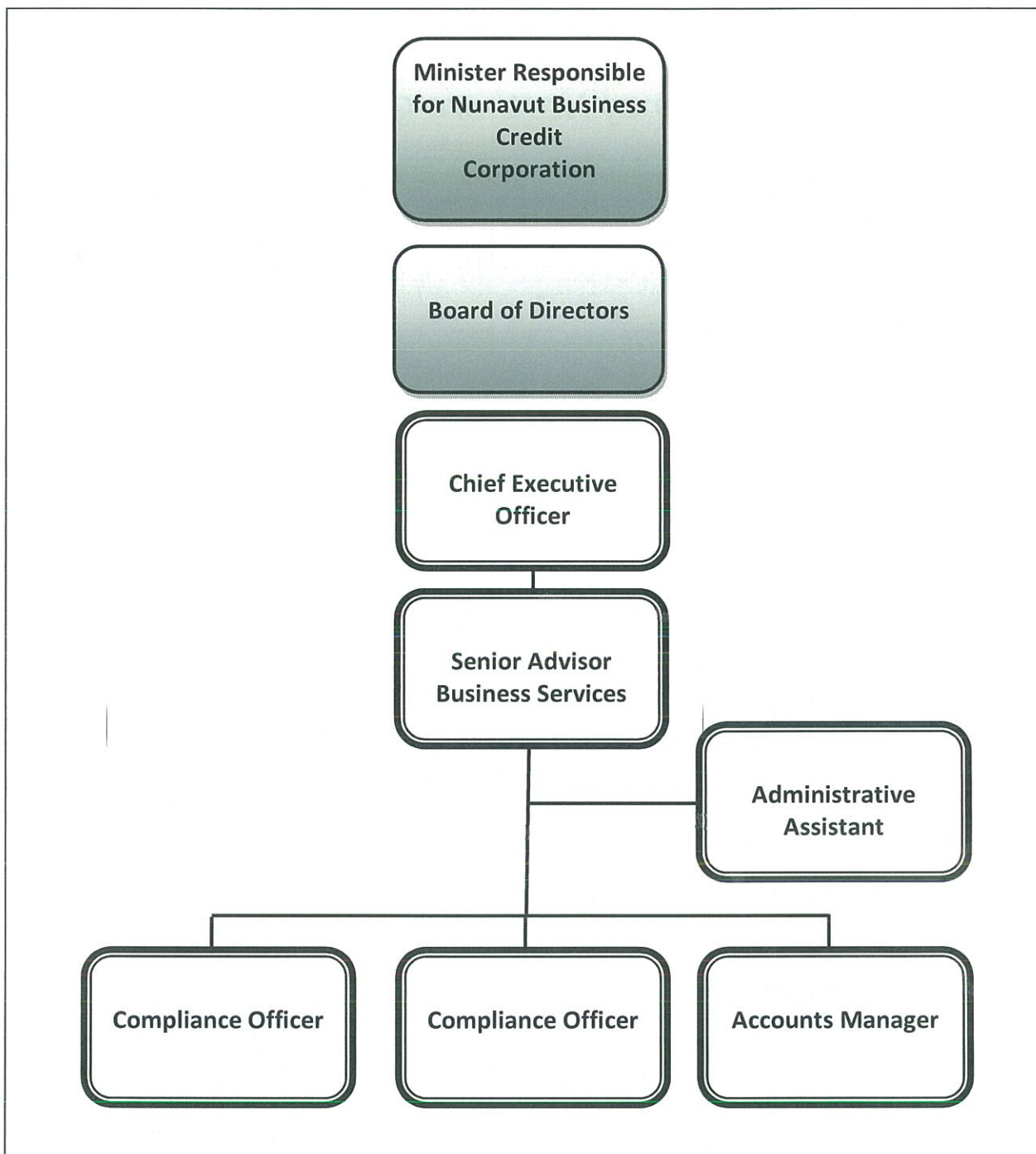
- Chief Executive Officer;
- Senior Advisor, Business Services
- Compliance Officers (2)
- Accounts Manager
- Administrative Assistant

As at March 31, 2015, there were two vacancies. The position of Compliance Officer which became vacant due to a staff member's relocation was filled with a well-qualified beneficiary on an indeterminate basis two months subsequent to the year end. The position of Administrative Assistant has remained vacant for some time and there is no staffing action planned. With all key roles filled, NBCC typically achieves 40% beneficiary representation on staff. Building internal capacity and retaining a stable staff complement are key priorities to ensure NBCC's future success.

Corporate Accountability Chart

NBCC's reporting relationships are represented in the following accountability chart. Both the Minister Responsible for NBCC and the Board of Directors are shown as critical elements of NBCC's governance structure.

CORPORATE ACCOUNTABILITY CHART



All NBCC staff positions are based in Iqaluit.

