

2022-2023 ANNUAL REPORT

NUNAVUT BUSINESS
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CREDIT CORPORATION
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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" or the "Corporation"), it is our pleasure to present the Annual Report for 2022/2023.

Our mission is to stimulate economic development throughout Nunavut by serving our clients to successfully manage viable businesses. We strive to find new and innovative ways to meet the needs of our clients.

With a graduated "return to normal" from COVID-19 restrictions, clients did not require deferrals of credit facility payments. However, interest rate increases by the Bank of Canada to curb inflation meant higher interest rates for clients renewing their credit facilities and for new clients of the Corporation. The cost of borrowing of the Corporation from the Government of Nunavut in turn was also higher with interest on the advance from the Government of Nunavut increasing from $121,654 to $438,748, almost a four-fold increase.

Total revenues were $897,583, including net proceeds of $19,941 from credit facilities previously written-off. The Corporation posted a surplus of $312,505, which resulted in an accumulated surplus of $493,467.

In 2022/2023, nine new credit facilities totaling $3,415,000 were approved. An additional $5,363,362 comprised of fourteen credit facilities were renewed.

The performing credit facility balance increased by $2,406,193 from $10,482,994 to $12,889,187. The Corporation expects more new credit facilities in 2023/2024 and thus continuing growth in the amount of the performing credit facility balance.

The gradual lifting of COVID-19 restrictions also meant that staff were able to attend all three regional trade shows. Both Board members and staff were able to attend the Credit Institute of Canada's National Conference and the Northern Lights Conference.

The Board of Directors completed its review of the Credit Management Manual that commenced in 2021/2022, which resulted in an updated version during the year.

Legislative amendments to modernize the Nunavut Business Credit Corporation Act will be introduced in the winter 2024 sitting of the Legislative Assembly. These proposed amendments will provide enhanced tools to serve our clients better, grow with our clients' needs, and greater transparency and accountability.

Respectfully,



Marg Epp
Chairperson

$438,748
Almost a four-fold increase in the cost of borrowing

$3,415,000
Nine new credit facilities totaling

$493,467
Accumulated surplus

Our mission is to stimulate economic development throughout Nunavut by serving our clients to successfully manage viable businesses. We strive to find new and innovative ways to meet the needs of our clients.



Marg Epp
Chairperson

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, *Katujjiluta*.

> "NBCC's mission is to stimulate employment and economic development throughout Nunavut."





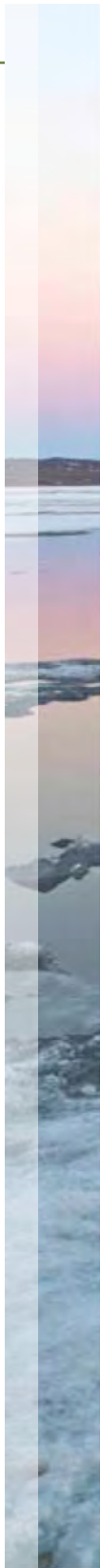
CORPORATE
GOVERNANCE

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* (Nunavut).

Board of Directors

- Corporate policy and oversight are set by NBCC's Board of Directors (the "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 his recommendation on solicitations of his 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 at least 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 Board member may work for the Department of Economic Development and Transportation.



BOARD
MEMBERS



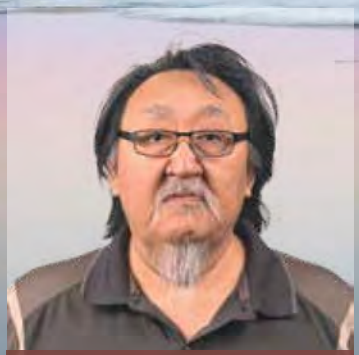
Marg Epp
Chairperson



Tracy Wallace
Vice-Chairperson



Al Lahure
Director at Large



Tommy Owlijoot
Director at Large



Jennifer Sammurtok
Director at Large



Aziz Kheraj
Director at Large



Simon Qingnaqtuq
Director at Large



Nastania Mullin
Director at Large



Philip Otukol
Director at Large

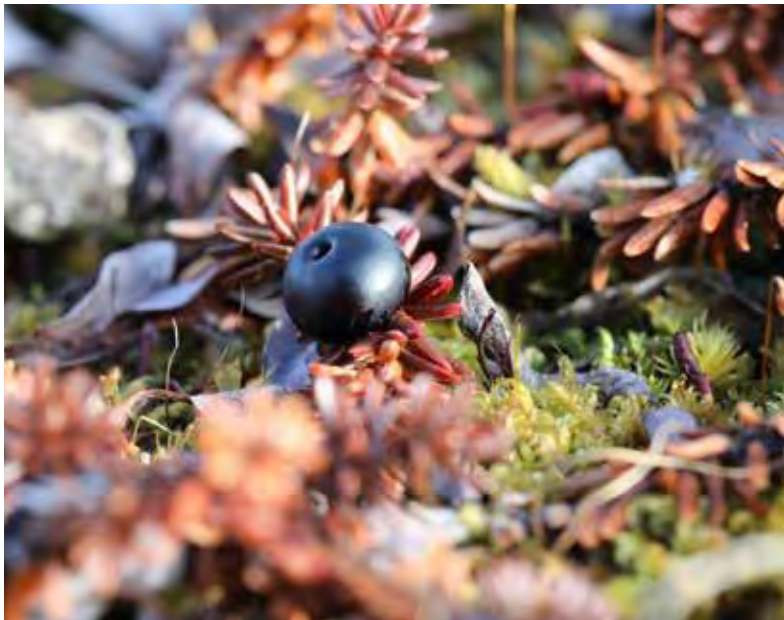
BOARD MEMBERS

Name of Member	Position	Community	Current Term Expires
Marg Epp	Chairperson	Cambridge Bay	July 7, 2025
Tracy Wallace	Vice-Chairperson	Rankin Inlet	July 6, 2025
Al Lahure	Director at Large	Baker Lake	August 29, 2023
Tommy Owlijoot	Director at Large	Arviat	January 19, 2025
Aziz Kheraj	Director at Large	Resolute Bay	May 1, 2025
Nastania Mullin	Director at Large	Iqaluit	December 1, 2023
Philip Otukol	Director at Large	Iqaluit	September 6, 2023
Jennifer Sammurtok	Director at Large	Chesterfield Inlet	January 19, 2025
Simon Qingnaqtuq	Director at Large	Taloyoak	January 19, 2025

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 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 provide oversight and guidance to address key aspects of NBCC's operations and activities. Each committee has Terms of Reference 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 2022/2023.

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 2022/2023, the Board submitted fourteen (2022 – six) recommendations to the Minister for new, amended, and renewed credit facilities in the amount of $6,698,742 (2022 – $3,883,050), all of which were approved by the Minister.



