NUNAVUT BUSINESS
ᓄᓇᕗᒥ ᓇᒻᒥᓂᖅᑲᖅᑐᓄᑦ

CREDIT CORPORATION
ᑮᓇᐅᔭᒃᑯᕕᒃ ᑯᐊᐳᕆᓴᓐ

"Lender of Northern Opportunity"







ANNUAL REPORT

2023 2024





This page is intentionally left blank

TABLE of Contents

Message from The Chairperson	04
Mandate and Mission	05
Corporate Governance	06
Statutory Reporting	08
Staff	10
Management's Discussion and Analysis	11
Summary of Financial Results	12
Contracting, Procurement, and Leasing Activities	20
Loan Portfolio	22
Lending Requirements	29
Financial Statements	31

MESSAGE from The Chairperson

On behalf of the Board of Directors of Nunavut Business Credit Corporation ("NBCC" or the "Corporation"), we are pleased to present the Annual Report for 2023/2024.

Our mission is to stimulate economic development throughout Nunavut by helping our clients to successfully manage viable businesses. We continuously seek innovative ways to meet the evolving needs of our clients.

The persistent increases in interest rates have impacted clients during renewals, which has meant extending amortization periods to ensure that clients have adequate cashflow. Despite these challenges, fourteen new credit facilities were approved and we continue to receive enquiries about the Corporation's product offerings.

The balance of performing credit facilities increased by $495,676 rising from $12,889,187 to $13,384,863. We anticipate this growth to continue in 2024/2025.

Expected declines in interest rates should benefit both our clients and Nunavut's economy.

Total revenues for the year were $1,012,079 with a surplus of $1,158,809. Of this surplus, $768,727 was the result of reclassifying one credit facility as performing and removing a general allowance on performing loans.

To support Inuit training and employment and further the objectives of the Corporation, we created two new positions this year, an Accounts Manager Intern position and a Communications and Graphic Design Specialist position.

The Board of Directors completed a review of the Finance and Accounting Manual during 2023/2024 and approved an updated version.

The Corporation continues to work towards introducing legislative amendments to modernize the Nunavut Business Credit Corporation Act. These proposed amendments will provide enhanced tools to better serve our clients, address their growing needs, and ensure greater transparency and accountability.

During the year, a long-time employee, Dushyenth Ganesan, retired from the public service. We wish him well in his retirement.

Lastly, the Board of Directors would like to acknowledge the contributions of Nastania Mullin and Philip Otukol, who are pursuing new endeavors in their lives. We wish them success in their future pursuits. We also welcomed two new Board members, Sarah Silou and Bill Williams, who have begun to contribute to the Board of Directors.

Respectfully,

Marg Epp
Chairperson



MANDATE and Mission

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

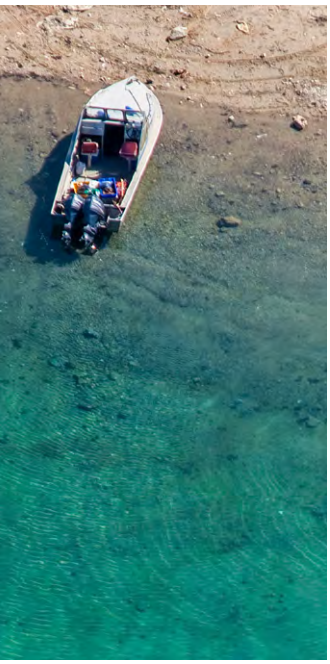
- Function as an agent of the Government of Nunavut (GN) to stimulate economic development and employment in Nunavut by supporting, financing, and investing in resident business enterprises. NBCC does not offer grants or forgivable credit facilities and cannot make equity investments.
- As a lender of 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:

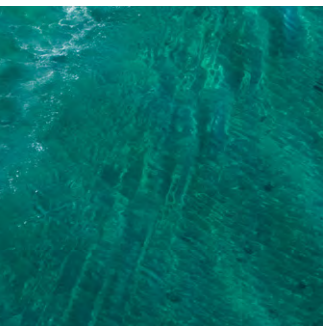
- Stimulate employment and economic development throughout Nunavut. NBCC provides businesses with financing if they are unable to obtain loans from other financial institutions on reasonable terms and conditions.
- As a business development agency, NBCC recognizes that access to adequate capital is one 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.



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

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.

	Name of Member	Position	Community	Current Term Expires
1	Marg Epp	Chairperson	Cambridge Bay	July 7, 2025
2	Tracy Wallace	Vice-Chairperson	Rankin Inlet	July 6, 2025
3	Al Lahure	Director at Large	Baker Lake	August 29, 2026
4	Tommy Owlijoot	Director at Large	Arviat	January 19, 2025
5	Aziz Kheraj	Director at Large	Resolute Bay	May 1, 2025
6	Jennifer Sammurtok	Director at Large	Chesterfield Inlet	January 19, 2025
7	Simon Qingnaqtuq	Director at Large	Taloyoak	January 19, 2025
8	Sarah Silou	Director at Large	Baker Lake	August 31, 2026
9	William Williams	Director at Large	Iqaluit	August 31, 2026

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 2023/2024.

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 2023/2024, the Board submitted twenty-two (2023 – fourteen) recommendations to the Minister for new, amended, and renewed credit facilities in the amount of $12,839,821 (2023 – $6,698,742), 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 2023/2024, the Board approved one (2023 – two) existing term loans for renewal totaling $74,742 (2023 – $269,620) and two (2023 – four) new term loans totaling $294,500 (2023 – $815,000). No (2023 – one) renewed term loans had increases (2023 – $51,689).
- The Board approved three (2023 – four) existing lines of credit for renewal in the amount of $670,000 (2023 – $695,000). One (2023 – nil) new line of credit was approved in the amount of $100,000 (2023 – $nil).
- No (2023 – nil) credit facilities were rejected.

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

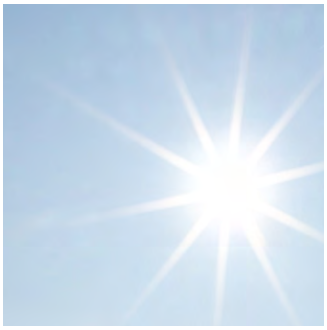
Because there were no credit facilities rejected under Section 30 (3) (b) in 2023/2024 by the Board, there were no applications forwarded to the Minister for a review.

Letter of Expectations

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

To see the Minister's 2023/2024 annual letter of expectation, please click here.

To see the Corporation's response, please click here.







STAFF

NBCC has six permanent positions based at its location in Iqaluit. The positions are:

- Chief Executive Officer
- Senior Advisor, Business Services
- Accounts Manager
- Accounts Manager Intern
- Compliance Officer
- Communications and Graphic Design Specialist

