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MESSAGE FROM THE CHAIRPERSON

\$2 million

The Corporation's new legislative lending limit

\$212,686

Total deferred payments to clients
due to COVID-19 challenges

\$200,000

Increase in core funding from the Department
of Economic Development and Transportation

On behalf of the Board of Directors of Nunavut Business Credit Corporation (NBCC), it is our pleasure to present the Annual Report for 2020/2021.

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.

The Board of Directors acknowledges the support of the Members of the Legislative Assembly in ensuring passage of Bill 64 (An Act to Amend the Nunavut Business Credit Corporation Act), which increased the Corporation's legislative lending limit of \$1 million to \$2 million. This is the first step in refreshing the Corporation's

legislation, which until now has not seen major amendments since its inception in 1988.

There was widespread support from clients and industry partners with respect to Bill 64, which the Board of Directors is thankful for. The Corporation fully expects an increase in lending activity due to the increase in the legislative lending limit.

COVID-19 presented challenges to the Corporation and its clients. The Corporation offered payment deferrals to our clients, which resulted in deferred payments totaling \$212,686.

Our team will continue to support our clients in any manner possible while at the same time continuing to monitor our portfolio closely.

“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.”



The continuing importance of business development in Nunavut was acknowledged by Members of the Legislative Assembly through the 2020/2021 Main Estimates as the Corporation's core funding from the Department of Economic Development and Transportation was increased by \$200,000 to \$900,000.

Travel restrictions meant that all three Regional Trade Shows were cancelled. As such, the Corporation was not able to promote brand awareness as in prior years. However, the Corporation did sponsor the Gala des Entrepreneurs Francophones du Nunavut event and was in attendance to present awards.

The Corporation was able to participate virtually at the 16th Annual Crown Corporate Governance Conference.

Even with the challenges of COVID-19, the Corporation has approved six new credit facilities and an increase to one credit facility in 2021/2022, which hopefully, is a harbinger of things to come.

Respectfully,

A handwritten signature in black ink, appearing to read 'Marg Epp'.

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, *Turaaqtavut*.





CORPORATE GOVERNANCE

TERRITORIAL CORPORATION

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

BOARD OF DIRECTORS

- Corporate policy and oversight 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.



Marg Epp
Chairperson



Tracy Wallace
Vice-Chairperson



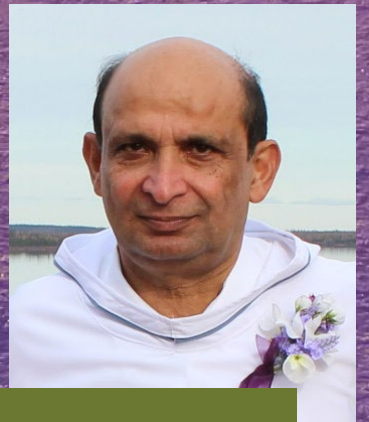
Al Lahure
Director at Large



Tommy Owlijoot
Director at Large



Donald Havioyak
Director at Large



Aziz Kheraj
Director at Large

MEMBERS OF THE BOARD



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, 2022
Tracy Wallace	Vice-Chairperson	Rankin Inlet	July 6, 2022
Al Lahure	Director at Large	Baker Lake	August 29, 2023
Tommy Owlijoot	Director at Large	Arviat	May 31, 2021
Donald Havioyak	Director at Large	Kugluktuk	October 16, 2022
Aziz Kheraj	Director at Large	Resolute Bay	May 1, 2022
Nastania Mullin	Director at Large	Iqaluit	December 1, 2023
Philip Okutol	Director at Large	Iqaluit	September 6, 2023

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 2020/2021.

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 2020/2021, the Board submitted ten (2020 – ten) recommendations to the Minister for new, amended, and renewed credit facilities in the amount of \$4,092,130 (2020 – \$4,651,438), all of which were approved by the Minister.
- In 2020/2021, the Board submitted one (2020 – nil) recommendation of a line of credit for a temporary increase of \$176,581 (2020 - \$nil) to the Minister, which was approved.
- In 2020/2021, the Board submitted two credit facilities totaling \$895,475 (principal and protective disbursements) to the Minister for write-off, which were subsequently assented to in the Legislative Assembly pursuant to Bill 44 (Write-off of Assets and Debts Act, 2019-2020).



Minister David Akeegok

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 2020/2021, the Board did not approve any (2020 – two) new credit facilities (2020 – \$275,000). The Board did not approve any (2020 – one) existing term loans for renewal (2020 – \$77,201). The Board did not approve any existing lines of credit for renewal (2020 – nil; \$nil). There were no increases (2020 – nil) to credit facilities (2020 – \$nil). No (2020 – 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) in 2020/2021 by the Board, there were no applications 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 2020/2021 annual letter of expectation, please go to:

[https://assembly.nu.ca/sites/default/files/TD-294-5\(2\)-EN-Ltrs-of-Expectiation-2020-21.pdf](https://assembly.nu.ca/sites/default/files/TD-294-5(2)-EN-Ltrs-of-Expectiation-2020-21.pdf)