Lender of Northern Opportunity



Supporting Nunavut businesses



Angela Barkhouse-McPherson and Damian Lachance greet new and existing clients at the Northern Lights Conference in January 2014. Angela is NBCC’s Senior Advisor, Business Services and its longest-serving employee. Angela is often the first person clients meet when seeking financial assistance. Damian joined NBCC in 2011 and serves as the Corporation’s Compliance Officer.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE YEAR IN REVIEW

NBCC has had another successful year of continued growth and activity. Building on the previous year's heightened lending activity, the Corporation saw its loan portfolio grow further in 2014-15. Even more significantly, its lending activities in the Kitikmeot Region has almost doubled, meaning that NBCC is recognized right across the Territory. This is due in large part to the continued efforts since 2012-13 to visit all three Regions.

As a developmental lender, NBCC provides financial assistance to northern-based businesses that are unable to qualify for loans through the major commercial lending institutions. There is inherently a higher risk associated with NBCC's loan portfolio in providing financing to such clients as part of its mandate is to foster economic development and thereby create opportunities for Nunavummiut. NBCC's senior management regularly monitors its clients' repayment performance. It also records an allowance based on management's best estimates that is comprised of a general and specific provision for credit losses. In 2014-15, NBCC made an adjustment to its provision for credit losses due primarily to two clients experiencing financial difficulty. NBCC also increased its general provision given the greater loan portfolio overall. Despite this total adjustment to its provision, NBCC reported a modest surplus for the 2014-15 fiscal year.

Despite these financial results for the year, NBCC's activities throughout the year clearly reflect the renewed strength of its internal operations and financial management capability after successfully addressing significant concerns and deficiencies raised by the Office of the Auditor General. NBCC had faced six consecutive years of denied audit opinions until 2010-11 when, after a focused turnaround plan of the Corporation under the direction of the Board of Directors in cooperation with the Departments of Finance and Economic Development and Transportation and oversight by the Public Agencies Council, the Corporation obtained an unmodified opinion. NBCC has established a new trend with five consecutive years of positive audit results and set a new record by reporting its 2014-15 ahead of its previous record and faster than the other territorial corporations under the Government of Nunavut.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE YEAR IN REVIEW

NBCC has continued its efforts to be responsive to the heightened demand for financing of Nunavut-based businesses. Building on its success in 2013-14, it increased its loan portfolio further in 2014-15 and has reported a surplus for the year.

In 2013-14, NBCC sought an increase in its lending activity from a maximum of \$25 million to \$40 million in 2013-14. The Financial Management Board approved the Corporation's request, highlighting the renewed confidence in its operations overall. This sets an important course for NBCC's future through enhancing its ability to support the Nunavut business community and fulfill its stated objective to be the *Lender of Northern Opportunity*.

LOOKING AHEAD

While NBCC has accomplished much, the Corporation continues to seek ways to broaden its reach to establish additional business with new and existing clients and further expand its loan portfolio. It plans to do this through ensuring greater community presence and assessing additional financing requirements of established clients. Working closely with the Board, it will also endeavour to implement its Business Plan and meet its established priorities for the year ahead.

KEY HIGHLIGHTS

The key highlights of this Annual Report for NBCC's 2014-15 fiscal year are:

- A new record established for timely financial reporting, surpassing its previous record and that of all other territorial corporations under the Government of Nunavut;
- Financial statements in full compliance with Canadian public sector accounting standards and NBCC's statutory reporting deadline;
- Board of Directors in place with representation across the Territory;
- All key positions fully staffed on an indeterminate basis soon after fiscal year end with 40% beneficiary representation;
- NBCC sponsored a session on lending practices for its staff and other lending organizations to ensure consistent best practices in Nunavut;
- Training and development plans in place for each employee.

MINISTERIAL DIRECTIVE

Section 78 (7) of the *Financial Administration Act* requires that NBCC is obligated to report any Ministerial Directive issued and/or in place during the fiscal year.

There were no Ministerial Directives in place for NBCC during 2014-2015.

SUMMARY OF FINANCIAL RESULTS

The following summary examines NBCC's financial results for the period from April 1, 2014 to March 31, 2015. The year ended with a surplus of \$138,057 versus a deficit of \$518,203 in 2013-14. This increase of \$656,260 was due to a number of factors as noted below:

The most significant change over the prior year was the provision for credit losses. Each year the loan portfolio is assessed and a general provision is calculated based on management's estimate of probable loan losses as well as a specific provision made on an individual loan basis. (This is further explained in Note 2 to the financial statements.) In 2013-14, there was a large adjustment to the loan provision related primarily to changed circumstances concerning one loan client. For 2014-15, there was a smaller adjustment to the specific provision although the general provision faced a modest increase as the value of the total loan portfolio was higher than in the prior year. The overall impact to the loan provision was \$449,228 lower in 2014-15 which positively impacted the reported results for the year.

This was met with an increase in interest income on loans receivable of \$139,346 (or 13.8%) for an overall increase in revenue of \$112,150 (or 10.4%) given a reduction in other interest income of \$27,196 (or 37.4%). This increase in total revenue is consistent with changes that occurred to NBCC's loan portfolio during the year with new loan applications approved and monies disbursed.

Total expenses for the year (excluding the adjustment to the provision for credit losses) decreased slightly by \$32,907 (or 2.14%) to \$1,505,210 in 2014-15 from \$1,538,117 in 2013-14. In essence, expenses were held flat despite an increase in lending activity. This speaks highly of management's ability to control expenses as operations expand.

