KIVALLIQ
BUSINESS DEVELOPMENT CENTRE
FINANCIAL STATEMENTS
MARCH 31, 2025

KIVALLIQ BUSINESS DEVELOPMENT CENTRE
INDEX
MARCH 31, 2025

Baker Tilly Arctic Inc.
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Independent Auditors' Report

To the Members of the Kivalliq Business Development Centre

Opinion

We have audited the financial statements of the Kivalliq Business Development Centre (the Organization), which comprise the statement of financial position as at March 31, 2025, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 Matter

The financial statements of Kivalliq Business Development Centre for the year ended March 31, 2024, were audited by Lester Landau Accounting Professional Corp. which has now become Baker Tilly Arctic Inc.

INDEPENDENT AUDITOR'S REPORT - continued

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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization’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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization’s financial reporting process.

Auditors' 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 auditors' 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 Organization’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT - continued

- 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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Organization 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.

Baker Tilly Arctic Inc.

Iqaluit, Nunavut
September 19, 2025

Chartered Professional Accountants

KIVALLIQ BUSINESS DEVELOPMENT CENTRE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2025

	Budget (Unaudited)	2025	2024
REVENUES			
Government of Nunavut			
Economic Development and Transportation	$ 252,000	$ 249,752	$ 310,641
Amortization of deferred government assistance	0	31	44
Interest - loans	0	2,232	23,208
Administration fees	0	9,008	7,083
Cost recoveries and other income	0	2,228	34,281
	252,000	263,251	375,257
EXPENSES			
Advertising and promotion	10,000	22,437	8,547
Bad debts (recovery)	0	153,673	(600)
Board meetings - accommodation and meals	25,000	13,049	5,410
Board meetings - travel	0	15,831	21,641
Computer expenses	2,200	575	0
Contract services	40,000	47,392	34,581
Depreciation	0	1,884	1,952
Insurance	7,000	2,912	2,919
Interest and bank charges	8,300	10,153	9,897
Membership fees	10,500	10,500	10,500
Office	3,000	2,770	4,111
Postage and courier	140	37	1,052
Professional fees	47,600	41,657	30,541
Provision for credit losses	0	287,939	0
Rent	14,760	18,860	16,133
Staff - travel	21,500	16,364	27,216
Telephone and utilities	4,000	4,972	6,356
Training	6,000	5,243	4,211
Wages and benefits	52,000	35,116	125,113
	252,000	691,364	309,580
NET INCOME (LOSS)	$ 0	$ (428,113)	$ 65,677

KIVALLIQ BUSINESS DEVELOPMENT CENTRE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2025

	General Fund	Invested in Equipment	2025	2024
BALANCE, OPENING	$ (1,576,818)	$ 6,936	$ (1,569,882)	$ (1,635,559)
Net income (loss)	(428,113)	0	(428,113)	65,677
Depreciation	1,884	(1,884)	0	0
Amortization of deferred capital assistance	(31)	31	0	0
BALANCE, CLOSING	$ (2,003,078)	$ 5,083	$ (1,997,995)	$ (1,569,882)

KIVALLIQ BUSINESS DEVELOPMENT CENTRE
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2025

	2025	2024
ASSETS		
Cash and cash equivalents	$ 134,055	$ 135,713
Temporary investments (Note 3)	10,000	10,000
Accounts receivable (Note 4)	62,600	156,511
Government remittances receivable	3,261	0
Prepaid expenses	2,864	2,816
Loans receivable (Note 5)	3,476	293,529
Equipment (Notes 2 and 6)	5,156	7,040
	$ 221,412	$ 605,609
LIABILITIES		
Accounts payable and accrued liabilities	$ 79,126	$ 30,442
Government remittances payable	0	4,736
Contributions repayable (Note 7)	209	209
Deferred government assistance (Note 8)	72	(104)
Loans payable (Note 9)	190,000	190,000
	269,407	225,491
NET ASSETS		
Contributed surplus (Note 10)	1,950,000	1,950,000
Invested in equipment	5,083	6,936
General fund	(2,003,078)	(1,576,818)
	(47,995)	380,118
	$ 221,412	$ 605,609