To see the Corporation's response, please go to:

[https://assembly.nu.ca/sites/default/files/TD-295-5\(2\)-EN-Responses-to-Ltrs-of-Expectiation-2020-21.pdf](https://assembly.nu.ca/sites/default/files/TD-295-5(2)-EN-Responses-to-Ltrs-of-Expectiation-2020-21.pdf)

STAFF

IN 2020/2021, STAFF:

- Took courses leading to a Certificate in Accounting
- Graduated from the Canadian Institute of Credit with a Certified Credit Professional (CCP) designation
- Took advantage of Government of Nunavut professional development opportunities to develop skillsets that included oral Inuktitut and communication
- Enrolled in the Hivuliqtikhanut Leadership Development program



Angela McPherson with CCP and Credit Specialist certificates.



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, 2021, 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.

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 decreased to 21 (2020 – 25). There are seven (2020 – 9) non-performing clients. On September 28, 2020, Bill 44 (Write-off of Assets and Debts Act, 2019-2020) was assented to in the Legislative Assembly, which wrote-off \$895,475 of loans receivable owed by two clients.

The Corporation increased its specific allowance by \$165,062 (2020 – \$102,504). The general allowance was decreased by \$15,179 (2020 – \$52,457).

LOOKING AHEAD

The liquidation of assets of three non-performing clients, which commenced in prior years, concluded in 2019/2020. One of these credit facilities was previously written-off through Bill 24 (Write-off of Debts Act, 2018-2019). The other two credit facilities were written-off through Bill 44 (Write-off of Assets and Debts Act, 2019-2020) on September 28, 2020.

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



Though there is continuing uncertainty regarding Nunavut's economy due to the COVID-19 pandemic, the impact to the Corporation's has been relatively minimal.

With the passage of Bill 64 (An Act to Amend the Nunavut Business Credit Corporation Act), which increases the legislative limit to \$2 million from \$1 million, the Corporation expects an increase in lending activity with both existing clients and potential new clients.

KEY HIGHLIGHTS 2020/2021

- The Corporation's legislative lending limit was increased from \$1,000,000 to \$2,000,000 through Bill 64, An Act to Amend the Nunavut Business Credit Corporation Act
- There was an increase of \$200,000 to the Corporation's core funding agreement with Department of Economic Development and Transportation to \$900,000
- The Corporation participated in quarterly updates with the Bank of Canada.
- The Chairperson was a presenter at the 16th Annual Crown Corporate Governance Conference
- Ongoing professional development of staff (see the section on staff)
- Presenter at the Kivalliq Community Economic Development Officers Conference
- Presenter at the Iqaluit Chamber of Commerce Small Business Week
- Repayment of \$2,000,000 towards the advance from Government of Nunavut
- Sponsor of the Gala des Entrepreneurs Francophones du Nunavut event

SUMMARY OF FINANCIAL RESULTS



CURRENT YEAR'S RESULTS

The Corporation posted a surplus of \$423,118 (2020 – \$104,816) for the year ended March 31, 2021. The accumulated deficit as at March 31, 2021 totaled \$556,211 (2020 – \$979,329).

REVENUES

NBCC underperformed its 2020/2021 budget estimate for revenues by \$107,320 (2020 - \$462,694).

Revenues	2021 Budget	2021 Actual	2020 Actual
Interest income on loans receivables	\$ 720,000	\$ 622,021	\$ 771,439
Other interest income	20,000	10,659	35,867
Total revenues	\$ 740,000	\$ 632,680	\$ 807,306

There was a decrease in revenues in 2020/2021 because the number of credit facilities have been decreasing over the last several years. The 2020/2021 budget estimate was based upon a performing loan portfolio of \$12,000,000, with an average interest rate of 6%.



CONTRIBUTIONS

Contributions	2021 Budget	2021 Actual	2020 Actual
Government of Nunavut – Core Funding	\$ 700,000	\$ 900,000	\$ 700,000
Services provided without charge	160,000	154,071	161,162
Sivuliqtiksatsat	199,000	-	-
Total Contributions	\$ 1,059,000	\$ 1,054,071	\$ 861,162

NBCC underperformed its 2020/2021 budget estimate for contributions by \$4,929 (2020 – overperformed – \$1,162). The Corporation was not successful in securing funding from the Sivuliqtiksatsat program. Conversely, the Corporation's core funding agreement with the Department of Economic Development and Transportation increased \$200,000 from \$700,000 to \$900,000. 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 2020/2021 budget estimate for operating expenses by \$437,964 (2020 – \$105,005), exclusive of allowance for losses on loans and interest expense on advance from Government of Nunavut.