There were a few notable increases through the year which were more than offset by decreases in NBCC's operating expenses. Travel expenses increased by \$44,767 (or 134.2%), office expenses by \$37,900 (or 85.6%) and advertising and promotion by \$20,456 (or 78.4%). However, project-related expenses of \$66,360 funded by the Government of Nunavut are included in these figures and account for the largest component of these increases. Professional fees also increased by \$17,153 (or 17.1%) due to additional resources required through the year. Amortization increased by \$5,334 (or 78.8%).

Operating expense reductions include \$84,653 (or 9.6%) in salaries and benefits due largely to one staff departure, \$51,980 (or 17.9%) in interest expense on the advance from the Government of Nunavut due to lower interest rates overall and \$13,995 (or 33.3%) in meeting and associated expenses related to the Board.

Provision for Losses on Impaired Credit facilities

The provision for losses on impaired credit facilities is based upon a review of all credit facilities to borrowers and represents managements' best estimate of probable credit losses. The total allowance for 2014-15 which includes both general and specific provisions, was \$2,157,300 (2013-14: \$1,800,227) which represents a net increase of \$357,073 (or 19.8%) over the previous year.

Specific Allowance

Management examines the portfolio on a continuous basis for credit facilities which should be classified as impaired. At the end of 2014-2015, credit facilities were declared impaired with a provision for losses of \$1,745,709 (2013-14: \$1,418,435); which represents an increase of \$327,274 (or 23.1%) in the specific allowance for impaired credit facilities.

General Allowance

A general allowance is calculated each year to provide for possible impairments within the credit facilities. NBCC's general allowance is set at 2% of the performing credit facilities portfolio. For 2014-15, it was \$411,592 (2013-14: \$381,792). The change between these years represents an increase of \$29,800 (or 7.8%).

PORTFOLIO PERFORMANCE

Portfolio Activity

NBCC's senior management with the oversight of the Board of Directors has remained committed to ensuring effective controls and administration with respect to the Corporation's loan portfolio to ensure a positive audit opinion, to further enhance the timeliness of the Corporation's financial reporting and to ensure compliance with Canadian Public Sector Accounting Standards and statutory reporting requirements. Several years ago, necessary remedial actions were taken to successfully address concerns and deficiencies reported by the Auditor General of Canada, enhance NBCC's internal capacity, strengthen its policies and procedures and practice continuous improvement.

The Corporation emerged a much stronger responsive organization following this turnaround endeavour. Beginning in 2012-13, NBCC set an aggressive initiative to broaden its reach to new and existing clients and received government funding in 2012-13 and 2014-15 to support this focus. The success of this initiative was most greatly felt through 2013-14 and 2014-15 and has resulted in a significant number of new loan applications. Not only did this re-affirm NBCC's role as *Lender of Northern Opportunity* despite its troubled history but it highlighted the financing needs within the Territory. In 2013-14, NBCC requested an increase to its maximum lending activities from \$25 million to \$40 million. The Corporation significantly increased its loan receivables from its 2012-13 level and continues to seek new lending opportunities in order to fulfil its mandate.

NBCC's Board of Directors and its senior management are committed to seek an increase to its current lending threshold of \$1 million to \$2 million to a loan client including related entities to better address the needs of Nunavut's business communities. This will require an amendment to its legislation and will require working in conjunction with the GN and its legislative process to effect this change.

During 2014-15, 15 new loans were approved and a total of \$5,840,222 was disbursed during the year. At the end of the 2014-15 fiscal year, the portfolio stood at \$21,113,318 an increase of \$1,838,000 or 9.5% over the prior year. (2013-2014: \$19,275,318).

Lender of Northern Opportunity



NBCC Clients



Stuart Kennedy, Tumiut
Development Corporation



Stephen, Michael, Marina, Helen, Paul
"Team Akhaliak"

Credit Facilities

Credit facilities are classified as non-performing when no regular payments have been made over the course of the year and, based on available information and current events, it is considered improbable NBCC will be able to collect all of the amounts related to the credit facilities (interest and principal) as per the contractual terms of the credit facility agreement.

New Credit Facilities

The Board approved 15 new credit facilities for a total of \$8,428,611 (2013-2014: \$12,737,656) during the year.

Repaid Credit Facilities

Regular loan repayments in 2014-2015 amounted to \$3,510,981 (2013-14: \$1,939,304). Four loans were paid through customized and balloon payments. (One in 2013-14.)

Loan disbursements related to loans approved in 2014-2015 amounted to \$2,595,809. (2013-14: \$9,111,436.) A further \$3,244,413 (2013-14: \$2,370,000) was disbursed related to loans approved in the prior year for a total of \$5,840,222 (2013-14: \$11,481,436) disbursed during the year.

Annual Lending Statistics

NBCC lends to businesses in every community throughout Nunavut of which there are 25. During 2014-2015, there were credit facilities in Cambridge Bay, Gjoa Haven and Kugluktuk in the Kitikmeot region, Arviat, Coral Harbour and Rankin Inlet in the Kivalliq and Cape Dorset, Clyde River, Iqaluit, Pangnirtung and Qikiqtarjuaq in the Qikiqtaaluk region.