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 2022/2023, the Board approved two (2022 – two) existing term loans for renewal totaling $269,620 (2022 – $354,438) and four (2022 – four) new term loans totaling $815,000 (2022 – $862,912). One of the renewed term loans also had an increase of $51,689.
- The Board approved four (2022 –one) existing lines of credit for renewal in the amount of $695,000 (2022 – $500,000). No new lines (2022 – five) of credit were approved (2022 – $757,500).
- No (2022 – nil) credit facilities were rejected.

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

Because there were no credit facilities rejected under Section 30 (3) (b) in 2022/2023 by the Board, there were no applications forwarded to the Minister for a review.

Letter of Expectation

The Minister provides an annual letter of expectation to the Corporation.

To see the Minister's 2022/2023 annual letter of expectation, please go to: *https://assembly.nu.ca/sites/default/files/TD-034-6%282%29-EN-2022-23%20Letters%20of%20Expectation.pdf*

To see the Corporation's response, please go to: *https://assembly.nu.ca/sites/default/files/2022-11/Letters%20of%20Expectations.pdf*

STAFF



Angela McPherson



Damian Lachance



Dushyenth Ganesan



Peter Ma

NBCC has six permanent positions 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, 2023, one of the Compliance Officer positions and the Administrative Assistant position were vacant.

Providing professional development opportunities to its staff is a priority to ensuring NBCC's success and staff retention. In 2022/2023, staff:

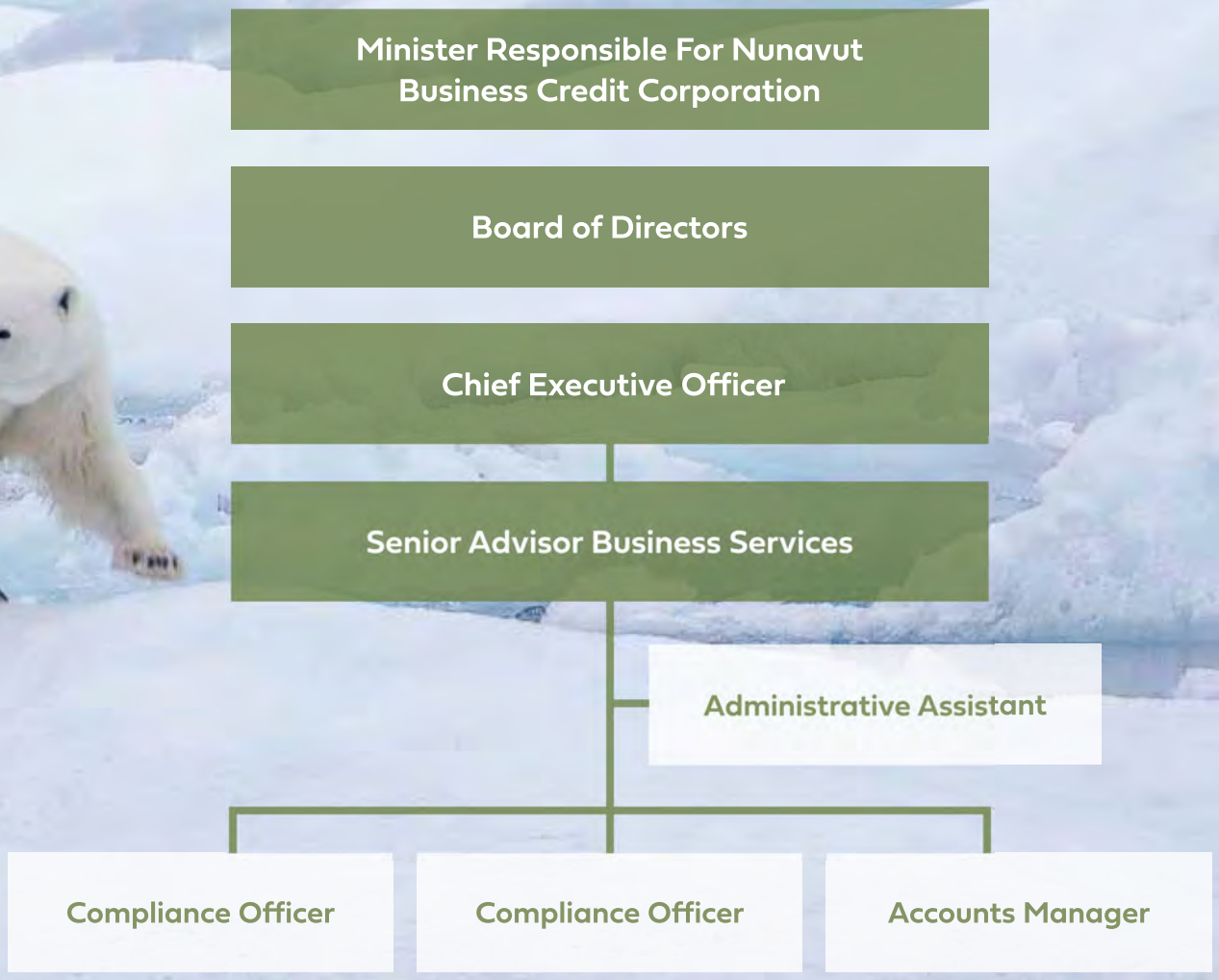
- Attended the Credit Institute of Canada National Conference
- Attended the Aboriginal Finance Officers Association National Conference
- Completed the "Introduction to Information Security" module of the Government of Nunavut's "be IT Security Smart!" online course



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.

MANAGEMENT'S

DISCUSSION AND ANALYSIS

The Year in Review

The Corporation's number of performing clients increased to 28 (2022 – 26), which correspondingly increased the number of performing credit facilities from 39 to 44. Four (2022 – six) of these credit facilities had not been advanced at year-end, which involved three (2022 – four) clients.

There are seven (2022 – seven) non-performing clients and credit facilities.