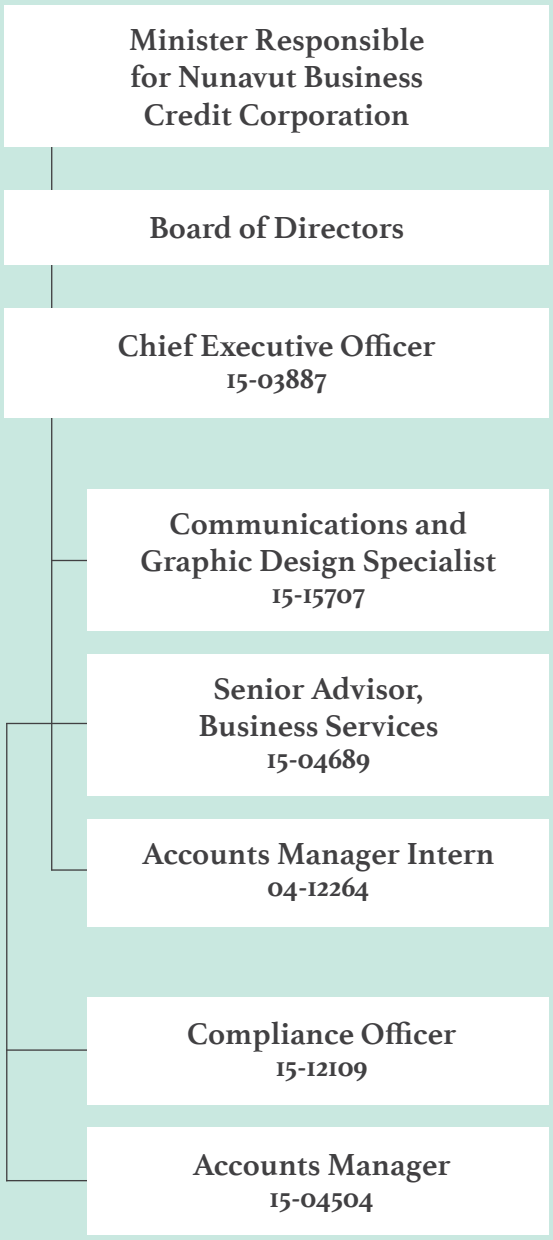
As at March 31, 2024, the Accounts Manager, Accounts Manager Intern, and Communications and Graphic Design Specialist positions were vacant.

Providing professional development opportunities to staff is a priority to ensuring NBCC's success and staff retention. In 2023/2024, staff:

- Completed the "Privacy and Defending Against Phishing", "Cyber-threats and Identity Theft", and "Information Security in the Workplace" modules of the Government of Nunavut's "Be IT Security Smart!" online courses.
- Completed course towards the Credit Institute of Canada's Executive Certified Credit Professional Program

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 30 (2023 – 28), which correspondingly increased the number of performing credit facilities from 44 to 47. Eight (2023 – four) of these credit facilities had not been advanced at year-end, which involved seven (2023 – three) clients.

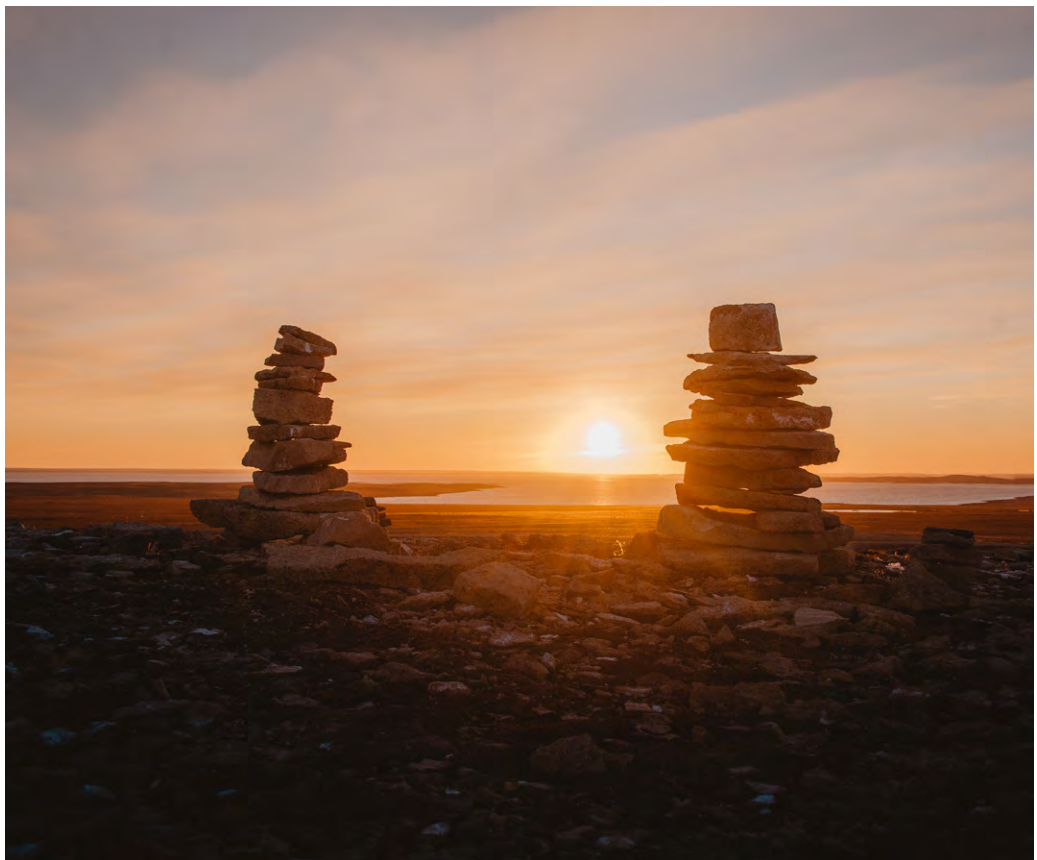
There are five (2022 – seven) non-performing clients and credit facilities.

Looking Ahead

The Corporation expects to see an increase in new clients and credit facilities in 2024/2025.

Key Highlights 2023/2024

- Updated Finance and Accounting Manual
- Attended the Nunavut Trade Show and the Kivalliq Trade Show
- Sponsored the Nunavut Trade Show and the Kivalliq Trade Show
- Panelist at the EntrepreNorth's Digital Creatives Gathering
- Community visits to Sanikiluaq and Qikiqtarjuaq
- Initial development of a credit risk rating scale



SUMMARY of Financial Results

Current Year's Results

The Corporation had a surplus of $1,158,809 (2023 – $312,505) for the year ended March 31, 2024. $768,727 of the surplus resulted from the removal of a general allowance on performing loans in the amount of $239,188 and reclassifying a credit facility from non-performing to performing in the amount of $529,539.

The accumulated surplus as at March 31, 2024 totaled $1,652,276 (2023 – $493,467).

Revenues

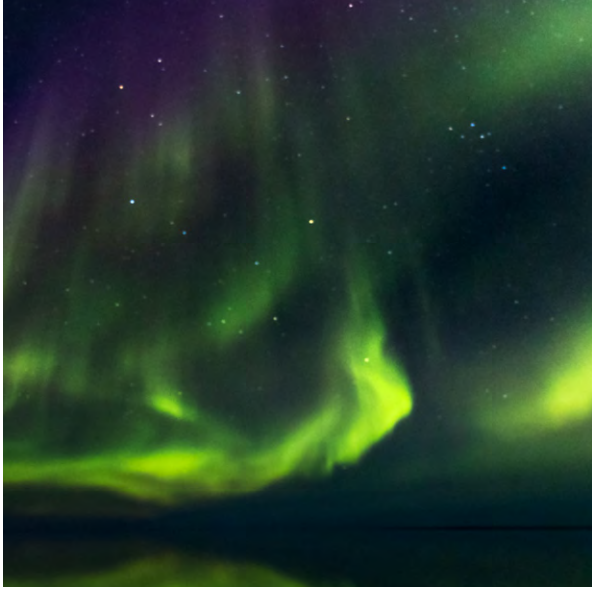
NBCC outperformed its 2023/2024 budget estimate for revenues by $209,579 (2023 – outperformed – $172,583).

Revenues	2024 Budget	2024 Actual	2023 Actual
Interest income on loans receivables	$780,000	$874,887	$786,972
Suspended interest income	-	60,000	60,000
Other interest income	22,500	77,192	30,670
Other income	-	-	19,941
Total revenues	**$802,500**	**$1,012,079**	**$897,583**

Interest income on loans receivable increased by $87,915 (11.2%) (2023 – $167,544; 27.1%) from 2022/2023 to 2023/2024. Included in this amount is $1,821 that was recovered from a client that is non-performing.