Industrial Perspective

In terms of performing credit facilities by industry sectors supported, NBCC's loan portfolio is mainly concentrated in the construction industry (28.8%) followed by the retail sector (21.9%). The service and real estate sectors are next, representing 19.4% and 13.9% of active loans respectively. Finding opportunities to diversify its portfolio with other industries continues to be a priority for NBCC.

NBCC understands the need to diversify Nunavut's economy and will continue to engage its strategic partners within the Nunavut Economic Forum and work with other funding agents in Nunavut to assist businesses in accessing the financing they need. Central to NBCC's efforts on this score is the promotion of the Nunavut Economic Development Strategy as a means towards enabling the innovative partnerships required to overcome Nunavut's economic development challenges.

Credit Facilities by Industry Sector March 31, 2015						
Industry Sector	2014-2015			2013-2014		
	LOC	Loans	Amount (\$)	LOC	Loans	Amount (\$)
Performing Loans						
Communication	—	2	51,212	—	2	183,322
Construction	4	9	5,847,552	4	8	4,746,174
Film	—	1	535,986	—	1	500,000
Finance	1	—	(33)	1	—	(33)
Fishery	—	1	378,080	—	1	422,485
Hospitality	—	5	1,918,258	—	5	1,618,360
Real Estate	2	3	2,812,299	2	3	3,166,037
Retail	3	7	4,447,323	4	6	4,135,487
Service	3	9	3,932,799	2	10	2,807,671
Transportation	1	1	352,530	1	1	367,262
Total Performing	14	38	20,276,006	14	37	17,946,765
Non Performing	—	8	2,920,948	—	9	2,920,948
Total Loan Portfolio	14	46	23,196,954	14	46	20,867,713

Regional Perspective

The Qikiqtaaluk Region received most of NBCC's support with five of its thirteen communities serviced for a total of \$14,938,230 in credit facilities which constitutes 64.4% of NBCC's 2014-15 loan portfolio.

The Kitikmeot's share of the portfolio representing three out of its five communities has a value of \$5,031,589, representing 21.7% of the loan portfolio.

The Kivalliq Region with three out of seven communities serviced, holds \$3,227,135 or 13.9% of the loan portfolio.

Community Perspective:

From a community perspective, Iqaluit, Nunavut's capital city, received the majority share of NBCC credit facilities with a total of \$11,877,411 for 2014-2015 divided among 32 credit facilities. This accounts for 79.5% of the region's credit volume and 51.2% of NBCC's total portfolio.

Three other communities have significant credit disbursement volumes: Cambridge Bay with \$2,900,639 divided among seven credit facilities, Rankin Inlet with \$1,720,559 with four credit facilities and Kugluktuk with \$1,648,145 over three credit facilities.

Cambridge Bay's total represents 57.6% of the total amount borrowed in the Kitikmeot and 12.5% of the total portfolio. Rankin Inlet, a Kivalliq community, holds 53.3% of that region's total and 7.4% of the total portfolio. Kugluktuk represents 32.8% of the Kitikmeot region's total and 7.1% of the total portfolio.

Credit Facilities by Community March 31, 2015						
Community	2014-2015			2013-2014		
	LOC	Loans	Amount (\$)	LOC	Loans	Amount (\$)
Qikiqtaaluk						
Cape Dorset	1	3	\$ 1,182,482	1	3	\$ 1,186,019
Clyde River	—	3	1,348,385	1	1	571,958
Iqaluit	9	23	11,877,411	8	24	11,872,214
Pangnirtung	—	1	151,872	—	1	55,209
Qikiqtarjuaq	—	1	378,080	—	1	422,485
Qikiqtaaluk—Total	10	31	14,938,230	10	30	14,107,885
Kivalliq						
Arviat	—	2	750,571	—	2	750,571
Coral Harbour	—	2	756,005	1	3	776,884
Rankin Inlet	1	3	1,720,559	—	5	1,755,257
Kivalliq — Total	1	7	3,227,135	1	10	3,282,712
Kitikmeot						
Cambridge Bay	2	5	2,900,639	2	4	1,862,868
Gjoa Haven	—	1	482,805	—	—	—
Kugluktuk	1	2	1,648,145	1	2	1,614,248
Kitikmeot—Total	3	8	5,031,589	3	6	3,477,116
Total Loan Portfolio	14	46	\$ 23,196,954	14	46	\$ 20,867,713

Note on Performance Measurement

NBCC has strived to strengthen its corporate governance and credit operations and committed to continual improvement since 2010-11.

In that year, a set of manuals were developed which together represent NBCC's policy and accountability framework. The four manuals—Credit Management, Board Orientation, Accounting, and Administration and Conduct—have received Board and Ministerial approval. As part of NBCC's ongoing improvement, NBCC's policies and procedures are reviewed annually and updates are made as necessary. Any revisions to NBCC's policy and accountability framework are subject to Board and Ministerial approval. All manuals are subject to review to ensure they remain relevant to NBCC's current operating environment.

NBCC is also committed to developing quantifiable performance measures and annual reporting practices to enable an objective assessment of the Corporation's success in fulfilling its statutory mandate to stimulate economic development and employment in Nunavut.