Operating Expenses	2021 Budget	2021 Actual	2020 Actual
Salaries and benefits	\$ 1,000,000	\$ 815,815	\$ 820,897
Facilities expenses	92,000	92,036	92,036
Professional fees	75,000	78,334	63,348
Advertising and promotion	70,000	23,124	66,209
Office expenses	35,000	22,607	28,489
Board honoraria	35,000	14,825	32,000
Board meetings	68,000	13,890	35,861
Amortization	10,000	8,254	11,191
Other expenses	3,000	3,158	3,370
Training and development	50,000	2,993	90,314
Travel	75,000	-	48,280
Total operating expenses	\$ 1,513,000	\$ 1,075,036	\$ 1,291,995

Salaries and benefits

Salaries and benefits decreased to \$815,815 in 2020/2021 from \$820,897 in 2019/2020 due to a reduction in services provided without charge related to the administration and disbursement of salaries and employee benefits by the Government of Nunavut, which was partially offset by an increase to accrued leave benefits.

Facilities expenses

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.

Professional fees

Professional fees increased to \$78,334 in 2020/2021 from \$63,348 in 2019/2020 because of an increase to services provided without charge related to information technology support services by the Government of Nunavut, the purchase of an additional module of Diligent, which is the software for Corporation's Board portal, and professional services required to publish the annual report.

Advertising and promotion

Advertising and promotion decreased for the third year in a row to \$23,124 in 2020/2021 from \$66,209 in 2019/2020 primarily because there was not a need to run a Call for Expressions of Interest for Board members and because of COVID-19, there were no regional trade shows.

Office expenses

Office expense decreased to \$22,607 in 2020/2021 from \$28,489 in 2019/2020 due to a decrease in vehicle expenses and freight (Northern Lights 2020 Trade Show and Conference).

Board honoraria

Board honoraria decreased to \$14,825 in 2020/2021 from \$32,000 in 2019/2020 due to COVID-19 travel restrictions, which resulted in only one in-person Board meeting.

The number of Board meetings remained constant at nine.

Board meetings

Board meeting costs decreased, for the third consecutive year, to \$13,890 in 2020/2021 from \$35,861 in 2019/2020. COVID-19 travel restrictions resulted in only one in-person Board meeting.

Amortization

Amortization decreased to \$8,254 in 2020/2021 from \$11,191 in 2019/2020 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 \$2,993 in 2020/2021 from \$90,314 in 2019/2020 because of the following activities in 2019/2020 - attendance at the Credit Institute of Canada bi-annual National Conference, a Chartered Professional Accountants of Canada Financial Literacy Workshop, the 15th Crown Corporate Governance Conference, and the Northern Lights 2020 Trade Show and Conference. Due to COVID-19, no such activities were attended in the current year.

Travel

There was no staff travel in 2020/2021 because of COVID-19 travel restrictions (see also comments on advertising and promotion).



INTEREST EXPENSE ON ADVANCE FROM GOVERNMENT OF NUNAVUT

The Corporation overperformed its 2020/2021 budget estimate by \$281,286 (2020 - \$218,390).

Interest Expense	2021 Budget	2021 Actual	2020 Actual
Interest expense on advance from Government of Nunavut	\$ 320,000	\$ 38,714	\$ 221,610

Interest expense on advance from Government of Nunavut decreased to \$38,714 from \$221,610 because of a significant drop in interest rates due to COVID-19. This decrease contributed significantly to the Corporation's year-end surplus.

The Corporation also repaid \$2,000,000 on the advance from Government of Nunavut. In addition, the Corporation paid 2020/2021 interest of \$38,714.

ALLOWANCE FOR LOSSES ON LOANS

NBCC overperformed its 2020/2021 budget estimate for provision for credit losses by \$24,883 (2020 - \$74,953).

Credit Losses	2021 Budget	2021 Actual	2020 Actual
Allowance for losses on loans	\$ 125,000	\$ 149,883	\$ 50,047

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 2020/2021, which includes both of the general and specific allowances is \$2,431,389 (2020 - \$3,176,981), which is a \$745,592 decrease (2020 - \$879,182) over the previous year.



SPECIFIC ALLOWANCE ON NON-PERFORMING LOANS

The Corporation's overall specific allowance on non-performing loans was \$2,241,341 (2020 – \$2,971,754) at year-end, which is a decrease of 24.5% (2020 – 21.8%) from 2019/2020. The decrease is primarily due to Bill 44 (Write-off of Assets and Debts Act, 2019-2020) as two loans totaling \$895,475 (decrease of 30.1%) were written-off during the year, which was offset by an increase to the specific allowance of \$165,062 (increase of 5.6%) in 2020/2021.

Because the specific allowance was reduced by \$895,475 due to Bill 44 (Write-off of Assets and Debts Act, 2019-2020), loans receivable was correspondingly reduced by the same amount.

A total of seven (2020 – nine) credit facilities have specific allowances, which is 19.4% (2020 – 22.0%) of the total credit facilities of 36 (2020 – 41). These seven credit facilities encompass five (2020 – seven) different communities. The Corporation currently has credit facilities in nine (2020 – nine) different communities.

Management reviews the portfolio on a regular basis to determine if any credit facilities should be classified as impaired. During 2020/2021, specific allowances on three credit facilities (2020 – three) were adjusted for a total amount of \$165,062 (2020 – \$102,504).

No specific allowances were provided on additional (2020 – nil) credit facilities in 2020/2021 (2020 – \$nil). No specific allowances on credit facilities (2020 – one) were reduced in 2020/2021 (2020 – \$88,000). The specific allowance on three credit facilities (2020 – two) was increased by \$165,062 (2020 – \$190,504).