Contingent liabilities (Note 11)

Commitments (Note 12)

APPROVED BY THE DIRECTORS:

_______________ Director

Matthew Ayres Director

Matthew Ayres
2 October 2025

KIVALLIQ BUSINESS DEVELOPMENT CENTRE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Net income (loss)	$ (428,113)	$ 65,677
Items not requiring (providing) cash:		
Depreciation	1,884	1,952
Provision for credit losses	288,481	0
Amortization of deferred government assistance	(31)	(44)
	(137,779)	67,585
Cash provided by (used for) changes in non-cash working capital:		
Accounts receivable	93,911	(50,113)
Prepaid expenses	(48)	(1,430)
Accounts payable and accrued liabilities	48,683	(180,580)
Government remittances (receivable) payable	(7,997)	2,570
	(3,230)	(161,968)
FINANCING ACTIVITIES		
Loan payable repaid	0	(9,004)
INVESTING ACTIVITIES		
Loans repaid	2,029	10,486
Loan interest charged	(457)	(23,208)
Purchase of equipment	0	(3,075)
	1,572	(15,797)
DECREASE IN CASH	(1,658)	(186,769)
CASH AND CASH EQUIVALENTS, OPENING	135,713	322,482
CASH AND CASH EQUIVALENTS, CLOSING	$ 134,055	$ 135,713

1. NATURE OF THE ORGANIZATION

Kivalliq Business Development Centre is a registered society under the *Societies Act* of Nunavut. The Organization operates to promote and loan funds for the development of new business in the Kivalliq region. As a not-for-profit organization, the Kivalliq Business Development Centre is exempt from income taxes under section 149(1)(l) of the *Income Tax Act* (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Organization are in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Use of Estimates
The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions included the valuation of accounts receivable and loans receivable, the estimated useful life of equipment and the likely outcome and valuation of litigation. Therefore, actual results could differ from those estimates.

(b) Financial Instruments
Financial instruments are financial assets or liabilities of the Organization where, in general, the organization has the right to receive cash or another financial asset from another party or the organization has the obligation to pay another party cash or other financial assets.

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measure at the exchange amount, which is the amount agreed upon by the related parties.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the company in the transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, temporary investments, accounts receivable, and loans receivable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments (continued)

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable, contributions repayable and loans payable.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial assets or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- The present value of the cash flows expected to be generated by the asset or group of assets;
- The amount that could be realized by selling the asset or group of assets;
- The net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

(c) Cash And Cash Equivalents

Cash and cash equivalents consist of bank account balances net of outstanding cheques.

(d) Temporary Investments

Temporary investments are carried at cost, which approximates market value.

(e) Loans Receivable

Loans receivable are stated net of an allowance for credit losses established at an amount considered adequate to absorb anticipated credit related losses. The allowance is determined through evaluation of individual loans. Interest income is recorded on the accrual basis for all loans receivable other than non-performing loans. Upon classification of a loan to non-performing, any previously accrued but unpaid interest thereon is expensed in the current period.

At each financial reporting period, the Organization's management determines the valuation of loans based on the criteria above and reflects such valuation of loans in the financial statements. The resulting values may differ from values that would be realized had a ready market existed. The amount at which loans could be disposed of currently may differ from the carrying value assigned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Equipment

Equipment is recorded at cost. Depreciation is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Furniture and fixtures	20% declining balance
Computer equipment	30% declining balance

One-half of the annual rate of depreciation is taken in the year of acquisition.

(g) Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized in the General Fund as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from the interest charged on loans to customers is recognized when collection of the loan payments are reasonably assured.