NBCC holds a strategic planning session of its Board annually to provide direction and identify priorities for the next three years. NBCC annually reports its performance against these key priorities.

Basic Lending Parameters

Canadian banks across the country, and particularly in Nunavut, generally do not provide lending services for start-ups or companies without a history of successful operation. This underscores the ongoing need for alternative financing institutions in Nunavut such as NBCC and its strategic partners. NBCC lends money within the following parameters:

The maximum level of support to any one enterprise or to a group of related enterprises is \$1 million.

The maximum term for a credit facility is five years and its amortization is generally 25 years.

A business enterprise is eligible to apply for a credit facility if it is unable to obtain a credit facility with reasonable terms and conditions from a financial institution and is Nunavut-based.

The rate of interest is set at the cost of borrowing plus a premium of 0% - 5% based on the risk of the loan. The cost of borrowing is the rate in which the Government of Nunavut charges NBCC for its working capital loan. NBCC charges clients the interest rate in effect the first day of the quarter in which the NBCC Board has approved the credit facility plus the applicable risk rating.

Lender of Northern Opportunity



Nunavut Business Credit Corporation

will be the

financial solutions provider of choice

to Nunavut's business community.

From NBCC Strategic Plan 2010-2015, September 2009, p. 1.

NUNAVUT BUSINESS CREDIT CORPORATION

FINANCIAL STATEMENTS

For the year ended March 31, 2015

Version 8

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**Nunavut Business Credit Corporation
Financial Statements
March 31, 2015**

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Management Responsibility for Financial Reporting

The accompanying financial statements for Nunavut Business Credit Corporation (the Corporation) are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors.

The accompanying financial statements were prepared by management in accordance with Canadian public sector accounting standards. The financial statements also include some 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 the integrity, fairness and quality of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, proper records are maintained, and the Corporation complies with applicable laws and conflict of interest rules. These controls and practices help to ensure the orderly conduct of business, the accuracy of the accounting records, the timely preparation of financial information, and adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The 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.

A handwritten signature in blue ink, appearing to read 'Sherri Rowe', is positioned above the printed name and title.

Sherri Rowe, CGA
Chief Executive Officer

15 June 2015



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 Nunavut Business Credit Corporation, which comprise the statement of financial position as at 31 March 2015, and the statement of operations, 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 Nunavut Business Credit Corporation as at 31 March 2015, 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 Nunavut Business Credit Corporation and the financial statements are in agreement therewith. In addition, the transactions of 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 Nunavut Business Credit Corporation.



Tammy Squires, CPA, CA
Principal
for the Auditor General of Canada

15 June 2015
Ottawa, Canada

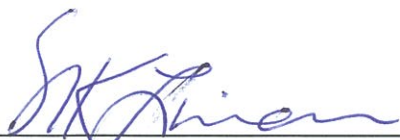
Nunavut Business Credit Corporation
Statement of Financial Position

As at March 31

	2015	2014
Financial assets		
Cash and cash equivalents (Note 4)	\$ 3,627,804	\$ 5,552,271
Accounts receivable	15,886	11,179
Due from the Government of Nunavut	13,068	62,530
Loans receivable (Note 5 and Note 6)	21,113,318	19,275,318
Loan charges receivable	46,802	34,492
Total financial assets	\$ 24,816,878	\$ 24,935,790
Liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 270,374	\$ 484,668
Due to the Government of Nunavut (Note 9)	25,238,578	25,290,558
Total liabilities	\$ 25,508,952	\$ 25,775,226
Net debt	\$ (692,074)	\$ (839,436)
Non-financial assets		
Tangible capital assets (Schedule A)	\$ 35,799	\$ 45,284
Prepaid expenses	904	724
Total non-financial assets	\$ 36,703	\$ 46,008
Accumulated deficit	\$ (655,371)	\$ (793,428)

Contractual obligations (Note 12)

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



Nancy Karetak-Lindell
 Acting Chair of the Board



Sherri Rowe, CGA
 Chief Executive Officer

Nunavut Business Credit Corporation Statement of Operations

For the year ended March 31

	2015 Budget (Note 14)	2015 Actual	2014 Actual
Revenues			
Interest income on loans receivable	\$ 930,000	\$ 1,148,163	\$ 1,008,817
Other interest income	-	45,448	72,644
Total revenues	\$ 930,000	\$ 1,193,611	\$ 1,081,461
Expenses			
Salaries and benefits	\$ 800,000	\$ 800,264	\$ 884,917
Provision for credit losses	-	357,074	806,302
Interest expense on advance from Government of Nunavut (Note 9)	-	238,578	290,558
Professional fees	150,000	117,754	100,601
Facilities expense	80,000	78,430	80,727
Office expense	50,000	82,193	44,293
Board meetings	100,000	28,039	42,034
Travel	100,000	78,134	33,367
Advertising and promotion	150,000	46,553	26,097
Board honoraria	100,000	20,075	23,250
Amortization	10,000	12,103	6,769
Training and development	41,650	1,866	3,699
Other expenses	165,000	1,221	1,805
Total expenses	\$ 1,746,650	\$ 1,862,284	\$ 2,344,419
Deficit before Government contribution	\$ (816,650)	\$ (668,673)	\$ (1,262,958)
Contribution from Government of Nunavut			
Core Funding (Note 13)	\$ 750,000	\$ 740,370	\$ 744,755
Community Outreach Program (Schedule B)	50,000	49,815	-
Specialized Training Fund (Schedule C)	16,650	16,545	-
Surplus (deficit) for the year	-	138,057	(518,203)
Accumulated deficit—beginning of the year	\$ (793,428)	\$ (793,428)	\$ (275,225)
Accumulated deficit—end of the year	\$ (793,428)	\$ (655,371)	\$ (793,428)