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 2020/2021 is \$190,048 (2020 – \$205,227), which is a decrease of \$15,179 or 7.4% (2020 – \$52,457; 20.4%) from 2019/2020.

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 two credit facilities written-off during the year pursuant to Bill 44 (Write-off of Assets and Debts Act, 2019-2020). The total amount written-off was \$895,475, which was comprised of principal of \$894,740 and protective disbursements of \$735.

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 2020/2021 was \$92,036 (2020 – \$92,036).

During 2020/2021, the Department of Community and Government Services issued a RFP with respect to the Corporation's office space.

The majority of the Corporation's expenditures that are subject to contracting and procurement activity are professional services. 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	Actual 2021	Actual 2020	Inuit Owned Firm	NNI
Iqaluit	Dubuc Osland	Legal	Sole Source	\$ 10,451	\$ 22,802		
Iqaluit	Outcrop Nunavut	Communication	Standing Offer Agreement	20,684	18,059		*
Iqaluit	Katittut	Communication	Standing Offer Agreement	4,128	13,908		
Iqaluit	Common Goals Software	Software	Sole Source	2,645	7,103		
Iqaluit	Eileen Kilabuk-Weber	Translation	Sole Source	6,102	5,414		
Iqaluit	4imprint	Promotional products	Sole Source	-	9,026		
Iqaluit	Diligent	Software	Sole Source	29,837	19,305		
TOTALS				\$ 73,847	\$ 95,617		

Summary of Award Methods

	2021 Actual	2021 Percentage	2020 Actual	2020 Percentage
Sole Source	\$ 49,035	66.4%	63,650	66.6%
Standing Offer Agreement	24,812	33.6%	31,967	33.4%
TOTALS	\$ 73,847	100.0%	95,617	100.0%

LOAN PORTFOLIO

36 CREDIT FACILITIES

Decreased by five (2020 – 41)

28 CLIENTS

Decreased by six (2020 – 34)

PORTFOLIO ACTIVITY

The number of credit facilities decreased by five to 36 (2020 – 41), while the number of clients decreased by six to 28 (2020 – 34).

One (2020 – two) new line of credit was approved totaling \$800,000 (2020 – \$550,000). At year-end, \$nil (2020 – \$250,000) had been drawn upon.

No (2020 – nil) existing lines of credit were increased (2020 – \$nil) at renewal. However, one existing line of credit was decreased by \$150,000 at renewal and subsequently, temporarily increased by \$176,581. Two (2020 – four) other lines of credit were renewed totaling \$850,000 (2020 – \$2,800,000). One (2020 – four) line of credit totaling \$974,762 (2020 – \$1,924,378) was paid out.

A standby letter of credit of \$300,000 (2020 – \$300,000) was renewed for one client (2020 – one), which was also increased to \$500,000. No (2020 – one) new standby letters of credit of (2020 – \$500,000) were approved.

There were two (2020 – one) new term loans approved in 2020/2021 totaling \$912,377 (2020 – \$75,000). No (2020 – one) clients had increases to their term loans (2020 – \$16,250). One (2020 – two) term loan totaling \$829,753 (2020 – \$562,390) was renewed. No (2020 – nil) existing lines of credit (2020 – \$nil) were converted into term loans. Two (2020 – five) term loans totaling \$25,031 (2020 – \$1,797,548) were paid out in full during the year.





Disbursements of Credit Facilities

The following new credit facilities had cash advances in 2020/2021:

J.M.S. Supplies 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 (2020 – 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	2020/2021				2019/2020			
Community	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Qikiqtaaluk								
Kinngait	1	1	115,395	1.0	2	1	837,230	5.6
Clyde River	2	-	1,075,994	8.4	2	-	1,094,078	7.3
Iqaluit	17	4	6,415,382	50.2	18	6	7,592,421	50.9
Pangnirtung	1	-	143,114	1.0	1	-	143,114	1.0
Qikiqtaaluk - Total	21	5	7,749,885	60.6	23	7	9,666,843	64.8

One credit facility in Kinngait from 2019/2020 was written-off in 2020/2021 through Bill 44 (Write-off of Assets and Debts Act, 2019-2020)

Kivalliq Region

Region	2020/2021				2019/2020			
Community	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Kivalliq								
Arviat	1	-	537,897	4.2	1	-	537,897	3.6
Coral Harbour	1	-	982,948	7.7	1	-	982,948	6.6
Rankin Inlet	1	-	830,743	6.5	2	-	1,102,757	7.4
Kivalliq - Total	3	-	2,351,588	18.4	4	-	2,623,602	17.6

One credit facility in Rankin Inlet from 2019/2020 was written-off in 2020/2021 through Bill 44 (Write-off of Assets and Debts Act, 2019-2020)

Kitikmeot Region

Region	2020/2021				2019/2020			
Community	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Kitikmeot								
Cambridge Bay	4	-	1,304,147	10.2	5	-	1,345,530	9.0
Kugluktuk	3	-	1,377,086	10.8	2	-	1,289,396	8.6
Kitikmeot - Total	7	-	2,681,233	21.0	7	-	2,634,926	17.6