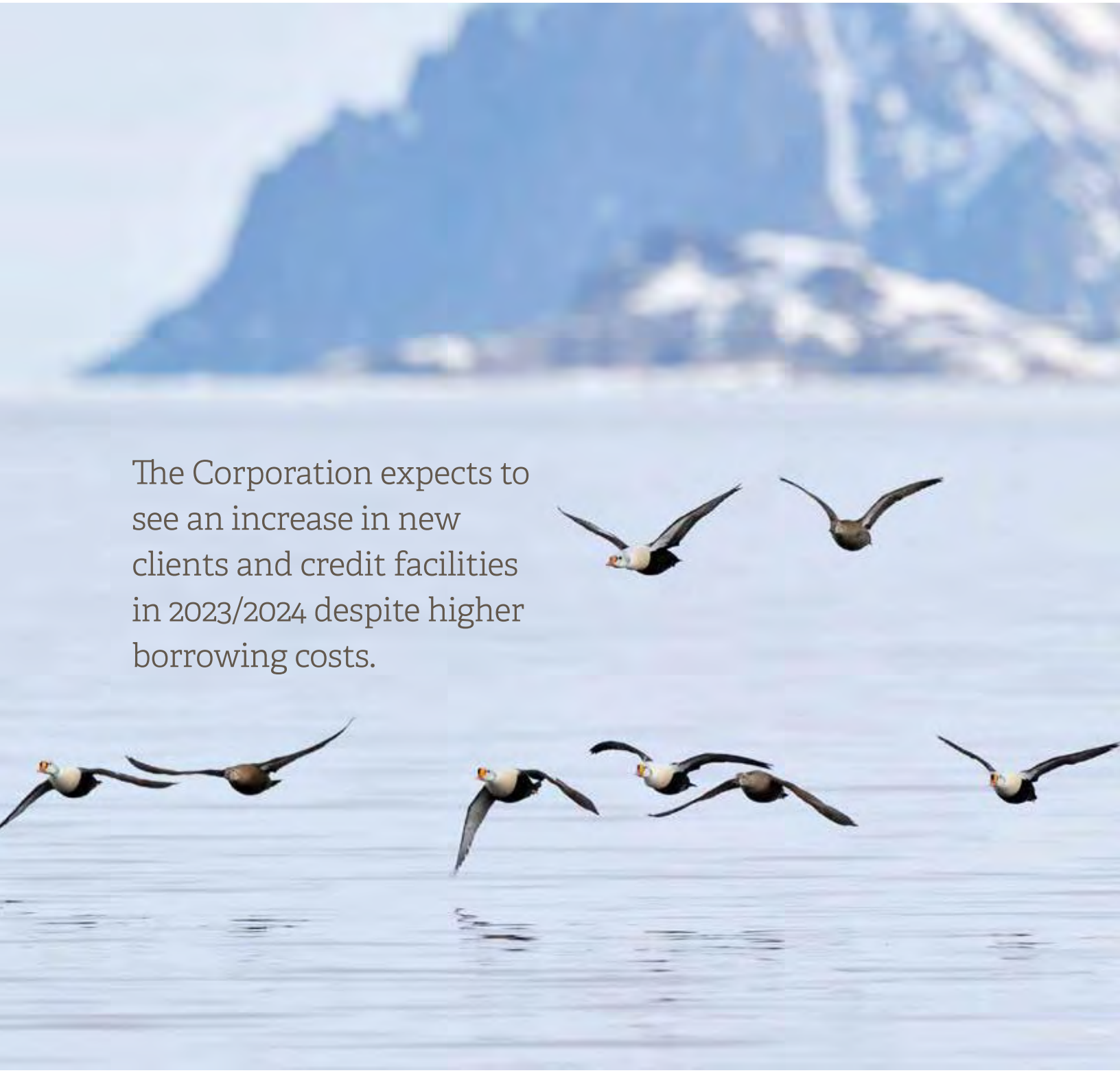
Marc Dubeau, owner of Baffin Island Canners, recipient of life time achievement award at the Carrefour Gala des Entrepreneurs Francophones du Nunavut event.

Looking Ahead

The Corporation expects to see an increase in new clients and credit facilities in 2023/2024 despite higher borrowing costs.

Key Highlights 2022/2023

- Updated Credit Management Manual
- Attended the Nunavut Trade Show, Kivalliq Trade Show, Northern Lights, and Kitikmeot Trade Show
- Sponsored the Nunavut Trade Show, the Kivalliq Trade Show, the Kitikmeot Trade Show, and the Gala des Entrepreneurs Francophones du Nunavut
- Board and staff attended the Credit Institute of Canada's National Conference
- Panelist at the EntrepreNorth Raising Capital Conference
- Presenter at the Kivalliq Community Economic Development Officer Conference



The Corporation expects to see an increase in new clients and credit facilities in 2023/2024 despite higher borrowing costs.

SUMMARY OF

FINANCIAL RESULTS

Current Year's Results

The Corporation had a surplus of $312,505 (2022 – $737,173) for the year ended March 31, 2023. The accumulated surplus as at March 31, 2023 totaled $493,467 (2022 – $180,962).

Revenues

NBCC outperformed its 2022/2023 budget estimate for revenues by $172,583 (2022 – outperformed – $106,396).

Revenues	2023 Budget	2023 Actual	2022 Actual
Interest income on loans receivables	$ 720,000	$ 786,972	$ 619,428
Suspended interest income	-	60,000	60,000
Other income	-	19,941	27,580
Other interest income	5,000	30,670	7,388
Total revenues	$ 725,000	$ 897,583	$ 714,396

Interest income on loans receivable increased $167,544 (27.1%) from 2021/2022 to 2022/2023. The Corporation received $60,000 during the year from a non-performing client which was applied to the outstanding suspended interest balance. Additionally, $19,941 was recovered from credit facilities that were previously written-off.

The 2022/2023 budget estimate was based upon a performing credit facility portfolio of $12,000,000 (2022 - $10,000,000), with an average interest rate of 6% (2022 – 6%). The actual performing credit facility portfolio at year-end was $12,889,187 (2022 - $10,482,994).

Last five years – interest income on loans receivable

2023	2022	2021	2020	2019
$ 786,972	$ 619,428	$ 622,021	$ 771,439	$ 1,112,049

Contributions

Contributions	2023 Budget	2023 Actual	2022 Actual
Government of Nunavut – Core Funding	$ 900,000	$ 900,000	$ 900,000
Services provided without charge	160,000	140,162	150,313
Total Contributions	$ 1,060,000	$ 1,040,162	$ 1,050,313

NBCC underperformed its 2022/2023 budget estimate for contributions by $19,838 (2022 – underperformed – $9,687). The services provided without charge component fluctuates on an annual basis based upon an allocation calculation performed by the GN, which decreased in 2022/2023.



Operating Expenses

NBCC outperformed its 2022/2023 budget estimate for operating expenses by $372,911 (2022 – outperformed – $523,853), exclusive of allowance for losses on loans and interest expense on advance from Government of Nunavut.

Operating Expenses	2023 Budget	2023 Actual	2022 Actual
Salaries and benefits	$ 1,000,000	$ 647,381	$ 672,663
Facilities expense	92,000	92,036	92,036
Training and development	50,000	81,762	472
Board meetings	68,000	78,319	33,900
Professional fees	75,000	72,041	75,922
Advertising and promotion	70,000	63,622	55,098
Board honoraria	35,000	49,875	19,925
Office expense	35,000	32,175	28,646
Travel	75,000	11,008	-
Amortization	6,000	5,032	6,157
Other expenses	3,000	2,838	2,328
Total operating expenses	$ 1,509,000	$ 1,136,089	$ 987,147



Salaries and benefits

Salaries and benefits decreased to $647,381 from $672,663 in 2022/2023 primarily because of an initial accrual for sick leave in 2021/2022, which was reduced in 2022/2023.

Facilities expense

The amount of $92,036 reflects a service provided without charge by the Government of Nunavut, which is the lease cost of the Corporation's office space in Iqaluit.

Training and development

Training and development increased to $81,762 in 2022/2023 from $472 in 2021/2022 primarily because both Board and staff attended the Credit Institute of Canada's National Conference and the Northern Lights Conference.

Board meetings

Board meeting costs increased to $78,319 in 2022/2023 from $33,900 due to more Board members attending in-person Board meetings because of the relaxation of COVID-19 travel restrictions. There were also three in-person Board meetings in 2022/2023 as compared to two in 2021/2022.