The Corporation received $60,000 during the year (2023 – $60,000) from a non-performing client, which was applied to the client's suspended interest balance. At year-end, this client was reclassified as a performing client, after a restructuring of the credit facility.

The 2023/2024 budget estimate was based upon a performing credit facility portfolio of $13,000,000 (2023 – $12,000,000), with an average interest rate of 6% (2023 – 6%). The actual performing credit facility portfolio at year-end was $13,384,863 (2023 – $12,889,187).



Last five years – *interest income on loans receivable*

2024	2023	2022	2021	2020
$874,887	$786,972	$619,428	$622,021	$771,439

Contributions

Contributions	2024 Budget	2024 Actual	2023 Actual
Government of Nunavut – Core Funding	$900,000	$900,000	$900,000
Services provided without charge	160,000	139,435	140,162
Total Contributions	**$1,060,000**	**$1,039,435**	**$1,040,162**

NBCC underperformed its 2023/2024 budget estimate for contributions by $20,565 (2023 – underperformed – $19,838). The services provided without charge component fluctuates on an annual basis based upon an allocation calculation performed by the GN.



Operating Expenses

NBCC outperformed its 2023/2024 budget estimate for operating expenses by $236,508 (2023 – outperformed – $372,911), exclusive of allowance for losses on loans and interest expense on advance from Government of Nunavut.

Operating Expenses	2024 Budget	2024 Actual	2023 Actual
Salaries and benefits	$850,000	$700,037	$647,381
Facilities expenses	92,000	92,923	92,036
Advertising and promotion	70,000	82,119	63,622
Board meeting	68,000	79,543	78,319
Professional fees	75,000	66,428	72,041
Board honoraria	35,000	46,675	49,875
Office expenses	35,000	31,256	32,175
Travel	75,000	10,193	11,008
Amortization	4,000	4,311	5,032
Trainging and development	50,000	4,264	81,762
Other expenses	3,000	2,743	2,838
Total operating expenses	**$1,357,000**	**$1,120,492**	**$1,136,089**

Salaries and benefits

Salaries and benefits increased to $700,037 in 2023/2024 from $647,381 in 2022/2023 because of termination benefits paid on retirement of an employee and a decrease in the sick leave accrual.

Facilities expenses

The amount of $92,923 (2023 – $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.

Advertising and promotion

A Call for Expressions of Interest for new Board members was conducted in 2023/2024, which lead to higher advertising and promotion costs of $82,119 in 2023/2024 as compared to $63,622 in 2022/2023.

Board meetings

Board meeting costs of $79,543 in 2023/2024 are comparable to $78,319 in 2022/2023.

Professional fees

Professional fees decreased to $66,428 in 2023/2024 from $72,041 in 2022/2023 because outside translations services were not required in 2023/2024.

Board honoraria

Board honoraria decreased to $46,675 in 2023/2024, but is comparable to $49,875 in 2022/2023.

Office expense

Office expense decreased to $31,256 in 2023/2024, but is comparable to $32,175 in 2022/2023.

Travel

Travel costs of $10,193 in 2023/2024 are comparable to $11,008 in 2022/2023.

Amortization

Amortization decreased to $4,311 in 2023/2024 from $5,032 in 2022/2023 because the unamortized carrying value of tangible capital assets was lower, which resulted in less amortization being recorded in the current year.

Training and development

Training and development decreased to $4,264 in 2023/2024 from $81,762 in 2022/2023 because of attendance by the Board of Directors and staff at the Credit Institute of Canada's National Credit Conference and the Northern Lights Conference in 2022/2023.

Interest expense on advance from Government of Nunavut

The Corporation outperformed its 2023/2024 budget estimate by $39,060 (2023 – underperformed – $360,748).

Interest Expenses	2024 Budget	2024 Actual	2023 Actual
Interest expense on advance from Government of Nunavut	$580,000	$540,940	$438,748

Interest expense on advance from Government of Nunavut increased to $540,940 from $438,748 because of continuing high interest rates due to the Bank of Canada using monetary policy to curb inflation concerns.

The Corporation decreased its borrowing by $100,000 (2023 – increased – $1,500,000) on the advance from Government of Nunavut. In addition, the Corporation paid 2022/2023 interest of $119,306 and 2023/2024 interest of $497,436.

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

2024	2023	2022	2021	2020
$540,944	$438,748	$121,654	$38,714	$221,610

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

2024	2023	2022	2021	2020
$13,400,000	$13,500,000	$12,000,000	$12,000,000	$14,000,000



Allowance for Losses on Loans

NBCC outperformed its 2023/2024 budget estimate for provision for credit losses by $793,727 (2023 – underperformed – $403).

Credit Losses	2024 Budget	2024 Actual	2023 Actual
Allowance for losses on loans	$25,000	$(768,727)	$50,403

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 2023/2024 is $1,371,637 (2023 – $2,400,527), which is a $1,028,890 decrease (2023 – increase – $50,403) from the previous year.

The decrease is attributed to three items:

- The write-off of one credit facility in the amount of $260,163;
- The reversal of a specific allowance of one credit facility in the amount of $529,539 to reclassify the credit facility from non-performing to performing; and
- The removal of a general allowance in the amount of $239,188.

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 2023/2024 (2023 – $nil).

The Corporation's overall specific allowance on non-performing loans was $1,371,637 (2023 – $2,161,339) at year-end, which is a decrease of $789,702 (2023 – increase – $20,125) from 2022/2023 (see above).

A total of five (2023 – seven) credit facilities have specific allowances, which is 9.6% (2023 –13.8%) of the total credit facilities of 52 (2023 – 51). These five credit facilities encompass four (2023 – five) different communities.

The specific allowance on non-performing loans of $1,371,637 (2023 – $2,161,339) encompasses impaired credit facilities totaling $1,521,219 (2023 – $2,764,581). Total impaired credit facilities represent 10.2% (2023 – 17.7%) of the Corporation's total portfolio of $14,906,082 (2023 – $15,653,768).

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

2024	2023	2022	2021	2020
$(529,539)	$20,125	$(100,127)	$165,062	$102,504



General Allowance on Performing Loans

Effective April 1, 2023, the Corporation no longer calculates a general allowance. Previously, the general allowance on performing loans represented management's estimate of probable losses on those loans which could not yet be specifically identified as impaired. The general allowance was 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 was multiplied by 2%, which represented management's estimate of future losses.

Management is of the view that removal of the general allowance on performing loans is an appropriate presentation of the loan portfolio because of the rigour in determining specific loan allowances.

The financial impact of the removal of a general allowance is $239,188.

Last five years – *change in general allowance on performing loans*

2024	2023	2022	2021	2020
$(239,188)	$30,278	$18,862	$(15,179)	$(52,457)

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.

One (2023 – nil) credit facility in the amount of $260,163 was written-off during the year.





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 2023/2024 was $92,923 (2023 – $92,036).

Most 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	2024 Actual	2023 Actual	Inuit Owned Firm	NNI Firm
Iqaluit	Dubuc Osland	Legal	Sole Source	$3,436	$1,505		*
Iqaluit	Outcrop Nunavut	Communication	Standing Offer Agreement	16,095	15,652		
Iqaluit	Katittut	Communication	Standing Offer Agreement	7,668	1,368		
Iqaluit	Common Goals Software	Software	Sole Source	2,898	5,483		
Iqaluit	Eileen Kilabuk-Weber	Translation	Sole Source	-	6,230		
Iqaluit	Helen Klengenberg	Translation	Sole Source	-	3,116		
Iqaluit	4imprint	Promotional items	Sole Source	5,034	13,379		
Iqaluit	Diligent	Software	Sole Source	23,000	29,790		
Iqaluit	National Pen	Promotional items	Sole Source	1,574	1,605		
Iqaluit	Roger Belanger	Communication	Sole Source	-	1,093		
Iqaluit	Black Heart Café Inc.	Catering	Sole Source	3,012	2,911		
Iqaluit	Sijjakkut Inc.	Catering	Sole Source	-	1,103		
Iqaluit	Michel Gilbert	Communication	Sole Source	1,280	-		
Totals				**$63,997**	**$83,235**		

Summary of Award Methods

	2024 Actual	2024 Percentage	2023 Actual	2023 Percentage
Sole Source	$40,234	62.9%	$66,215	79.6%
Standing Offer Agreement	23,763	37.1%	17,020	20.4%
Totals	$63,997	**100.0%**	**$83,235**	**100.0%**

LOAN Portfolio

Portfolio Activity

The number of credit facilities increased by 1 to 52 (2023 – 51), while the number of clients remained at 35 (2023 – 35).