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

	2015 Budget	2015 Actual	2014 Actual
	(Note 14)		
Surplus (deficit) for the year	\$ -	\$ 138,057	\$ (518,203)
Tangible capital assets (Schedule A)			
Additions	\$ -	\$ (2,618)	\$ (16,542)
Amortization	10,000	12,103	6,769
	\$ 10,000	\$ 9,485	\$ (9,773)
Net use (additions) of prepaid expenses	-	(180)	7,575
Change in net debt	\$ 10,000	\$ 147,362	\$ (520,401)
Net debt—beginning of year	(839,436)	(839,436)	(319,035)
Net debt—end of year	\$ (829,436)	\$ (692,074)	\$ (839,436)

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

	2015	2014
Cash provided by operating activities		
Interest on loans receivable	\$ 1,282,130	\$ 931,907
Government of Nunavut contributions	716,650	540,000
Other operations	-	142
GST rebate	11,179	17,184
Suppliers	(396,514)	(269,882)
Interest payments on Government of Nunavut advance	(290,558)	(209,676)
Interest on current bank account	44,725	77,770
Cash paid to the Government of Nunavut	(968,142)	(597,125)
Cash provided by operating activities	\$ 399,470	\$ 490,320
Cash provided by financing activities		
Working capital advance	\$ -	\$ 7,000,000
Cash provided by financing activities	\$ -	\$ 7,000,000
Cash used for investing activities		
Repayment of loans receivable	\$ 3,510,981	\$ 1,939,304
Fee repayments received	7,922	39,173
Disbursements of loans receivable	(5,840,222)	(11,481,436)
Cash used for investing activities	\$ (2,321,319)	\$ (9,502,959)
Cash used for capital activities		
Tangible capital asset acquisitions	\$ (2,618)	\$ (16,542)
Cash used for capital activities	\$ (2,618)	\$ (16,542)
Decrease in cash	\$ (1,924,467)	\$ (2,029,181)
Cash and cash equivalents - beginning of year	5,552,271	7,581,452
Cash and cash equivalents - end of the year (Note 4)	\$ 3,627,804	\$ 5,552,271

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 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 "arm's 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 last resort 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 authorized 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. In 2014, the Financial Management Board set the working capital advance limit to \$40 million. These advances are repayable to the Government of Nunavut 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 and cash equivalents

Cash and cash equivalents is comprised of bank account balances, net of outstanding cheques and short-term term deposits. Surplus cash earns interest income based on the Government of Nunavut bank interest rate.

**Nunavut Business Credit Corporation
Notes to Financial Statements**

March 31, 2015

2. Significant Accounting Policies (Continued)

(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.

(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:

Computer 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. Annual, in lieu and optional leave, severance and removal liabilities have been included in accrued liabilities.

(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 relate to 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 bases as at March 31, 2015.

Financial Assets	Measurement Basis
Cash and cash equivalents	Cost
Accounts receivable	Cost
Loans receivable	Amortized cost
Due from Government of Nunavut	Cost
Loan Charge receivable	Cost

2. Significant Accounting Policies (Continued)

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.

(g) Interest income on loans receivable

Revenues are recognized in the period in which the transactions or events occurred that give rise to the revenues. 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;
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 disbursements and accrual interest are current then the loan is no longer classified as impaired. All payments received on previously written off loans are recognized as revenue.

2. Significant Accounting Policies (Continued)

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.

(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) Employee future benefits

Pension benefits

Eligible employees of the Corporation are covered by the Public Service Pension Plan (the "Plan"), a defined benefit plan established through federal legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

2. Significant Accounting Policies (Continued)

Non-pension benefits

Under the terms and conditions of employment, Corporation employees may earn severance and removal benefits based on years of service. These benefits are paid upon resignation, retirement or death of the 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.

(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 the 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 is recognized as deferred revenue when funding stipulations give rise to a liability. Funding revenue is recognized in the Statement of Operations as the stipulation liabilities are settled. The Corporation does not have deferred revenue balances.

(m) Services provided without charge

Government of Nunavut provides certain administrative contributions and services provided 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. No amount has been recognized in these financial statements in respect to the services provided.

3. Adoption of new Canadian Public Sector Accounting Standards

Effective April 1, 2014, the Corporation adopted section 3260 - Liability for Contaminated Sites. This section establishes how to account for and report a liability associated with the remediation of contaminated sites. There was no significant impact of adopting this standard for the year ended March 31, 2015.

Nunavut Business Credit Corporation
Notes to Financial Statements

March 31, 2015

4. Cash and cash equivalents

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 2015, the Corporation earned interest income of \$45,448 (2014 - \$72,644) with an average yield 0.96% (2014 - 1.24%).