Professional fees

Professional fees decreased to $72,041 in 2022/2023 from $75,922 in 2021/2022 because information technology costs charged by the GN decreased.

Advertising and promotion

With no COVID-19 travel restrictions in 2022/2023, staff were able to travel to regional trade shows again. As such, advertising and promotion increased to $63,622 in 2022/2023 from $55,098 in 2021/2022.

Board honoraria

Board members attended, for the second time, the Credit Institute of Canada's National Conference, which increased Board honoraria from $19,925 in 2021/2022 to $49,875 in 2022/2023. Board members also attended the Northern Lights Conference.

Furthermore, while the number of Board meetings remained constant at eight, the number of in-person Board meetings increased from two to three.

Office expense

Office expense increased to $32,175 in 2022/2023 from $28,646 in 2021/2022 due to a combination of an increase in freight which was partially offset by decreases in the cost of insurance provided by the GN and vehicle expenses.

Amortization

Amortization decreased to $5,032 in 2022/2023 from $6,157 in 2021/2022 because the unamortized carrying value of tangible capital assets was lower, which resulted in less amortization being recorded in the current year.

Travel

With the lifting of COVID-19 travel restrictions, staff were able to travel to regional trade shows again in 2022/2023. This resulted in travel costs of $11,008 as compared to $nil in 2021/2022.

Interest expense on advance from Government of Nunavut

The Corporation underperformed its 2022/2023 budget estimate by $360,748 (2022 – underperformed – $85,654).

Interest expense	2023 Budget	2023 Actual	2022 Actual
Interest expense on advance from Government of Nunavut	$ 78,000	$ 438,748	$ 121,654

Interest expense on advance from Government of Nunavut increased to $438,748 from $121,654 because of a significant rise in interest rates due to the Bank of Canada using monetary policy to curb inflation concerns.

The Corporation increased its borrowing by $1,500,000 on the advance from Government of Nunavut. In addition, the Corporation paid 2021/2022 interest of $36,890 and 2022/2023 interest of $319,442.

Last five years – interest expense on advance from Government of Nunavut

2023	2022	2021	2020	2019
$ 438,748	$ 121,654	$ 38,714	$ 221,610	$ 391,796



Last five years – advances from Government of Nunavut, not including accrued interest

2023	2022	2021	2020	2019
$ 13,500,000	$ 12,000,000	$ 12,000,000	$ 14,000,000	$ 18,000,000

Allowance for Losses on Loans

NBCC underperformed its 2022/2023 budget estimate for provision for credit losses by $403 (2022 – outperformed – $131,265).

Credit Losses	2023 Budget	2023 Actual	2022 Actual
Allowance for losses on loans	$ 50,000	$ 50,403	$ (81,265)

The allowance for losses on loans is based upon a review of all client credit facilities. The allowance represents management's best estimate of probable credit losses based upon historical experience. The total allowance for 2022/2023, which includes the general and specific allowances, is $2,400,527 (2022 – $2,350,124), which is a $50,403 increase (2022 – decrease - $81,265) over the previous year.



Specific Allowance on Non-performing Loans

Management reviews the portfolio on a regular basis to determine if any credit facilities should be classified as impaired. No specific allowances were provided on additional credit facilities in 2022/2023 (2022 – $nil).

The Corporation's overall specific allowance on non-performing loans was $2,161,339 (2022 – $2,141,214) at year-end, which is an increase of 0.9% (2022 – decrease – 4.5%) from 2021/2022. In 2022/2023, specific allowances on three credit facilities (2022 – five) were adjusted for a total amount of $20,125 (2022 – decrease – $100,127).

The increase is primarily due to a decline in the value of security held from a client, which resulted in a specific allowance of $11,600. The other two (2022 – one) credit facilities had increases of $8,525 (2022 – $16,014) in their specific allowances due to additional protective disbursements being incurred by the Corporation which increased the total amount owed.

A total of seven (2022 – seven) credit facilities have specific allowances, which is 13.8% (2022 –15.2%) of the total credit facilities of 51 (2022 – 46). These seven credit facilities encompass five (2022 – five) different communities.

The specific allowance on non-performing loans of $2,161,339 (2022 – $2,141,214) encompasses impaired credit facilities totaling $2,764,581 (2022 – $2,764,581). Total impaired credit facilities represent 17.7% (2022 – 20.8%) of the Corporation's total portfolio.

Last five years – change in specific allowance on non-performing loans

2023	2022	2021	2020	2019
$ 20,125	$ (100,127)	$ 165,062	$ 102,504	$ 381,461

General Allowance on Performing Loans

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

The general allowance on performing loans for 2022/2023 is $239,188 (2022 – $208,910), which is an increase of $30,278 or 14.5% (2022 – increase – $18,862; 9.9%) from 2021/2022.

Last five years – change in general allowance on performing loans

2023	2022	2021	2020	2019
$ 30,278	$ 18,862	$ (15,179)	$ (52,457)	$ (86,108)

Write-offs

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

There were no credit facilities written-off during year.



CONTRACTING, PROCUREMENT, AND LEASING ACTIVITIES

Contracting, Procurement and Leasing Activities

During the year, the Corporation issued sole source contracts for proprietary software and professional services.

The Corporation's office in the Parnaivik Building in Iqaluit is leased through the Department of Community and Government Services. The facility expense for 2022/2023 was $92,036 (2022 – $92,036).

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

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

Community	Vendor	Type of Service	Award Method	2023 Actual	2022 Actual	Inuit Owned Firm	NNI
Iqaluit	Dubuc Osland	Legal	Sole Source	$ 1,505	$ 1,291		
Iqaluit	Outcrop Nunavut	Communication	Standing Offer Agreement	15,652	17,288		*
Iqaluit	Katittut	Communication	Standing Offer Agreement	1,368	1,908		
Iqaluit	Common Goals Software	Software	Sole Source	5,483	2,645		
Iqaluit	Eileen Kilabuk-Weber	Translation	Sole Source	6,230	6,395		
Iqaluit	Helen Klengenberg	Translation	Sole Source	3,116	2,665		

Community	Vendor	Type of Service	Award Method	2023 Actual	2022 Actual	Inuit Owned Firm	NNI
Iqaluit	4imprint	Promotional items	Sole Source	13,379	-		
Iqaluit	Diligent	Software	Sole Source	29,790	27,583		
Iqaluit	National Pen	Promotional items	Sole Source	1,605	-		
Iqaluit	Roger Belanger	Communication	Sole Source	1,093	-		
Iqaluit	Black Heart Café Inc.	Catering	Sole Source	2,911	-		
Iqaluit	Sijjakkut Inc.	Catering	Sole Source	1,103	-		
Iqaluit	Frobisher Inn	Catering	Sole Source	-	2,486		
Totals				$ 83,235	$ 62,261		

Certain comparative amounts have been restated.