Total								
	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Total Loan Portfolio	31	5	12,782,706	100.0	34	7	14,925,371	100.0

PORTFOLIO ACTIVITY BY INDUSTRY

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

	2020/2021				2019/2020			
Industry	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Performing Loans								
Construction	7	4	3,455,824	27.0	7	5	4,320,539	29.0
Hospitality	5	-	2,007,501	15.7	5	-	2,070,696	13.9
Retail	5	-	1,175,954	9.2	4	1	1,083,523	7.3
Service	5	1	2,179,749	17.0	7	1	2,094,724	14.0
Transportation	2	-	659,441	5.2	2	-	662,902	4.4
Total - Performing	24	5	9,478,469	74.1	25	7	10,232,384	68.6
Non-Performing								
Non-Performing	7	-	3,304,237	25.9	9	-	4,692,987	31.4
Total Loan Portfolio	31	5	12,782,706	100.00	34	7	14,925,371	100.0

One credit facility each in the service and transportation sectors from 2019/2020 were written-off in 2020/2021 through Bill 44 (Write-off of Assets and Debts Act, 2019-2020)

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.

The Corporation 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 plus the applicable risk adjustment factor.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021



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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 future benefits, 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 14, 2021

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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 2021, and the statement of operations and accumulated deficit, statement of change in net debt and statement of cash flow for the year then ended, and 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 2021, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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.

A handwritten signature in black ink, appearing to read "Michael Robichaud". The signature is fluid and cursive, with the first name "Michael" and last name "Robichaud" clearly distinguishable.

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

Ottawa, Canada
14 June 2021

NUNAVUT BUSINESS CREDIT CORPORATION

STATEMENT OF FINANCIAL POSITION

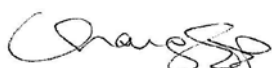
as at March 31

	2021		2020	
FINANCIAL ASSETS				
Cash (Note 3)	\$	1,173,301	\$	1,594,223
Accounts receivable		6,096		14,081
Due from Government of Nunavut		832		2,427
Loans receivable (Notes 4, 5, and 6)		10,450,704		11,899,052
Total financial assets	\$	11,630,933	\$	13,509,783
LIABILITIES				
Accounts payable and accrued liabilities (Note 7)	\$	216,306	\$	302,460
Post-employment benefit liabilities (Note 8)		21,015		19,280
Due to Government of Nunavut (Note 9)		12,005,231		14,221,610
Total liabilities	\$	12,242,552	\$	14,543,350
Net debt		(611,619)		(1,033,567)
NON-FINANCIAL ASSETS				
Tangible capital assets (Schedule A)	\$	20,925	\$	29,179
Prepaid expenses		34,483		25,059
Total non-financial assets	\$	55,408	\$	54,238
Accumulated deficit	\$	(556,211)	\$	(979,329)

Contractual obligations (Note 11)
 Contractual rights (Note 12)
 COVID-19 (Note 15)

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 DEFICIT

for the year ended March 31

	2021 Budget <i>(Note 14)</i>	2021 Actual	2020 Actual
REVENUES			
Interest income on loans receivable	\$ 720,000	\$ 622,021	\$ 771,439
Other interest income (Note 3)	20,000	10,659	35,867
Total revenues	\$ 740,000	\$ 632,680	\$ 807,306
EXPENSES			
Salaries and benefits	\$ 1,000,000	\$ 815,815	\$ 820,897
Allowance for losses on loans receivable (Note 5)	125,000	149,883	50,047
Facilities expense	92,000	92,036	92,036
Professional fees	75,000	78,334	63,348
Interest expense on advance from Government of Nunavut (Note 9)	320,000	38,714	221,610
Advertising and promotion	70,000	23,124	66,209
Office expense	35,000	22,607	28,489
Board honoraria	35,000	14,825	32,000
Board meetings	68,000	13,890	35,861
Amortization (Schedule A)	10,000	8,254	11,191
Other expenses	3,000	3,158	3,370
Training and development	50,000	2,993	90,314
Travel	75,000	-	48,280
Total expenses	\$ 1,958,000	\$ 1,263,633	\$ 1,563,652
Deficit for the year before contribution from Government of Nunavut	\$ (1,218,000)	\$ (630,953)	\$ (756,346)
CONTRIBUTION FROM GOVERNMENT OF NUNAVUT			
Operational funding and services provided without charge (Note 13)	\$ 1,059,000	\$ 1,054,071	\$ 861,162
Total contribution from Government of Nunavut	\$ 1,059,000	\$ 1,054,071	\$ 861,162
(Deficit)/Surplus for the year	\$ (159,000)	\$ 423,118	\$ 104,816
Accumulated deficit - beginning of the year	\$ (979,329)	\$ (979,329)	\$ (1,084,145)
Accumulated deficit - end of the year	\$ (1,138,329)	\$ (556,211)	\$ (979,329)