Six (2023 – four) new lines of credit were approved totaling $3,080,000 (2023 – $2,200,000). At year-end, $335,911 (2023 – $1,449,930) had been drawn upon.

Two (2023 – nil) existing lines of credit were increased totaling $850,000 (2023 – $nil) at renewal. Eight (2023 – six) lines of credit were renewed totaling $4,370,000 (2023 – $2,495,000). Three (2023 – two) lines of credit were paid out.

Two (2023 – nil) new standby letters of credit were approved.

There were six (2023 – five) new term loans approved totaling $3,002,000 (2023 – $1,215,000). Seven (2023 – eight) term loans totaling $2,217,063 (2023 – $2,868,362) were renewed. No (2023 – one) clients had increases to their term loans (2023 – $51,689) at renewal.

Six (2023 – one) term loans were paid out.

Disbursements of Credit Facilities

The following new credit facilities had cash advances in 2023/2024:

- Dancing Bear Plumbing Heating General Contracting Incorporated
- Kalgen's Dis & Dat Inc.
- Asian Kitchen
- Pangniq Inc.

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 (2023 – 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

	2023/2024				2022/2023			
Community	**Term Loans**	**Lines of Credit**	**Total Amount**	**% of Portfolio**	**Term Loans**	**Lines of Credit**	**Total Amount**	**% of Portfolio**
Qikiqtaaluk								
Kinngait	-	1	182,639	1.2	-	1	239,475	1.5
Clyde River	3	-	924,732	6.2	3	-	944,429	6.0
Iqaluit	21	12	7,975,999	53.5	22	10	7,897,352	50.5
Pangnirtung	1	-	142,866	1.0	1	-	143,114	1.0
Totals	**25**	**13**	**9,226,236**	**61.9**	**26**	**11**	**9,224,370**	**59.0**

Kivalliq Region

	2023/2024				2022/2023			
Community	**Term Loans**	**Lines of Credit**	**Total Amount**	**% of Portfolio**	**Term Loans**	**Lines of Credit**	**Total Amount**	**% of Portfolio**
Kivalliq								
Arviat	1	-	537,897	3.6	1	-	537,897	3.4
Coral Harbour	1	-	982,948	6.6	1	-	982,948	6.3
Rankin Inlet	1	-	717,980	4.8	1	-	759,736	4.9
Totals	**3**	**-**	**2,238825**	**15.0**	**3**	**-**	**2,280,581**	**14.6**

Portfolio Activity by Community (Cont.)

Kitikmeot Region

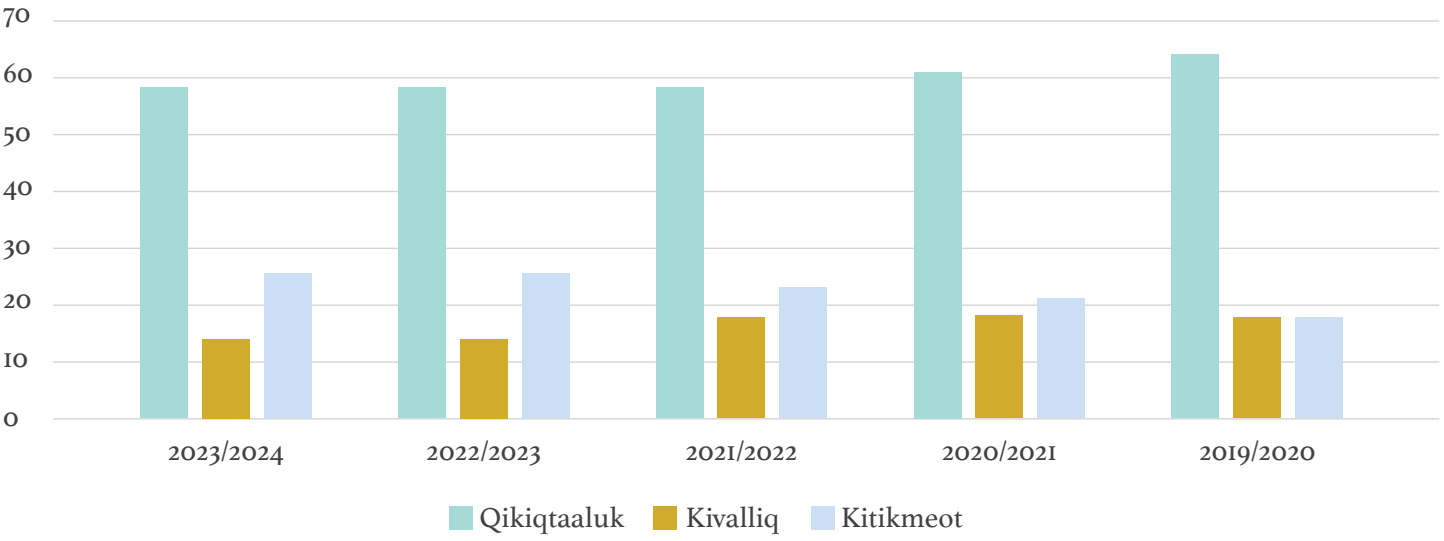
	2023/2024				2022/2023			
Community	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Kitikmeot								
Cambridge Bay	6	2	2,512,672	16.9	7-	1	3,042,229	19.3
Kugluktuk	3	-	927,349	6.2	3	-	1,106,588	7.1
Totals	**9**	**2**	**3,441,021**	**23.1**	**10**	**1**	**4,148,817**	**26.4**

Total

	2023/2024				2022/2023			
	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Totals	**37**	**15**	**14,906,082**	**100.0**	**39**	**12**	**15,653,768**	**100.0**