Summary of Award Methods

		2023 Actual	2023 Percentage		2022 Actual	2022 Percentage
Sole Source	$	66,215	79.6%	$	43,065	69.2%
Standing Offer Agreement		17,020	20.4%		19,196	30.8%
Totals	$	83,235	100.0%	$	62,261	100.0%

LOAN PORTFOLIO



Portfolio Activity

The number of credit facilities increased by five to 51 (2022 – 46), while the number of clients increased by two to 35 (2022 – 33).

Four (2022 – six) new lines of credit were approved totaling $2,200,000 (2022 – $1,757,500). At year-end, $1,449,930 (2022 – $974,589) had been drawn upon.

No (2022 – one) existing lines of credit were increased (2022 – $650,000) at renewal. Six (2022 – two) lines of credit were renewed totaling $2,495,000 (2022 – $1,150,000). Two (2022-nil) lines of credit were paid out.

No standby letters of credit (2022 – $500,000) were renewed (2022 – one). However, the standby letter that was increased in 2021/2022 was decreased by $300,000 in 2022/2023. No (2022 – nil) new standby letters of credit (2022 – $nil) were approved.

There were five (2022 – seven) new term loans approved in 2022/2023 totaling $1,215,000 (2022 – $1,345,963). Eight (2022 – nil) term loans totaling $2,868,362 (2022 – $nil) were renewed. One (2022 – nil) client had an increase to its term loan of $51,689 (2022 – $nil) at renewal.

One (2022 – two) term loan was paid out.

Disbursements of Credit Facilities

The following new credit facilities had cash advances in 2022/2023:

- Nuna Depot Inc.
- CHOU Consulting & Development Inc.
- Combustion Performance Inc.
- 6999514 Canada Inc.
- Southeast Nunavut Company Ltd.
- Nunavut Wellness Spa Inc.
- Aakuluk Delicatessen
- 5140 Nunavut Ltd.

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.

Because the Corporation can only legislatively lend to a maximum of $2,000,000 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 (i) collateral mortgages on real property, (ii) various securities on assets, and (iii) corporate and personal guarantees.



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 outstanding credit facilities in nine (2022 – nine) of Nunavut's twenty-five communities.

The nine communities with outstanding credit facilities are Cambridge Bay and Kugluktuk in the Kitikmeot region; Arviat, Coral Harbour, and Rankin Inlet in the Kivalliq region; and Clyde River, Pangnirtung, Iqaluit, and Kinngait in the Qikiqtaaluk region.

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

Qikiqtaaluk Region

Region	2022/2023				2021/2022			
Community	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Kinngait	-	1	239,475	1.5	-	1	127,706	1.0
Clyde River	3	-	944,429	6.0	3	-	965,162	7.3
Iqaluit	22	10	7,897,352	50.5	19	9	6,545,710	49.4
Pangnirtung	1	-	143,114	1.0	1	-	143,114	1.0
Qikiqtaaluk – Total	26	11	9,224,370	59.0	23	10	7,781,692	58.7

Kivalliq Region

Region	2022/2023				2021/2022			
Community	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Arviat	1	-	537,897	3.4	1	-	537,897	4.1
Coral Harbour	1	-	982,948	6.3	1	-	982,948	7.4
Rankin Inlet	1	-	759,736	4.9	1	-	799,380	6.0
Kivalliq – Total	3	-	2,280,581	14.6	3	-	2,320,225	17.5

Portfolio Activity by Community (Cont.)

Kitikmeot Region

Region	2022/2023				2021/2022			
Community	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Cambridge Bay	7	1	3,042,229	19.3	6	1	1,888,702	14.3
Kugluktuk	3	-	1,106,588	7.1	3	-	1,256,956	9.5
Kitikmeot – Total	10	1	4,148,817	26.4	9	1	3,145,658	23.8

Total

Total								
Total Loan Portfolio	39	12	15,653,768	100.0	35	11	13,247,575	100.0



Portfolio Activity by Industry

The Corporation diversifies its credit facilities by industry as part of its portfolio risk management strategy. At year-end, the Corporation's credit facilities (principal only) by industry sector is identified in the table below.

	2022/2023				2021/2022			
Industry	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Performing Loans								
Construction	8	5	6,102,261	39.0	7	5	4,100,822	31.0
Hospitality	7	1	1,797,068	11.5	6	1	1,643,622	12.4
Retail	8	2	1,562,284	10.0	7	3	1,579,949	12.0
Service	7	4	2,821,875	18.0	6	2	2,525,151	19.0
Transportation	2	-	605,699	3.8	2	-	633,450	4.8
Total – Performing	32	12	12,889,187	82.3	28	11	10,482,994	79.2
Non-Performing								
	7	-	2,764,581	17.7	7	-	2,764,581	20.8
Total Loan Portfolio								
Total	39	12	15,653,768	100.00	35	11	13,247,575	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, which is 17.66% owned by Atuqtuarvik Corporation. Nunavut Tunngavik Incorporated is the sole shareholder of Atuqtuarvik Corporation and is the signatory to the Nunavut Agreement.

NBCC can provide credit facilities as follows:

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

to a maximum of $2,000,000 to any one business enterprise or to any related 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 or when the letter of offer is signed, plus the applicable risk adjustment factor.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2023





NUNAVUT BUSINESS CREDIT CORPORATION

FINANCIAL STATEMENTS
MARCH 31, 2023

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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.

Management is responsible for the preparation of the financial statements 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 benefits liabilities, which are based on management's best estimates and judgment.

In carrying out its responsibility with respect to financial reporting, management is responsible for maintaining financial and management control systems and practices 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 her report thereon.



Peter Ma, CPA, CA
Chief Executive Officer

June 22, 2023

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Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Nunavut Business Credit Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Nunavut Business Credit Corporation (the Corporation), which comprise the statement of financial position as at 31 March 2023, and the statement of operations and accumulated surplus, statement of change in net financial assets and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2023, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Nunavut Business Credit Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are 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.

In our opinion, the transactions of the Nunavut Business Credit Corporation that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act* of Nunavut, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by the Nunavut Business Credit Corporation and the financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Nunavut Business Credit Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Nunavut Business Credit Corporation to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Michael B. Robichaud, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
22 June 2023

NUNAVUT BUSINESS CREDIT CORPORATION

Statement of Financial Position

as at March 31

		2023		2022
Financial assets				
Cash (Note 3)	$	1,004,548	$	1,205,680
Accounts receivable		15,485		8,768
Due from Government of Nunavut (Note 13)		4,053		225,605
Loans receivable (Note 4)		13,370,652		10,987,544
Total financial assets	$	14,394,738	$	12,427,597
Liabilities				
Accounts payable and accrued liabilities (Note 7)	$	189,804	$	47,411
Employment benefits liability (Note 8)		146,940		223,444
Advances from Government of Nunavut (Note 9)		13,619,306		12,036,890
Total liabilities	$	13,956,050	$	12,307,745
Net financial assets		438,688		119,852
Non-financial assets				
Tangible capital assets (Schedule A)	$	13,137	$	16,633
Prepaid expenses		41,642		44,477
Total non-financial assets	$	54,779	$	61,110
Accumulated surplus	$	493,467	$	180,962