As at March 31, 2015, cash and cash equivalents includes a trust advance of \$1,170,729 (2014 - \$2,995,103), which relates to an undisbursed loans receivable.

5. Loans receivable

As of March 31, 2015 loans receivable are expected to mature as follows:

Terms to Maturity	Annual Interest Rate %	2015	Annual Interest Rate %	2014
1 year	4.25% - 6.88%	\$ 5,450,235	3.09% - 7.19%	\$ 6,740,916
1 - 2 years	5.09% - 6.56%	1,358,979	4.25% - 6.88%	715,447
2 - 3 years	5.98% - 6.25%	3,645,354	5.09% - 6.56%	1,244,211
Over 3 years	6.09% - 6.40%	9,821,438	5.98% - 6.32%	9,246,191
Impaired loans	5.75% - 10.25%	2,920,948	5.75% - 10.25%	2,920,948
		23,196,954		20,867,713
Accrued loan interest receivable (Note 7)		73,665		207,832
		\$ 23,270,619		\$ 21,075,545
Less allowance for losses on loans (Note 6)		2,157,301		1,800,227
Loans receivable—net		\$ 21,113,318		\$ 19,275,318

**Nunavut Business Credit Corporation
Notes to Financial Statements**

March 31, 2015

5. Loans receivable (Continued)

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

Regions	Annual Interest Rate	2015	Annual Interest Rate	2014
Performing Loans				
Qikiqtaaluk	4.25% - 6.88%	\$ 13,823,185	3.09%-7.19%	\$ 12,992,840
Kivalliq	6.13% - 6.25%	1,421,232	4.50%-7.19%	1,476,809
Kitikmeot	5.98% - 6.25%	5,031,589	5.98%-6.25%	3,477,116
		\$ 20,276,006		\$ 17,946,765
Impaired Loans				
Qikiqtaaluk	5.75% - 6.56%	\$ 1,115,045	5.75%-6.56%	\$ 1,115,045
Kivalliq	6.09% - 10.25%	1,805,903	6.09%-10.25%	1,805,903
Kitikmeot	N/A	-	N/A	-
		\$ 2,920,948		\$ 2,920,948
Total		\$ 23,196,954		\$ 20,867,713
Qikiqtaaluk	4.25% - 6.88%	\$ 14,938,230	3.09%-7.19%	\$ 14,107,885
Kivalliq	6.09% - 10.25%	3,227,135	4.50%-10.25%	3,282,712
Kitikmeot	5.98% - 6.25%	5,031,589	5.98%-6.25%	3,477,116
Total		\$ 23,196,954		\$ 20,867,713

6. Allowance for losses on loans

	2015	2014
Specific Allowance		
Balance, beginning of year	\$ 1,418,435	\$ 779,467
Change in provision for the year	327,274	638,968
Balance, end of year	\$ 1,745,709	\$ 1,418,435
General Allowance		
Balance, beginning of year	\$ 381,792	\$ 214,458
Change in provision for the year	29,800	167,334
Balance, end of year	\$ 411,592	\$ 381,792
Total balance, end of year	\$ 2,157,301	\$ 1,800,227

**Nunavut Business Credit Corporation
Notes to Financial Statements**

March 31, 2015

7. Accrued loan interest receivable

	2015	2014
Performing loans	\$ 14,402	\$ 33,395
Impaired loans	59,263	174,437
	<u>\$ 73,665</u>	<u>\$ 207,832</u>

8. Accounts payable and accrued liabilities

	2015	2014
Trade payables	\$ 22,838	\$ 35,953
Payroll and benefits payable	184,999	398,664
Accrued liabilities	62,537	50,051
	<u>\$ 270,374</u>	<u>\$ 484,668</u>

9. Due to the Government of Nunavut

	2015	2014
Balance, beginning of year	\$ 25,290,558	\$ 18,209,676
Interest expense on advance for the year	238,578	290,558
Working capital advance	-	7,000,000
Amount repaid	(290,558)	(209,676)
Balance, end of year	<u>\$ 25,238,578</u>	<u>\$ 25,290,558</u>

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 2015, the rate varied from 0.39% to 1.18% (2014 - 1.02% to 1.43%).

There are no fixed repayment terms on the advances.

Nunavut Business Credit Corporation
Notes to Financial Statements

March 31, 2015

10. Employee future benefits

All eligible 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. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 1.28 (2014 - 1.45). The Corporation's contributions of \$57,581 (2014 - \$68,279) were recognized as expense in the current year. This amount is included in salaries and benefits. The employee's contributions to the Plan were \$40,918 (2014 - \$42,873).

The Government 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 indexed to inflation.

Severance and removal benefits

The Corporation provides severance benefits to its employees based on years of service and final salary. The Corporation also provides removal assistance to eligible employees, as provided under labour contracts. The estimate of these amounts for removal and severance is \$36,161 (2014 - \$34,526). This amount is included in accrued liabilities (Note 8).

11. 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.

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

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.
3. Limiting the concentration of loans and investments with any one business enterprise or group related enterprises to \$1 million.