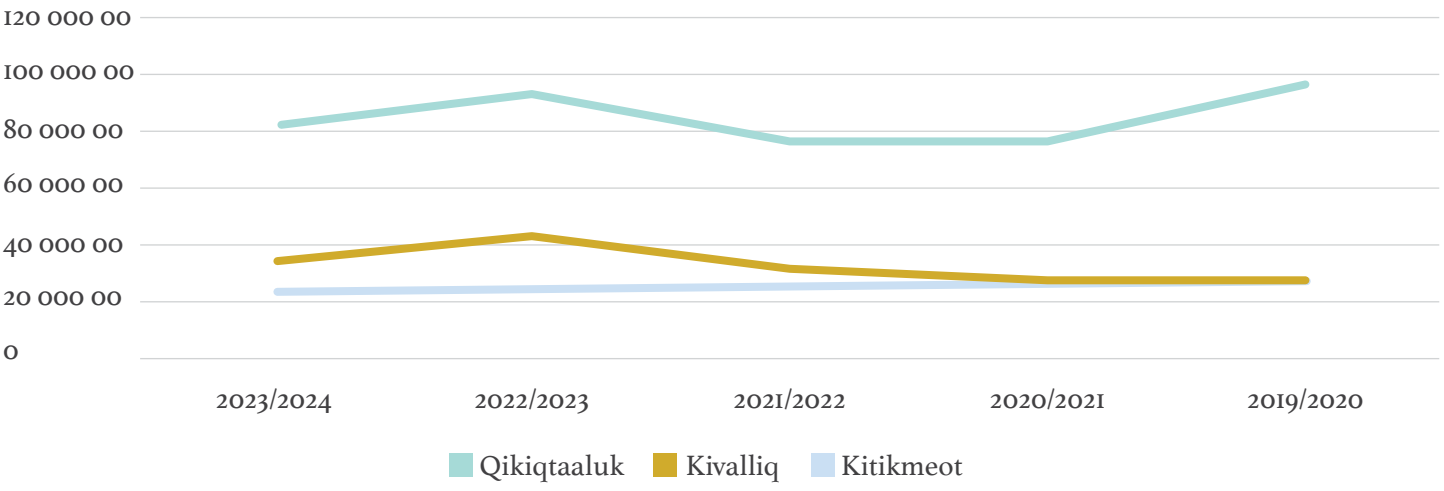
Portfolio Activity by Region

Last Five Years by Percentage



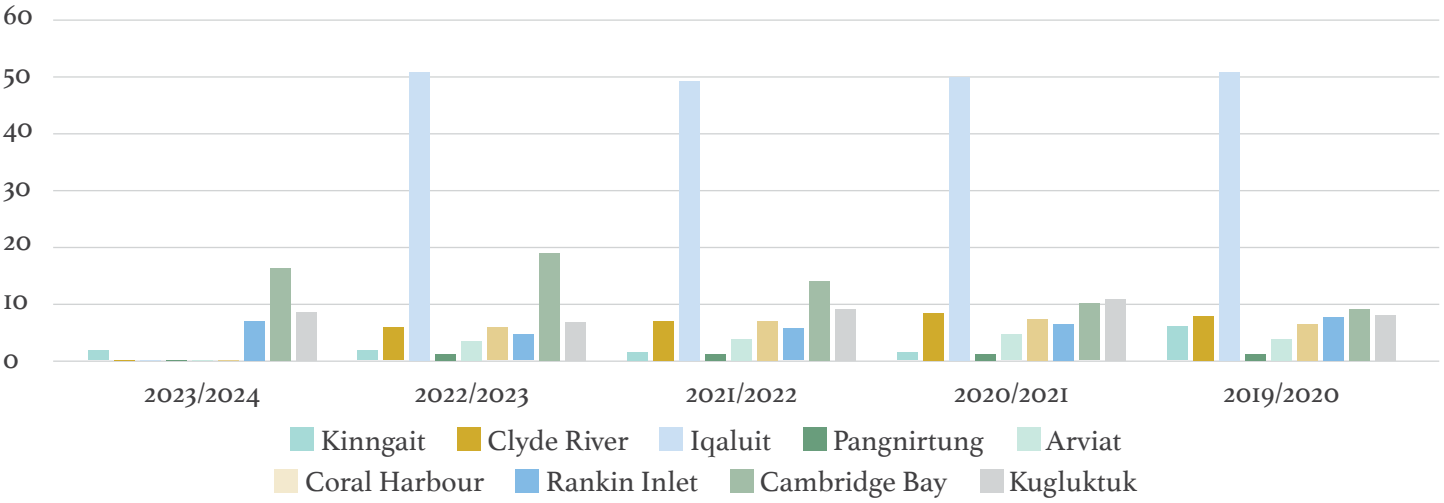
Portfolio Activity by Region

Last Five Years by Dollar Amount



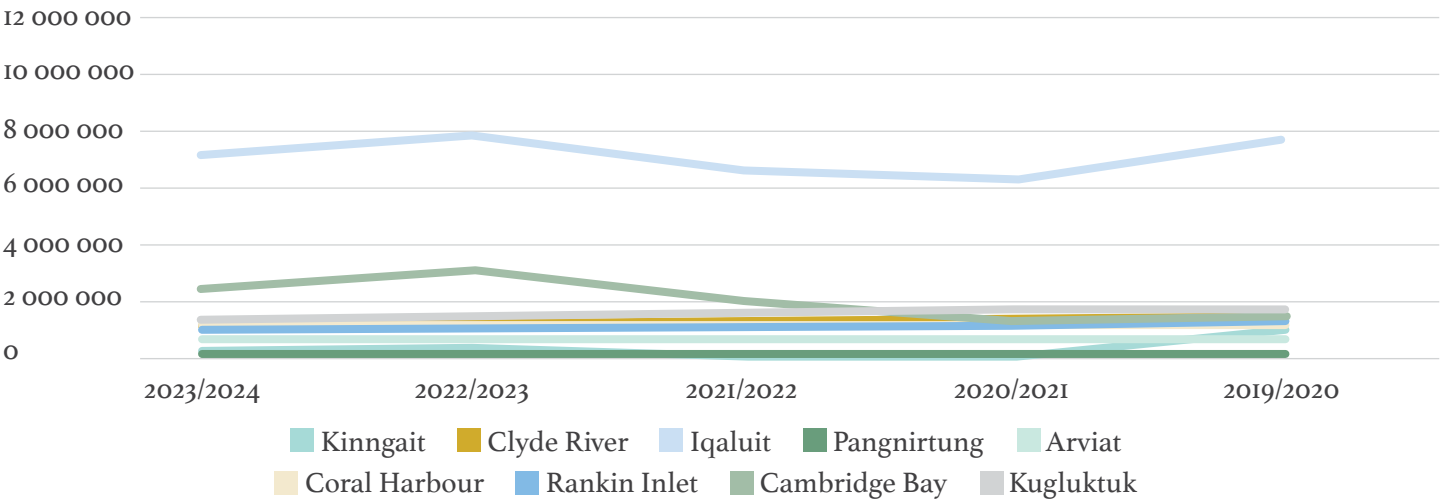
Portfolio Activity by Community

Last Five Years by Percentage



Portfolio Activity by Community

Last Five Years by Dollar Amount



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.

	2023/2024				2022/2023			
Industry	**Term Loans**	**Lines of Credit**	**Total Amount**	**% of Portfolio**	**Term Loans**	**Lines of Credit**	**Total Amount**	**% of Portfolio**
Performing Loans								
Construction	8	7	4,956,406	33.3	8	5	6,102,261	39.0
Hospitality	9	2	3,137,339	21.0	7	1	1,797,068	11.5
Retail	5	3	1,506,163	10.0	8	2	1,562,284	10.0
Service	8	3	3,206,927	21.5	7	4	2,821,875	18.0
Transportation	2	-	578,028	3.9	2	-	605,699	3.8
Total Performing	**32**	**15**	**13,384,863**	**89.8**	**32**	**12**	**12,889,187**	**82.3**
Non Performing	**5**	**-**	**1,521,219**	**10.2**	**7**	**-**	**2,764,581**	**17.7**
Total Loan Portfolio	**37**	**15**	**14,906,082**	**100.0**	**39**	**12**	**15,653,768**	**100.0**