Contractual obligations and contingent liabilities (Note 11)

Contractual rights (Note 12)

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

Approved by the Board of Directors:



Marg Epp
Chairperson of the Board of Directors

NUNAVUT BUSINESS CREDIT CORPORATION

Statement of Operations and Accumulated Surplus

for the year ended March 31

	2023 Budget (Note 14)	2023 Actual	2022 Actual
Revenues			
Interest income on loans receivable	$ 720,000	$ 786,972	$ 619,428
Suspended interest income	-	60,000	60,000
Other interest income (Note 3)	5,000	30,670	7,388
Other income	-	19,941	27,580
Total revenues	$ 725,000	$ 897,583	$ 714,396
Expenses			
Salaries and benefits	$ 1,000,000	$ 647,381	$ 672,663
Interest expense on advance from Government of Nunavut (Note 9)	78,000	438,748	121,654
Facilities expense	92,000	92,036	92,036
Training and development	50,000	81,762	472
Board meetings	68,000	78,319	33,900
Professional fees	75,000	72,041	75,922
Advertising and promotion	70,000	63,622	55,098
Allowance for losses on loans receivable (Note 5)	50,000	50,403	(81,265)
Board honoraria	35,000	49,875	19,925
Office expense	35,000	32,175	28,646
Travel	75,000	11,008	-
Amortization (Schedule A)	6,000	5,032	6,157
Other expenses	3,000	2,838	2,328
Total expenses	$ 1,637,000	$ 1,625,240	$ 1,027,536
Deficit for the year before contribution from Government of Nunavut	$ (912,000)	$ (727,657)	$ (313,140)
Contribution from Government of Nunavut			
Operational funding and services provided without charge (Note 13)	$ 1,060,000	$ 1,040,162	$ 1,050,313
Total contribution from Government of Nunavut	$ 1,060,000	$ 1,040,162	$ 1,050,313
Surplus for the year	$ 148,000	$ 312,505	$ 737,173
Accumulated surplus (deficit) - beginning of the year	$ 180,962	$ 180,962	$ (556,211)
Accumulated surplus – end of the year	$ 328,962	$ 493,467	$ 180,962

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

NUNAVUT BUSINESS CREDIT CORPORATION

Statement of Change in Net Financial Assets

for the year ended March 31

	2023 Budget (Note 14)	2023 Actual	2022 Actual
Surplus for the year	$ 148,000	$ 312,505	$ 737,173
Tangible capital assets (Schedule A)			
Amortization	$ 6,000	$ 5,032	$ 6,157
Additions	-	(1,536)	(1,865)
	$ 6,000	$ 3,496	$ 4,292
Net deductions (additions) to prepaid expenses	-	2,835	(9,994)
Increase in net financial assets	$ 154,000	$ 318,836	$ 731,471
Net financial assets (net debt) – beginning of the year	119,852	119,852	(611,619)
Net financial assets – end of the year	$ 273,852	$ 438,688	$ 119,852

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

		2023		2022
Cash provided by/(used for) operating activities				
Amounts paid to Government of Nunavut for salaries and other payments	$	(599,159)	$	(601,487)
Interest payments on advances from Government of Nunavut		(356,332)		(89,995)
Payments to suppliers		(338,498)		(168,736)
GST rebate		8,768		6,096
Interest received on current bank account		27,222		6,967
Interest received on loans receivable		828,346		669,339
Government of Nunavut contributions		1,125,000		675,000
Cash provided by operating activities	$	695,347	$	497,184
Cash used for capital activities				
Tangible capital acquisitions	$	(1,536)	$	(1,865)
Cash used for capital activities	$	(1,536)	$	(1,865)
Cash provided by/(used for) investing activities				
Disbursements of loans receivable	$	(4,742,994)	$	(3,600,076)
Loan charges receivable		(8,399)		(8,199)
Repayment of loans receivable previously written-off		19,941		27,580
Repayment of loans receivable		2,336,509		3,117,755
Cash used for investing activities	$	(2,394,943)	$	(462,940)
Cash provided by/(used for) financing activities				
Advance from Government of Nunavut	$	1,500,000	$	750,000
Repayment of advance from Government of Nunavut		-		(750,000)
Cash provided by financing activities	$	1,500,000	$	-
(Decrease)/increase in cash		(201,132)		32,379
Cash – beginning of the year	$	1,205,680	$	1,173,301
Cash - end of the year	$	1,004,548	$	1,205,680

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

NUNAVUT BUSINESS CREDIT CORPORATION

Notes to Financial Statements

March 31, 2023

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 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 Government 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. The Corporation's surplus cash is pooled with the Government's surplus cash and earns interest income based on the Government's bank interest rate.

March 31, 2023

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 that existed at the financial statement date that were known at the date these financial statements are approved, including past events.

(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.

Tangible capital assets are written-down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods or services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are recorded as an expense in the Statement of Operations and Accumulated Surplus. Write-downs are not reversed following a subsequent increase in the tangible capital asset's estimated value.

(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 most significant management estimate is the allowance for losses on loans. 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.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

The following is a list of the Corporation's financial instruments and their related measurement basis as at March 31, 2023.

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
Advances from 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 Surplus.

(f) Interest income on loans receivable

Interest income on loans receivable is recognized on an accrual basis. 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.

(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.

March 31, 2023

2. Significant accounting policies (continued)

(g) Loans receivable (continued)

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated net recoverable value. The estimated net recoverable value 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 recoverable value 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 either an increase or a decrease to the specific allowance on impaired loans. 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 other income in the Statement of Operations and Accumulated Surplus.

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 based upon historical experience. The allowance includes two components: (i) general allowance for performing loans and (ii) specific allowance for impaired loans.

The general allowance for performing loans 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% (2022 - 2%), which represents management's estimate of future losses based on historical experience.

The specific allowance for impaired loans is established on an individual loan basis in order to recognize credit losses. The amount of the initial impairment, and any underlying subsequent changes due to re-evaluation of estimated recoverable values, are recorded as an adjustment to the specific allowance and is recognized within expenses in the Statement of Operations and Accumulated Surplus.

The general allowance for performing loans and the specific allowance for impaired loans serve to reduce the loans receivable balance in the Statement of Financial Position.

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 generally 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. These sick leave 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.

2. Significant accounting policies (continued)

(l) Contributions from Government

The Government contributes operational funding to the Corporation in order to assist with the funding of its direct administrative expenses. The contributions are recognized 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. Government contributions are recognized in the Statement of Operations and Accumulated Surplus as the stipulated liabilities are settled. The Corporation does not have deferred contribution balances as at March 31, 2023 (2022 - $nil).

The contributions are measured at the exchange amount, which is a fixed amount of consideration established and agreed to by the related parties under a contribution agreement and are recorded in the related account balances.

(m) Related party transactions

The Corporation is related in terms of common ownership, to all Government created departments, statutory bodies, and territorial corporations. The Corporation considers key management personnel, which includes all members of the Board of Directors and the Chief Executive Officer to be related parties.