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

NUNAVUT BUSINESS CREDIT CORPORATION

STATEMENT OF CHANGE IN NET DEBT

for the year ended March 31

	2021 Budget <i>(Note 14)</i>	2021 Actual	2020 Actual
(Deficit)/Surplus for the year	\$ (159,000)	\$ 423,118	\$ 104,816
TANGIBLE CAPITAL ASSETS (SCHEDULE A)			
Amortization	\$ 10,000	\$ 8,254	\$ 11,191
Additions	-	-	(1,963)
	\$ 10,000	\$ 8,254	\$ 9,228
Net deductions/(additions) to prepaid expenses	-	(9,424)	12,797
(Increase)/decrease in net debt	\$ (149,000)	\$ 421,948	\$ 126,841
Net debt - beginning of the year	(1,033,567)	(1,033,567)	(1,160,408)
Net debt - end of the year	\$ (1,182,567)	\$ (611,619)	\$ (1,033,567)

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

	2021	2020
CASH PROVIDED BY OPERATING ACTIVITIES		
Interest received on loans receivable	\$ 658,954	\$ 832,379
Government of Nunavut contributions	900,000	760,000
GST rebate	14,081	14,503
Payments to suppliers	(172,908)	(419,733)
Interest payments on Government of Nunavut advance	(255,093)	(391,796)
Interest received on current bank account	12,254	36,058
Cash paid to Government of Nunavut	(877,188)	(737,845)
Cash provided by operating activities	\$ 280,100	\$ 93,566
CASH USED FOR CAPITAL ACTIVITIES		
Tangible capital acquisitions	\$ -	\$ (1,963)
Cash used for capital activities	\$ -	\$ (1,963)
CASH PROVIDED BY INVESTING ACTIVITIES		
Repayment of loans receivable	\$ 2,110,041	\$ 5,704,651
Loan charges receivable	50,822	75,853
Disbursements of loans receivable	(861,885)	(1,778,959)
Cash provided by investing activities	\$ 1,298,978	\$ 4,001,545
CASH USED FOR FINANCING ACTIVITIES		
Repayment of advance from Government of Nunavut	\$ (2,000,000)	\$ (4,000,000)
Cash used for financing activities	\$ (2,000,000)	\$ (4,000,000)
(Decrease)/increase in cash	(420,922)	93,148
Cash - beginning of the year	\$ 1,594,223	\$ 1,501,075
Cash - end of the year	\$ 1,173,301	\$ 1,594,223

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

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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).

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) as issued by the Public Sector Accounting Board (PSAB). The following is a summary of the significant accounting policies.

(a) Cash

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

(b) Accounts receivable

Accounts receivable are valued at the lower of cost or net recoverable value. Valuation allowances, if necessary, are recorded based on all circumstances that existed at the financial statement date that were known at the date these financial statements are 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.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

2. Significant accounting policies (continued)

(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, 2021.

Financial Assets	Measurement Basis
Cash	Cost
Accounts receivable	Cost
Loans receivable	Amortized cost
Due from Government of Nunavut	Cost
Loan charges receivable	Cost

Financial Liabilities	Measurement Basis
Accounts payable and accrued liabilities	Cost
Due to Government of Nunavut	Cost

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

(f) Interest income on loans receivable

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

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

2. Significant accounting policies (continued)

(g) Loans receivable

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

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

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated net 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 revenue as other income.

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

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

2. Significant accounting policies (continued)

(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%, 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 through an adjustment within the specific allowance.

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

(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.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

2. Significant accounting policies (continued)

(j) Post-employment benefit liabilities (continued)

Non-pension benefits

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

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

(k) Revenue recognition

Unless otherwise stated, all revenues are recognized and reported on an accrual basis in the period in which transactions or events give rise to the revenues.

(l) Contributions from Government of Nunavut

Transfers 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 Deficit as the stipulated liabilities are settled. The Corporation does not have deferred contribution 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.

The Government provides certain administrative contributions and services without charge to the Corporation.

Administrative contributions provided by the Government 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.

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 on behalf of its employees 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.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

2. Significant accounting policies (continued)

(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) Future changes in accounting standards

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

Section PS 3280 Asset Retirement Obligations, has been issued by the PSAB and is effective for the fiscal year beginning on or after April 1, 2022. 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.

Section PS 3400 Revenue, has been issued by the PSAB and is effective for the fiscal year 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.

3. Cash

The Corporation's cash is pooled with the Government's surplus cash, which earns bank interest on the combined balance, rather than on an individual account basis. In 2021, the Corporation earned interest income of \$10,659 (2020 - \$35,867) with an average yield of 0.80% (2020 - 2.25%).

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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 zero to five percent. 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 zero to five percent. 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 September 28, 2020, Bill 44 (Write-off of Assets and Debts Act, 2019-2020) was assented to in the Legislative Assembly of Nunavut, which wrote-off \$895,475 (2020 - \$929,229) of loans receivable owed by 2 (2020 - 5 clients).