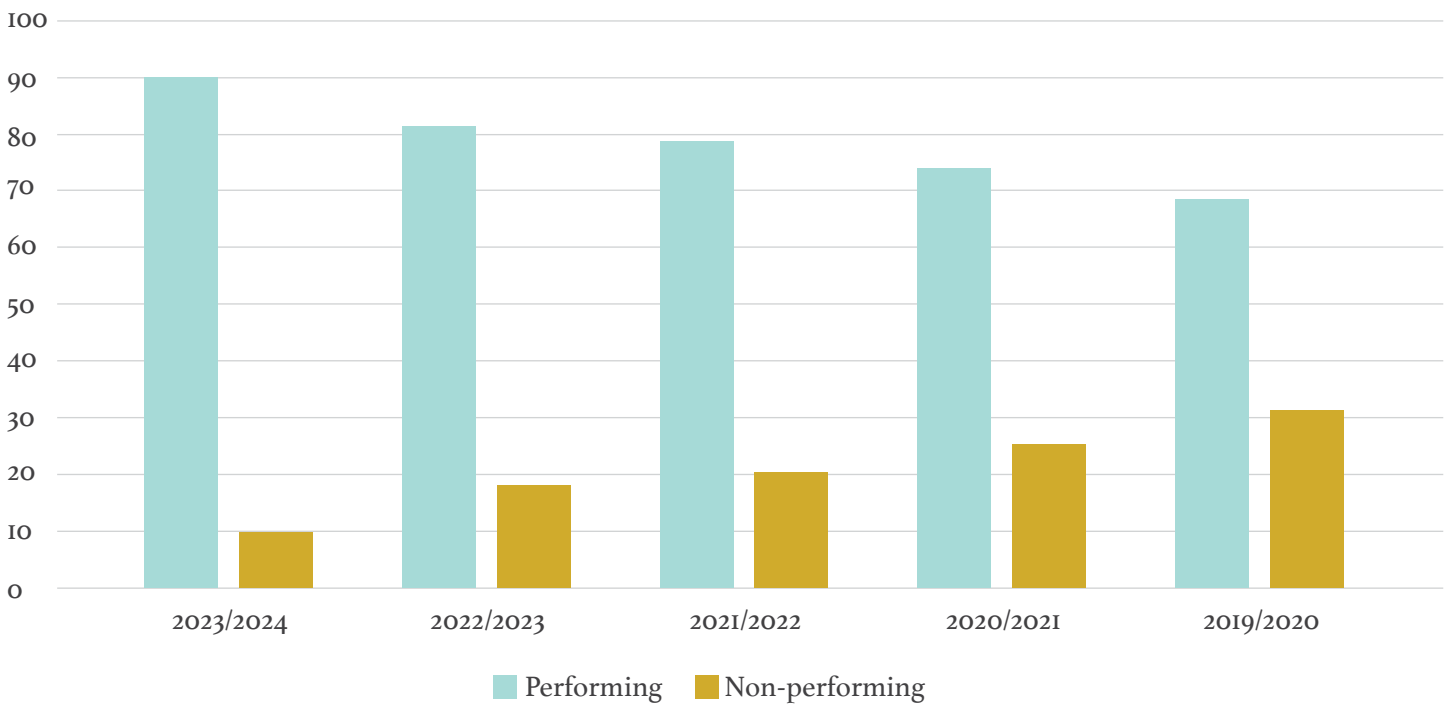
Portfolio Activity by Industry

Last Five Years by Percentage



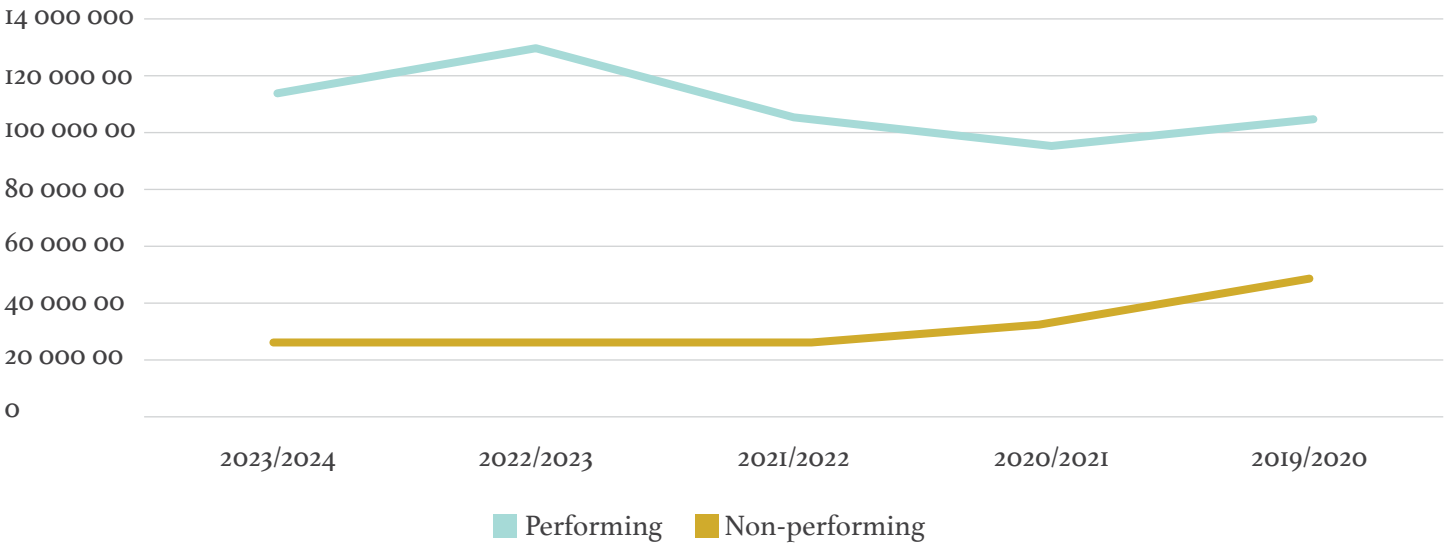
Performing/Non-performing Loans

Last Five Years by Percentage



Performing/Non-performing Loans

Last Five Years by Dollar Amount



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.





This page is intentionally left blank



FINANCIAL Statements

For the Year Ended March 31, 2024

This page is intentionally left blank

TABLE of Contents

Management's Responsibility for Financial Statements 35

Independent Auditor's Report 37

Financial Statements

Statement of Financial Position 41

Statement of Operations and Accumulated Surplus 42

Statement of Change in Net Financial Assets 43

Statement of Cash Flow 44

Notes to Financial Statements 45

Schedule A - Schedule of Tangible Capital Assets 58

This page is intentionally left blank

MANAGEMENT'S Responsibility for Financial Statement

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 10, 2024

This page is intentionally left blank

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 2024, 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 2024, 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-law of the Nunavut Business Credit Corporation.

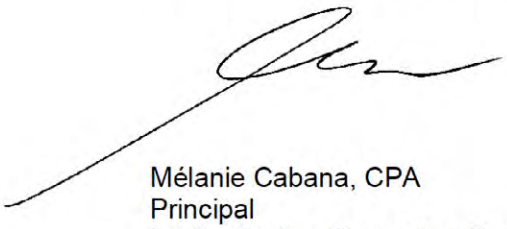
In our opinion, the transactions of the Nunavut Business Credit Corporation that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act* of Nunavut, 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.



Mélanie Cabana, CPA
Principal
for the Auditor General of Canada

Ottawa, Canada
10 June 2024

Nunavut Business Credit Corporation

Statement of Financial Position
as at March 31

		2024		2023
Financial assets				
Cash (Note 3)	$	1,601,215	$	1,004,548
Accounts receivable		12,956		15,485
Due from Government of Nunavut (Note 13)		5,737		4,053
Loans receivable (Note 4)		13,665,057		13,370,652
Total financial assets	$	15,284,965	$	14,394,738
Liabilities				
Accounts payable and accrued liabilities (Note 7)	$	108,084	$	189,804
Employment benefits liability (Note 8)		141,060		146,940
Advances from Government of Nunavut (Note 9)		13,443,504		13,619,306
Total liabilities	$	13,692,648	$	13,956,050
Net financial assets		1,592,317		438,688
Non-financial assets				
Tangible capital assets (Schedule A)	$	13,838	$	13,137
Prepaid expenses		46,121		41,642
Total non-financial assets	$	59,959	$	54,779
Accumulated surplus	$	1,652,276	$	493,467