In addition to operational funding, the Government also provides services provided without charge to the Corporation (Note 13). Services provided without charge by the Government are measured at the carrying amount, which is an amount based on unallocated costs and recoveries and are reported in the related account balances on a gross basis.

The Corporation also reimburses the Government for payments made to its employees on behalf of the Corporation in relation to salaries and other payments. These transactions are measured at the exchange amount based on the total amount of payments made on behalf of the Corporation.

(n) Services provided without charge by non-related parties

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

(o) Changes in accounting standards

Effective April 1, 2022, the Corporation adopted PS 3280 Asset Retirement Obligations. This section establishes standards as to how to account for and report a liability for asset retirement obligations along with post-retirement operation, maintenance and monitoring costs. The adoption of this standard had no impact on the financial statements for the year ended March 31, 2023 and the comparative balances for year ended March 31, 2022.

2. Significant accounting policies (continued)

(p) Future changes in accounting standards

PSAB has approved Section PS 3400 Revenue, which is effective for fiscal years beginning on or April 1, 2023. This section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The adoption of PS 3400 is not expected to have an impact on the Corporation's financial statements when adopted.

3. Cash

The Corporation's surplus 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 2023, the Corporation earned interest income of $30,670 (2022 - $7,388) with an average yield of 3.26% (2022 - 0.63%).

As of March 31, 2023, cash includes trust advances of $nil (2022 - $555,127), which relates to undisbursed loans.

4. Loans receivable

The Corporation provides two classes of loans receivable, term loans and lines of credit.

Term loans have terms that vary from one year to five years, with maximum amortization periods of twenty-five years. Interest rates paid by clients are based upon the Corporation's cost of borrowing plus a risk adjustment factor of 0.5% to 5.0%. Blended payments of principal and interest are made by clients, with the majority of blended payments being monthly.

In exceptional circumstances, interest only payments can be made, up to a maximum of three years.

Lines of credit can only be issued for a term of one year. They can, however, be renewed annually. Interest rates paid by clients are based upon the Corporation's cost of borrowing plus a risk adjustment factor of 0.5% to 5.0%. Monthly payments of interest are required to be made by clients.

For both term loans and lines of credit, there must be sufficient security pledged by clients to support the amount of the loan receivable.

No loan receivable balances were written-off in the current year.

4. Loans receivable (continued)

As of March 31, 2023, loans receivable are expected to mature as follows:

Terms to Maturity	Annual Interest Rate %	2023	Annual Interest Rate %	2022
1 year	5.32% - 8.69%	$ 7,183,311	5.25% - 6.59%	$ 4,282,392
1 - 2 years	5.48% - 6.89%	866,090	5.65% - 6.96%	2,879,018
2 - 3 years	5.25% - 8.08%	1,091,312	6.43% - 6.59%	520,756
Over 3 years	5.25% - 8.78%	3,748,474	5.25% - 5.65%	2,800,828
Impaired loans	5.48% - 6.59%	2,764,581	5.48% - 6.59%	2,764,581
		$ 15,653,768		$ 13,247,575
Accrued loan interest receivable (Note 6)		70,867		51,948
Loan charges receivable		46,544		38,145
		$ 15,771,179		$ 13,337,668
Less: Allowance for losses on loans receivable (Note 5)		(2,400,527)		(2,350,124)
Loans receivable - net		$ 13,370,652		$ 10,987,544

Loan charges receivable are amounts paid by the Corporation, either on behalf of a client or by the Corporation, to protect the underlying security of a loan receivable. Loan charges receivable include legal fees and disbursements, receiver fees and disbursements, insurance, utilities, and registration fees.

4. Loans receivable (continued)

The number of loans by terms to maturity are as follows:

	2023		2022	
Terms to Maturity	**Number of Loans**	**Loan Balance**	**Number of Loans**	**Loan Balance**
Performing Loans				
1 year	21	$ 7,183,311	19	$ 4,282,392
1 - 2 years	4	866,090	8	2,879,018
2 - 3 years	3	1,091,312	3	520,756
Over 3 years	16	3,748,474	9	2,800,828
Total - Performing loans	44	$ 12,889,187	39	$ 10,482,994
Impaired Loans				
1 year	-	$ -	1	$ 293,680
1 – 2 years	-	-	-	-
2 – 3 years	-	-	-	-
Over 3 years	-	-	-	-
Past maturity date	7	2,764,581	6	2,470,901
Total - Impaired loans	7	$ 2,764,581	7	$ 2,764,581
Total	51	$ 15,653,768	46	$ 13,247,575

4. Loans receivable (continued)

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

Regions	Annual Interest Rate %		2023	Annual Interest Rate %		2022
Performing Loans						
Qikiqtaaluk	5.25% - 8.78%	$	7,980,635	5.25% - 6.96%	$	6,537,957
Kivalliq	5.32%		759,735	5.32%		799,379
Kitikmeot	5.25% - 8.08%		4,148,817	5.25% - 6.96%		3,145,658
Total - Performing Loans		$	12,889,187		$	10,482,994
Impaired Loans						
Qikiqtaaluk	5.48% - 6.59%	$	1,243,735	5.48% - 6.59%	$	1,243,735
Kivalliq	5.48% - 6.09%		1,520,846	5.48% - 6.09%		1,520,846
Kitikmeot	-		-	-		-
Total - Impaired Loans		$	2,764,581		$	2,764,581
Total		$	15,653,768		$	13,247,575
All Loans						
Qikiqtaaluk	5.25% - 8.78%	$	9,224,370	5.25% - 6.96%	$	7,781,692
Kivalliq	5.32% - 6.09%		2,280,581	5.32% - 6.09%		2,320,225
Kitikmeot	5.25% - 8.08%		4,148,817	5.25% - 6.96%		3,145,658
Total		$	15,653,768		$	13,247,575

March 31, 2023

5. Allowance for losses on loans receivable

		2023		2022
Specific Allowance on Impaired Loans				
Balance, beginning of the year	$	2,141,214	$	2,241,341
Change in allowance for the year		20,125		(100,127)
Balance, end of the year	$	2,161,339	$	2,141,214
General Allowance on Performing Loans				
Balance, beginning of the year	$	208,910	$	190,048
Change in allowance for the year		30,278		18,862
Balance, end of the year		239,188		208,910
Total allowance for losses on loans receivable, end of the year	$	2,400,527	$	2,350,124

6. Accrued loan interest receivable

		2023		2022
Performing loans	$	25,250	$	5,542
Impaired loans		45,617		46,406
	$	70,867	$	51,948

The interest accrued for impaired loans represents the interest accrued up to the point the loans were determined to be impaired, at which time the accrual of interest ceased.

7. Accounts payable and accrued liabilities

		2023		2022
Trade payables	$	6,736	$	6,469
Amounts payable to the Government (Note 13)		183,068		40,942
	$	189,804	$	47,411

All amounts above are non-interest bearing and have normal payment terms. Amounts payable to the Government are primarily payroll expenditures paid on behalf of the Corporation by the Government.