As of March 31, 2021, loans receivable are expected to mature as follows:

Terms to Maturity	Annual Interest Rate %	2021	Annual Interest Rate %	2020
1 year	5.25% - 6.86%	\$ 1,846,576	5.54% - 6.86%	\$ 1,831,627
1 - 2 years	5.84% - 6.59%	2,682,889	5.32% - 6.86%	1,365,296
2 - 3 years	6.86% - 6.96%	3,394,851	5.84% - 6.59%	2,816,669
Over 3 years	5.25% - 6.59%	1,554,153	6.43% - 6.96%	4,218,792
Impaired loans	5.48% - 6.59%	3,304,237	5.48% - 6.59%	4,692,987
		\$ 12,782,706		\$ 14,925,371
Accrued loan interest receivable (Note 6)		69,441		106,376
Loan charges receivable		29,946		44,286
		\$ 12,882,093		\$ 15,076,033
Less: Allowance for losses on loans receivable (Note 5)		2,431,389		3,176,981
Loans receivable - net		\$ 10,450,704		\$ 11,899,052

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.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

4. Loans receivable (continued)

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

Terms to Maturity	Number of Loans	2021		2020	
		Loan Balance	Number of Loans	Loan Balance	Number of Loans
Performing Loans					
1 year	9	\$ 1,846,576	9	\$ 1,831,627	
1 - 2 years	7	2,682,889	5	1,365,296	
2 - 3 years	8	3,394,851	7	2,816,669	
Over 3 years	5	1,554,153	11	4,218,792	
Total - Performing loans	29	\$ 9,478,469	32	\$ 10,232,384	
Impaired Loans					
1 year	1	\$ 982,949	-	\$ -	
1 - 2 years	1	385,150	1	982,949	
2 - 3 years	-	-	1	385,151	
Over 3 years	-	-	-	-	
Past maturity date	5	1,936,138	7	3,324,887	
Total - Impaired loans	7	\$ 3,304,237	9	\$ 4,692,987	
Total	36	\$ 12,782,706	41	\$ 14,925,371	

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

4. Loans receivable (continued)

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

Regions	Annual Interest Rate %	2021	Annual Interest Rate %	2020
Performing Loans				
Qikiqtaaluk	5.25% - 6.96%	\$ 5,966,494	5.48% - 6.96%	\$ 6,757,206
Kivalliq	5.32%	830,742	5.32%	840,252
Kitikmeot	5.48% - 6.96%	2,681,233	5.53% - 6.96%	2,634,926
Total - Performing Loans		\$ 9,478,469		\$ 10,232,384
Impaired Loans				
Qikiqtaaluk	5.48% - 6.59%	\$ 1,783,391	5.48% - 6.59%	\$ 2,909,637
Kivalliq	5.48% - 6.09%	1,520,846	5.48% - 6.34%	1,783,350
Kitikmeot	-	-	-	-
Total - Impaired Loans		\$ 3,304,237		\$ 4,692,987
Total		\$ 12,782,706		\$ 14,925,371
All Loans				
Qikiqtaaluk	5.25% - 6.96%	7,749,885	5.48% - 6.96%	\$ 9,666,843
Kivalliq	5.32% - 6.09%	2,351,588	5.32% - 6.34%	2,623,602
Kitikmeot	5.48% - 6.96%	2,681,233	5.53% - 6.96%	2,634,926
Total		\$ 12,782,706		\$ 14,925,371

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

5. Allowance for losses on loans receivable

	2021		2020	
Specific Allowance on Impaired Loans				
Balance, beginning of the year	\$	2,971,754	\$	3,798,479
Loans written-off		(895,475)		(929,229)
Change in allowance for the year		165,062		102,504
Balance, end of the year	\$	2,241,341	\$	2,971,754
General Allowance on Performing Loans				
Balance, beginning of the year	\$	205,227	\$	257,684
Change in allowance for the year		(15,179)		(52,457)
Balance, end of the year	\$	190,048	\$	205,227
Total allowance for losses on loans receivable, end of the year	\$	2,431,389	\$	3,176,981

6. Accrued loan interest receivable

	2021		2020	
Performing loans	\$	23,034	\$	17,004
Impaired loans		46,407		89,372
	\$	69,441	\$	106,376

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.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

7. Accounts payable and accrued liabilities

	2021		2020	
Related party accounts payable and accrued liabilities				
Amounts payable to the Government (Note 13)	\$	57,021	\$	184,880
	\$	57,021	\$	184,880
Trade payables and accrued liabilities to third parties				
Trade payables	\$	5,058	\$	19,955
Annual leave, lieu time, and optional leave		154,227		97,625
		159,285		117,580
Total accounts payable and accrued liabilities	\$	216,306	\$	302,460

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. Post-employment benefit liabilities

Pension benefits

All of the employees of the Corporation are covered by the Plan. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The contribution rate effective at year end was 1.01 (2020 - 1.01) for members enrolled before January 1, 2013 and 1.0 (2020 - 1.0) for members enrolled beginning January 1, 2013. The Corporation's contributions of \$56,479 (2020 - \$55,932) have been expensed in salaries and benefits. The employees' contributions to the Plan were \$55,920 (2020 - \$55,378).