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

	2024 Budget (Note 14)	2024 Actual	2023 Actual
Revenues			
Interest income on loans receivable	$ 780,000	$ 874,887	$ 786,972
Suspended interest income	-	60,000	60,000
Other interest income (Note 3)	22,500	77,192	30,670
Other income	-	-	19,941
Total revenues	$ 802,500	$ 1,012,079	$ 897,583
Expenses			
Salaries and benefits	$ 850,000	$ 700,037	$ 647,381
Interest expense on advance from Government of Nunavut (Note 9)	580,000	540,940	438,748
Facilities expense	92,000	92,923	92,036
Advertising and promotion	70,000	82,119	63,622
Board meetings	68,000	79,543	78,319
Professional fees	75,000	66,428	72,041
Board honoraria	35,000	46,675	49,875
Office expense	35,000	31,256	32,175
Travel	75,000	10,193	11,008
Amortization (Schedule A)	4,000	4,311	5,032
Training and development	50,000	4,264	81,762
Other expenses	3,000	2,743	2,838
Allowance for losses on loans receivable (Notes 2 (h) and 5)	25,000	(768,727)	50,403
Total expenses	$ 1,962,000	$ 892,705	$ 1,625,240
(Deficit)/Surplus for the year before contribution from Government of Nunavut	$ $(1,159,500)	$ 119,374	$ (727,657)
Contribution from Government of Nunavut			
Operational funding and services provided without charge (Note 13)	$ 1,060,000	$ 1,039,435	$ 1,040,162
Total contribution from Government of Nunavut	$ 1,060,000	$ 1,039,435	$ 1,040,162
(Deficit)/Surplus for the year	$ (99,500)	$ 1,158,809	$ 312,505
Accumulated surplus - beginning of the year	$ 493,467	$ 493,467	$ 180,962
Accumulated surplus - end of the year	393,967	1,652,276	493,467

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

	2024 Budget (Note 14)	2024 Actual	2023 Actual
(Deficit)/Surplus for the year	$ (99,500)	$ 1,158,809	$ 312,505
Tangible capital assets (Schedule A)			
Amortization	$ 4,000	$ 4,311	$ 5,032
Additions	-	(5,012)	(1,536)
	$ 4,000	$ (701)	$ 3,496
Net deductions (additions) to prepaid expenses	-	(4,479)	2,835
(Decrease)/Increase in net financial assets	$ (95,500)	$ 1,153,629	$ 318,836
Net financial assets (net debt) – beginning of the year	438,688	438,688	119,852
Net financial assets – end of the year	$ 343,188	$ 1,592,317	$ 438,688

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

		2024		2023
Cash provided by/(used for) operating activities				
Amounts paid to Government of Nunavut for salaries and other payments	$	(810,963)	$	(599,159)
Interest payments on advances from Government of Nunavut		(616,742)		(356,332)
Payments to suppliers		(275,577)		(338,498)
GST rebate		14,409		8,768
Interest received on current bank account		75,507		27,222
Interest received on loans receivable		927,067		828,346
Government of Nunavut contributions		900,000		1,125,000
Cash provided by operating activities	$	213,701	$	695,347
Cash (used for) capital activities				
Tangible capital acquisitions	$	(5,012)	$	(1,536)
Cash (used for) capital activities	$	(5,012)	$	(1,536)
Cash provided by/(used for) investing activities				
Disbursements of loans receivable	$	(4,727,547)	$	(4,742,994)
Loan charges receivable		(867)		(8,399)
Repayment of loans receivable previously written-off		-		19,941
Repayment of loans receivable		5,216,392		2,336,509
Cash provided by/(used for) investing activities	$	487,978	$	(2,394,943)
Cash provided by/(used for) financing activities				
Advance from Government of Nunavut	$	-	$	1,500,000
Repayment of advance from Government of Nunavut		(100,000)		-
Cash provided by/(used for) financing activities	$	(100,000)	$	1,500,000
Increase/(decrease) in cash		596,667		(201,132)
Cash – beginning of the year	$	1,004,548	$	1,205,680
Cash - end of the year	$	1,601,215	$	1,004,548

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

Nunavut Business Credit Corporation

Notes to Financial Statements
March 31, 2024

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.

Nunavut Business Credit Corporation

Notes to Financial Statements
March 31, 2024

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.

The following is a list of the Corporation's financial instruments and their related measurement basis as at March 31, 2024.

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

Nunavut Business Credit Corporation

Notes to Financial Statements
March 31, 2024

2. Significant accounting policies (continued)

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.

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.

Nunavut Business Credit Corporation

Notes to Financial Statements
March 31, 2024

2. Significant accounting policies (continued)

Effective April 1, 2023, the Corporation no longer calculates a general allowance. Previously, the general allowance for performing loans represented management's estimate of probable losses on those loans which could not yet be specifically identified as impaired. The general allowance was 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 was multiplied by 2%, which represented management's estimate of future losses. Given the historical experience acquired, management has modified the approach used to estimate probable credit losses for performing loans. Management's assessment of probable loss is now completed on an individual loan basis.

The financial impact of the removal of a general allowance is $239,188 (Note 5).

A 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 specific allowance for impaired loans serves to reduce the loans receivable balance in the Statement of Financial Position.

(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.

Nunavut Business Credit Corporation

Notes to Financial Statements
March 31, 2024

2. Significant accounting policies (continued)

(k) 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, 2024 (2023 - $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.

(l) 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.

(m) 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.

(n) Changes in accounting standards

Effective April 1, 2023, the Corporation adopted PS 3400 Revenue, which 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 did not have an impact on the Corporation's financial statements for the year ended March 31, 2024 and the comparative balances for the year ended March 31, 2023.

(o) Future changes in accounting standards

PSAB has approved a new reporting model, PS 1202 Financial Statement Presentation, which is effective for fiscal years beginning on April 1, 2026. This section establishes new reporting concepts, which include financial and non-financial liabilities, a revised net financial assets or net financial liabilities calculation, a new statement of net financial assets or net financial liabilities, a new statement of changes in net assets or net liabilities, a new component of net assets or net liabilities – accumulated other, and new budget requirements.

Nunavut Business Credit Corporation

Notes to Financial Statements

March 31, 2024

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 2024, the Corporation earned interest income of $77,192 (2023 - $30,670) with an average yield of 5.53% (2023 - 3.26%).

As of March 31, 2024, cash includes trust advances of $189,414 (2023 - $nil), 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.

On November 9, 2023, Bill 34 (Write-off of Assets and Debts Act, 2022-2023) was assented to in the Legislative Assembly of Nunavut, which resulted in a write-off of $260,163 in relation to an outstanding loan that was deemed to be uncollectible.

As of March 31, 2024, loans receivable are expected to mature as follows:

Terms to Maturity	Annual Interest Rate %		2024	Annual Interest Rate %		2023
1 year	5.32% - 9.76%	$	5,259,693	5.32% - 8.69%	$	7,183,311
1 - 2 years	5.25% - 8.08%		985,861	5.48% - 6.89%		866,090
2 - 3 years	5.25% - 5.65%		1,213,411	5.25% - 8.08%		1,091,312
Over 3 years	7.35% - 9.26%		5,925,898	5.25% - 8.78%		3,748,474
Impaired loans	6.09% - 6.59%		1,521,219	5.48% - 6.59%		2,764,581
		$	14,906,082		$	15,653,768
Accrued loan interest receivable (Note 6)			83,201			70,867
Loan charges receivable			47,411			46,544
		$	15,036,694		$	15,771,179
Less: Allowance for losses on loans receivable (Note 5)			(1,371,637			(2,400,527)
Loans receivable - net		$	$13,665,057		$	13,370,652

Nunavut Business Credit Corporation

Notes to Financial Statements
March 31, 2024

4. Loans receivable (continued)

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.