March 31, 2023

8. Pension and other employee benefits 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 1.02 (2022 - 1.02) for members enrolled before January 1, 2013 and 1.0 (2022 - 1.0) for members enrolled beginning January 1, 2013. The Corporation's contributions of $49,938 (2022 - $45,514) have been expensed in salaries and benefits. The employees' contributions to the Plan were $48,959 (2022 - $44,976).

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.

Non-pension employee benefits

	2023	2022
Annual leave and lieu time	$ 91,627	$ 159,273
Sick leave	30,147	41,000
Severance and removal	25,166	23,171
	$ 146,940	$ 223,444

In addition to pension benefits, the Corporation also provides its employees other benefits including annual leave (including lieu time), severance and removal benefits and sick leave entitlements. 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.

Annual leave benefits (including lieu time) are based on employee leave credits at year-end. The value of the leave credits is calculated by taking the number of hours eligible for leave multiplied by the employees' hourly base salary rate.

Sick leave benefits have been actuarially determined based on certain key assumptions which include management's best estimate of its discount rate, employee demographics and sick leave usage of active employees.

Severance benefits to the Corporation's employees are based on years of service and final salary. Removal benefits to eligible employees are accrued based on the terms and conditions of their labour contracts.

March 31, 2023

9. Advances from Government of Nunavut

		2023		2022
Balance, beginning of the year	$	12,036,890	$	12,005,231
Advances		1,500,000		750,000
Interest expense on advance for the year		438,748		121,654
Repayment of principal and interest		(356,332)		(839,995)
Balance, end of the year	$	13,619,306	$	12,036,890

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 2023, the rate varied from 2.67% to 3.94% (2022 - 0.48% to 2.28%).

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.

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 $2 million.

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

10. Financial risk management (continued)

Credit risk (continued)

As at March 31, 2023, the Corporation has impaired loans of $1,814,527 (2022 - $1,927,180), which are secured by assets that the Corporation has the ability to sell in order to partially or fully recover the borrowers' commitments. Additionally, impaired loans of $950,054 (2022 - $837,401) that are not secured by assets, are secured by personal guarantees.

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

The table below illustrates the maximum credit exposure to the Corporation if all counterparties defaulted on March 31, 2023.

		2023		2022
Cash	$	1,004,548	$	1,205,680
Accounts receivable		15,485		8,768
Loans receivable, net of allowances		13,253,241		10,897,451
Accrued interest receivable		70,867		51,948
Loan charges receivable		46,544		38,145
	$	14,390,685	$	12,201,992

Commitments to make future loan disbursements represent unused portions of authorizations to extend credit in the form of term loans and lines of credit. 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 $2,425,510 (2022 - $3,079,766) (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		2023		2022
1 - 30 days	$	74,742	$	-
31 - 60 days		419,227		-
61 - 90 days		248,650		-
Over 90 days		2,631,496		4,801,304
	$	3,374,115	$	4,801,304

10. Financial risk management (continued)

Credit risk (continued)

In 2023, the deferral of monthly payments because of COVID-19 was no longer available to clients.

At the end of 2023, there was 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 interest rate risk in that changes in market interest rates will cause fluctuations in the fair value or future cash flows of the monthly cash balance and 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, 2023 and the monthly cash balance on hand, a 100 basis point increase in annual interest rates would decrease the surplus by $116,519 (2022 - $122,284). A 100 basis point decrease in annual interest rates would increase the surplus by $117,784 (2022 - $96,777).

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 Government.

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 and contingent liabilities

Under loan agreements made before year end, the Corporation is contractually obligated to make future loan disbursements subsequent to March 31, 2023 on term loans of $912,852 due within the next fiscal year and lines of credit of $1,512,658 that are on demand with no established timelines.

In addition, the Corporation has issued $nil (2022 - $117,882) of standby letters of credit on behalf of clients as at March 31, 2023. The standby letters of credit obligate the Corporation to pay the applicable beneficiaries only in the event there is a default by clients. The face value of these standby letters of credit has not been accrued in the financial statements as the likelihood of clients defaulting is indeterminable.

12. Contractual rights

The Corporation enters into agreements to provide loans to business enterprises for the purpose of stimulating economic development and employment in Nunavut. These agreements will result in interest income and assets in the future. The following table summarizes the contractual rights of the Corporation:

Year	Amount
2024	$561,142
2025	$352,058
2026	$278,884
2027	$204,417
2028	$84,354

13. 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.

Contributions from the Government

Under the terms of the Contribution Agreement between the Corporation and the Government, the Corporation receives core funding in the form of a fixed operational contribution for its direct administrative expenses. The Corporation also records in the financial statements an estimate of cost of services provided by the Government without charge. These services include accounting and administrative support, regional and personnel services, office, lease, utilities, insurance, and telephone and computer systems.

13. Related party transactions (continued)

Contributions from the Government (continued)

The following table summarizes the total Government contributions recognized in the current year:

		2023		2022
Operational contribution	$	900,000	$	900,000
Services provided without charge:				
Facility expenses		92,036		92,036
Administration of employee salaries and benefits		32,475		39,024
Information technology support		9,000		13,704
Insurance and risk management		6,651		5,549
Total contributions from the Government	$	1,040,162	$	1,050,313

As at March 31, 2023, an amount of $4,053 (2022 - $225,605) was due from the Government.

Reimbursement of salaries and other payments

The Government also administers and disburses payroll and other employee payments on behalf of the Corporation. The Corporation subsequently reimburses the Government for these payments and recognizes an expense in the Statement of Operations and Accumulated Surplus.

During the year, payments made to the Government by the Corporation in relation to employee salaries and other payments totaled $599,159 (2022 - $601,487). As at March 31, 2023, $183,068 (Note 7) remains outstanding and has been accrued within accounts payable and accrued liabilities.

14. 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.

15. Comparative information

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

NUNAVUT BUSINESS CREDIT CORPORATION

Schedule of Tangible Capital Assets

for the year ended March 31

Schedule A

	Computer and office equipment	Office furniture and fixtures	2023	2022
Cost				
Opening balance	$ 58,976	$ 19,267	$ 78,243	$ 76,378
Additions	-	1,536	1,536	1,865
Closing balance	$ 58,976	$ 20,803	$ 79,779	$ 78,243
Accumulated amortization				
Opening balance	$ (45,543)	$ (16,067)	$ (61,610)	$ (55,453)
Amortization	(4,117)	(915)	(5,032)	(6,157)
Closing balance	$ (49,660)	$ (16,982)	$ (66,642)	$ (61,610)
Net book value	$ 9,316	$ 3,821	$ 13,137	$ 16,633
Amortization rate	30%	20%		

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IN MEMORY OF ROBERT (BOB) L. HANSON

First Chairperson of Nunavut Business Credit Corporation



February 3, 1947 – November 7, 2022

NUNAVUT BUSINESS
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CREDIT CORPORATION
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"Lender of Northern Opportunity"

2022-2023
ANNUAL REPORT