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.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

8. Post-employment benefit liabilities (continued)

Non-pension benefits

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

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

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

		2021		2020
Severance	\$	8,674	\$	6,939
Removal		12,341		12,341
	\$	21,015	\$	19,280

9. Due to Government of Nunavut

		2021		2020
Balance, beginning of the year	\$	14,221,610	\$	18,391,796
Interest expense on advance for the year		38,714		221,610
Repayment of principal and interest		(2,255,093)		(4,391,796)
Balance, end of the year	\$	12,005,231	\$	14,221,610

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 2021, the rate varied from 0.18% to 0.53% (2020 - 0.49% to 1.72%).

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

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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.

As at March 31, 2021, \$3,104,329 (2020 - \$3,655,134) of the impaired loans are secured by assets the Corporation has the ability to sell in order to partially or fully recover the borrowers' commitments.

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

The table below illustrates the maximum credit exposure to the Corporation if all counterparties defaulted on March 31, 2021.

	2021		2020	
Cash	\$	1,173,301	\$	1,594,223
Accounts receivable		6,096		14,081
Loans receivable, net of allowances		10,351,317		11,748,390
Accrued interest receivable		69,441		106,376
Loan charges receivable		29,946		44,286
	\$	11,630,101	\$	13,507,356

Commitments to make future loan disbursements represent unused portions of authorizations to extend credit in the form of loans and credit lines. With respect to credit risk, the Corporation is potentially exposed to a maximum credit risk in an amount equal to the total unused commitments totaling \$2,655,617 (2020 - \$2,790,611) (Note 11).

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

10. Financial risk management (continued)

Credit risk (continued)

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	2021		2020	
31 - 60 days	\$	-	\$	208,186
61 - 90 days		-		2,301,497
Over 90 days		6,344,684		-
	\$	6,344,684	\$	2,509,683

The increase in the balance of loans past due, but not impaired that are over 90 days is due to the Corporation offering payment deferrals to clients in order to support them in managing the impacts of COVID-19.

At the end of 2021, 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, 2021 and the monthly cash balance on hand, a 100 basis point increase in annual interest rates would decrease the surplus by \$115,747 (2020 – \$124,755). A 100 basis point decrease in annual interest rates would increase the surplus by \$28,055 (2020 – \$156,331).

The Corporation is not exposed to any other market risks.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

10. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations associated with financial liabilities. The Corporation's objective for managing liquidity risk is to manage operations and cash expenditures within the fixed contribution for the year as specified in the Contribution Agreement with the Government.

The 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 had commitments to make future loan disbursements subsequent to March 31, 2021 on term loans of \$712,377 due within the next fiscal year and lines of credit of \$1,443,240 that are on demand with no established timelines.

In addition, the Corporation has issued \$500,000 (2020 - \$800,000) of standby letters of credit on behalf of clients as at March 31, 2021. 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 revenue and assets in the future. The following table summarizes the contractual rights of the Corporation:

2022	\$	523,773
2023	\$	326,436
2024	\$	122,548
2025	\$	51,562
2026	\$	9,492

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.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

13. Related party transactions (continued)

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:

	2021		2020	
Operational contribution	\$	900,000	\$	700,000
Services provided without charge:				
Facility expenses		92,036		92,036
Information technology support		14,004		8,666
Insurance and risk management		5,063		5,104
Administration of employee salaries and benefits		42,968		55,356
Total contributions from the Government	\$	1,054,071	\$	861,162

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 within the Statement of Operations and Accumulated Deficit.

During the year, payments made or to be made by the Government on behalf of the Corporation in relation to employee salaries and other payments totaled \$877,188. As at March 31, 2021, \$57,021 remains outstanding and has been accrued within accounts payable and accrued liabilities.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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. COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which spread in Canada and throughout the world. There were changes in the Corporation's operations as a result of the COVID-19 crisis, including the closure of its offices by territorial decree and the deferral of annual client reviews. The situation is still rapidly evolving and in the event the pandemic is prolonged, the operations of the Corporation and its clients could be adversely impacted which has the potential to significantly impact the financial statements.

To support its clients in managing the impacts of the pandemic, the Corporation offered payment deferrals to its clients, which resulted in deferred payments totaling \$212,686.

NUNAVUT BUSINESS CREDIT CORPORATION

SCHEDULE OF TANGIBLE CAPITAL ASSETS

SCHEDULE A

for the year ended March 31

	Computer and office equipment		Office furniture and fixtures		2021		2020	
Cost								
Opening balance	\$	57,111	\$	19,267	\$	76,378	\$	74,415
Additions		-		-		-		1,963
Closing balance	\$	57,111	\$	19,267	\$	76,378	\$	76,378
Accumulated amortization								
Opening balance	\$	(32,932)	\$	(14,267)	\$	(47,199)	\$	(36,008)
Amortization	\$	(7,254)	\$	(1,000)	\$	(8,254)		(11,191)
Closing balance	\$	(40,186)	\$	(15,267)	\$	(55,453)	\$	(47,199)
Net book value	\$	16,925	\$	4,000	\$	20,925	\$	29,179
Amortization rate		30%		20%				

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