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

	2024		2023	
Terms to Maturity	**Number of Loans**	**Loan Balance**	**Number of Loans**	**Loan Balance**
Performing Loans				
1 year	20	$ 5,259,693	21	$ 7,183,311
1 - 2 years	3	985,861	4	866,090
2 - 3 years	6	1,213,411	3	1,091,312
Over 3 years	18	5,925,898	16	3,748,474
Total - Performing loans	**47**	**$ 13,384,863**	**44**	**$ 12,889,187**
Impaired Loans				
1 – 2 years	-	-	-	-
2 – 3 years	-	-	-	-
Over 3 years	-	-	-	-
Past maturity date	5	1,521,219	7	2,764,581
Total - Impaired loans	**5**	**$ 1,521,219**	**7**	**$ 2,764,581**
Total	**52**	**$ 14,906,082**	**51**	**$ 15,653,768**



Nunavut Business Credit Corporation

Notes to Financial Statements
March 31, 2024

4. Loans receivable (continued)

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

Regions	Annual Interest Rate %		2024	Annual Interest Rate %		2023
Performing Loans						
Qikiqtaaluk	5.25% - 9.76%	$	8,242,914	5.25% - 8.78%	$	7,980,635
Kivalliq	5.32% - 5.48%		1,700,928	5.32%		759,735
Kitikmeot	5.25% - 9.26%		3,441,021	5.25% - 8.08%		4,148,817
Total - Performing Loans		**$**	**13,384,863**		**$**	**12,889,187**
Impaired Loans						
Qikiqtaaluk	6.09% - 6.59%	$	983,322	5.48% - 6.59%	$	1,243,735
Kivalliq	6.09%		537,897	5.48% - 6.09%		1,520,846
Kitikmeot	-		-	-		-
Total - Impaired Loans		**$**	**1,521,219**		**$**	**2,764,581**
Total		**$**	**14,906,082**		**$**	**15,653,768**
All Loans						
Qikiqtaaluk	5.25% - 9.76%	$	9,226,236	5.25% - 8.78%	$	9,224,370
Kivalliq	5.32% - 6.09%		2,238,825	5.32% - 6.09%		2,280,581
Kitikmeot	5.25% - 9.26%		3,441,021	5.25% - 8.08%		4,148,817
Total		**$**	**14,906,082**		**$**	**15,653,768**

5. Allowance for losses on loans receivable

		2024		2023
Specific Allowance on Impaired Loans				
Balance, beginning of the year	$	2,161,339	$	2,141,214
Change in allowance for the year		(529,539)		20,125
Loan written-off (Note 4)		(260,163)		-
Balance, end of the year	$	1,371,637	$	2,161,339
General Allowance on Performing Loans				
Balance, beginning of the year	$	239,188	$	208,910
Change in allowance for the year		(239,188)		30,278
Balance, end of the year		-		239,188
Total allowance for losses on loans receivable, end of the year	**$**	**1,371,637**	**$**	**2,400,527**

Nunavut Business Credit Corporation

Notes to Financial Statements
March 31, 2024

6. Accrued loan interest receivable

		2024		2023
Performing loans	$	39,405	$	25,250
Impaired loans		43,796		45,617
	$	**83,201**	**$**	**70,867**

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

		2024		2023
Trade payables	$	14,659	$	6,736
Amounts payable to the Government (Note 13)		93,425		183,068
	$	**108,084**	**$**	**189,804**

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.

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 (2023 - 1.02) for members enrolled before January 1, 2013 and 1.0 (2023 - 1.0) for members enrolled beginning January 1, 2013. The Corporation's contributions of $48,300 (2023 - $49,938) have been expensed in salaries and benefits. The employees' contributions to the Plan were $47,353 (2023 - $48,959).

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

		2024		2023
Annual leave and lieu time	$	99,885	$	91,627
Sick leave		18,292		30,147
Severance and removal		22,883		25,166
	$	**141,060**	**$**	**146,940**

Nunavut Business Credit Corporation

Notes to Financial Statements
March 31, 2024

8. Pension and other employee benefits liabilities (continued)

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.

9. Advances from Government of Nunavut

		2024		2023
Balance, beginning of the year	$	13,619,306	$	12,036,890
Interest expense on advance for the year		540,940		438,748
Advances		-		1,500,000
Repayment of principal and interest		(716,742)		(356,332)
Balance, end of the year	**$**	**13,443,504**	**$**	**$13,619,306**

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 2024, the rate varied from 3.40% to 4.64% (2023 – 2.67% to 3.94%).

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.

Nunavut Business Credit Corporation

Notes to Financial Statements
March 31, 2024

10. Financial risk management (continued)

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.

As at March 31, 2024, the Corporation has impaired loans of $831,577 (2023 - $1,814,527), 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 $689,642 (2023 - $950,054) 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, 2024.

		2024		2023
Cash	$	1,601,215	$	1,004,548
Accounts receivable		12,956		15,485
Loans receivable, net of allowances		13,534,445		13,253,241
Accrued interest receivable		83,201		70,867
Loan charges receivable		47,411		46,544
	$	**15,279,228**	**$**	**14,390,685**

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 $6,414,420 (2023 - $2,425,510) (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		2024		2023
1 – 30 days	$	37,465	$	74,742
31 – 60 days		-		419,227
61 – 90 days		-		248,650
Over 90 days		847,739		2,631,496
	$	**885,204**	**$**	**3,374,115**

At the end of 2024, there was no known relevant concentration of credit risk by type of customer or geography.

Nunavut Business Credit Corporation

Notes to Financial Statements
March 31, 2024

10. Financial risk management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk in that changes in market interest rates will cause fluctuations in the fair value or future cash flows of the 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, 2024 and the monthly cash balance on hand, a 100 basis point increase in annual interest rates would decrease the surplus by $115,252 (2023 - $116,519). A 100 basis point decrease in annual interest rates would increase the surplus by $116,416 (2023 - $117,784).

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, 2024 on term loans of $1,678,972 due within the next fiscal year and lines of credit of $4,735,448 that are on demand with no established timelines.

In addition, the Corporation has issued $nil (2023 - $nil) of standby letters of credit on behalf of clients as at March 31, 2024. 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
2025	$706,399
2026	$493,639
2027	$412,879
2028	$292,695
2029	$147,804

Nunavut Business Credit Corporation

Notes to Financial Statements
March 31, 2024

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.

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

		2024		2023
Operational contribution	$	900,000	$	900,000
Services provided without charge:				
Facility expenses		92,923		92,036
Administration of employee salaries and benefits		31,120		32,475
Information technology support		8,000		9,000
Insurance and risk management		7,392		6,651
Total contributions from the Government	**$**	**1,039,435**	**$**	**1,040,162**

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 $810,963 (2023 - $599,159). As at March 31, 2024, $93,425 (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.

Nunavut Business Credit Corporation

Schedule A - Schedule of Tangible Capital Assets

for the year ended March 31

	Computer and office equipment	Office furniture and fixtures	2024	2023
Cost				
Opening balance	$ 58,976	$ 20,803	$ 79,779	$ 78,243
Additions	5,012	-	5,012	1,536
Closing balance	**$ 63,988**	**$ 20,803**	**$ 84,791**	**$ 79,779**
Accumulated amortization				
Opening balance	$ (49,660)	$ (16,982)	$ (66,642)	$ (61,610)
Amortization	(3,546)	(765)	(4,311)	(5,032)
Closing balance	**$ (53,206)**	**$ (17,747)**	**$ (70,953)**	**$ (66,642)**
Net book value	**$ 10,782**	**$ 3,056**	**$ 13,838**	**$ 13,137**
Amortization rate	30%	20%		

This page is intentionally left blank











NUNAVUT BUSINESS
ᓄᓇᕗᒥ ᓇᒻᒥᓂᖅᑲᓄᑦ

CREDIT CORPORATION
ᑮᓇᐅᔭᒃᑯᕕᒃ ᑯᐊᐳᕆᓴᓐ

"Lender of Northern Opportunity"