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

Nunavut Business Credit Corporation
Notes to Financial Statements

March 31, 2015

11. Financial risk management (Continued)

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, 2015

	2015	2014
Cash and cash equivalents	\$ 3,627,804	\$ 5,552,271
Accounts receivable	15,886	11,179
Loan receivable, net of allowance	21,039,653	19,067,486
Accrued interest receivable	73,665	207,832
Loan charges receivable	46,802	34,492

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 \$3,598,641 (Note 12).

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	2015	2014
31 – 60 days	\$ 365,295	\$ 466,948
61 – 90 days	612,062	192,293
Over 90 days	-	541,516

At the end of 2015, there were no known relevant concentration of credit risk by type of customer or geography.

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 the 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 and it lends to its clients at fixed term rates. The Corporation's interest rate margin or spread widens when interest rates fall and it narrows when interest rates rise.

The Corporation 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, 2015 and the monthly cash balance on hand, a 100 basis point increase in interest rates would decrease the surplus by \$214,300 (2014 - \$233,000). A 100 basis point decrease in interest rates would increase the surplus by \$246,700 (2014 - \$233,000).

The Corporation is not exposed to any other market risks.

**Nunavut Business Credit Corporation
Notes to Financial Statements**

March 31, 2015

11. Financial risk management (Continued)

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 Government. The Corporation has determined that the risk is not significant.

12. Contractual obligations

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

13. Related party transactions

The Corporation is related in terms of common ownership to all Government of Nunavut created departments, agencies 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 D.

(a) Administration contribution

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

	2015	2014
Operation contribution	\$600,000	\$600,000
Contributions in-kind: services provided without charge	140,370	144,755
	\$740,370	\$744,755

(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, insurances, and telephone and computer systems.

	2015	2014
Facilities expense	\$78,430	\$80,727
Office supplies and expenses	5,000	5,000
Insurance, risk management	3,398	3,309
Employee salary and benefits	53,542	55,719
	\$140,370	\$144,755

14. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the main estimates approved by the Government of Nunavut and the Board of Directors.

Nunavut Business Credit Corporation

Schedules

Nunavut Business Credit Corporation
Schedule of Tangible Capital Assets

SCHEDULE A

			March 31, 2015	March 31, 2014
	Computer & office equipment	Office furniture & fixtures	Totals	Totals
Cost of tangible capital assets				
Opening Balance	\$ 127,458	\$ 43,155	\$ 170,613	\$ 154,071
Additions	-	2,618	2,618	16,542
Closing Balance	\$ 127,458	\$ 45,773	\$ 173,231	\$ 170,613
Accumulated amortization				
Opening balance	\$ (98,739)	\$ (26,590)	\$ (125,329)	\$ (118,560)
Amortization	(8,616)	(3,487)	(12,103)	(6,769)
Closing balance	\$(107,355)	\$(30,077)	\$(137,432)	\$(125,329)
Net book value	\$ 20,103	\$ 15,696	\$ 35,799	\$ 45,284
Amortization rate	30%	20%		

Nunavut Business Credit Corporation
Project Schedule—Community Outreach Program

SCHEDULE B

	Budget 2015	March 31, 2015
Revenue		
Contribution from:		
Strategic Investment Program	\$50,000	\$49,815
	\$50,000	\$49,815
Expenses		
Trade show	\$14,648	\$10,472
Community travel, meeting venue and translation	35,352	39,343
	\$50,000	\$49,815
Total	-	-

Nunavut Business Credit Corporation
Project Schedule—Specialized Training Fund

SCHEDULE C

	Budget 2015	March 31, 2015
Revenue		
Contribution from:		
Specialized Training Fund	\$16,650	\$16,545
	\$16,650	\$16,545
Expenses		
Instructor	\$7,500	\$7,500
Instructor travel	2,900	3,109
Instructor accommodations	2,250	2,986
Instructor per diems	900	900
Course development and materials	3,100	2,050
	\$16,650	\$16,545
Total	-	-

Schedule of Related Party Balances

As at March 31, 2015

Consolidated Financial Reporting Entity	Asset Balances	Liability Balances	Revenue Balances	Expense Balances
<i>Consolidated Revenue Fund</i>				
Office of the Legislative Assembly				220
Departments				
Community and Government Services				
Culture and Heritage				
Economic Development and Transportation		492,245	702,689	238,578
Education				
Environment				
Executive and Intergovernmental Affairs				
Family Services				
Finance	13,251			
Health				
Justice				
<i>Territorial Corporations</i>				
Nunavut Arctic College				
Nunavut Business Credit Corporation				
Nunavut Development Corporation (including subsidiaries)				
Nunavut Housing Corporation (including LHO subsidiaries)				
Qulliq Energy Corporation				
<i>Revolving Funds</i>				
Liquor Revolving Fund				
Petroleum Products Revolving Fund				
<i>Other Public Service Bodies</i>				
District Education Authorities				
Human Rights Tribunal				
Labour Standards Board				
Legal Services Board				
Nunavut Liquor Licensing Board				
Quilliit Nunavut Status of Women Council				
Total Related Party Balances	\$13,251	\$492,245	\$702,689	\$238,798