(h) Government Assistance

Government assistance towards capital projects is recorded as deferred government assistance. Deferred government assistance is amortized into revenue on a declining balance basis at the same rate as the corresponding capital asset is depreciated. Forgivable loans are recorded as revenue in the year of forgiveness. Government assistance towards expenditures is recorded as revenue on the accrual basis.

3. TEMPORARY INVESTMENTS

	2025	2024
Guaranteed investment certificate	$ 10,000	$ 10,000

Temporary investments consist of a cashable guaranteed investment certificate earning interest at 2.25% (2023 - 0.75%) per annum, maturing October 5, 2024 (2023 - October 5, 2023). The investment is held as security against the Organization's corporate credit card.

4. ACCOUNTS RECEIVABLE

	2025	2024
Accounts receivable	$ 79,250	$ 173,161
Allowance for doubtful accounts	(16,650)	(16,650)
	$ 62,600	$ 156,511

5. LOANS RECEIVABLE

	2025	2024
Loans receivable	$ 814,920	$ 816,946
Provision for loan losses	(811,444)	(586,325)
	3,476	230,621
Additional charges:		
Interest	66,990	66,993
Legal fees	650	650
Administration fees	1,641	1,726
	69,281	69,369
Less: allowance for doubtful accounts	(69,281)	(6,461)
	0	62,908
	$ 3,476	$ 293,529

6. EQUIPMENT

	2025			2024
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and fixtures	$ 11,982	$ 10,161	$ 1,821	$ 2,276
Computer equipment	16,788	13,453	3,335	4,764
	$ 28,770	$ 23,614	$ 5,156	$ 7,040

7. CONTRIBUTIONS REPAYABLE

	2025	2024
2018/19 ED&T operating contribution	$ 1	$ 1
2019/20 ED&T SIP contribution	208	208
	$ 209	$ 209

8. DEFERRED GOVERNMENT ASSISTANCE

	2025			2024
	Original Amount	Accumulated Amortization	Unamortized Balance	Unamortized Balance
Computer equipment	$ 3,020	$ 2,947	$ 72	$ 104

9. LOANS PAYABLE

The Organization has entered into various loan agreements with National Aboriginal Capital Corporations Association (NACCA) for Enhanced Access Programming (EAP) loans and the Emergency Loan Program (ELP), and from the Nunavut Community Futures Association (NCFA) for the Regional Relief and Recovery Fund program (RRRF) and Nunavut Entrepreneur Incentive (NEI) program.

The loan funds are subsequently used by the Organization to lend monies to viable Inuit-owned businesses in the Kivalliq region. The loans are interest-free with no maturity date or fixed repayment terms and the principal is repayable on demand; however, NACCA and NCFA will not demand repayment prior to the collection of the underlying debt lent to the Organization's clients with the loan proceeds.

In September 2021, a general loan agreement was signed with NCFA for total principal of $190,000, accruing interest at 4% per annum, with a maturity date of March 31, 2022. The loan was renewed at the same term, with new maturity date of March 31, 2026. The loan is secured by a general loan security agreement on the assets of the Organization.

	2025	2024
NCFA loan #CFGLA-2021-01	$ 190,000	$ 190,000

10. CONTRIBUTED SURPLUS

Contributed surplus consists of $1,950,000 advanced by the Government of Canada ($1,150,000), the Government of the Northwest Territories ($600,000) and the Government of Nunavut ($200,000) pursuant to an agreement to capitalize a loan fund.

11. CONTINGENT LIABILITIES

A claim against the Organization under the Small Claims Rules in the Nunavut Court of Justice was filed by a former employee alleging wrongful dismissal and an error in calculating the pension benefit payments. In the opinion of management, the outcome of the lawsuits is not determinable. No provision for any losses has been recorded. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

12. COMMITMENTS

The office premises have been leased with an annual cost of $14,400 plus GST. The lease term ends February 14, 2026 with an option for the Organization to extend the lease term for one year.

13. ECONOMIC DEPENDENCE

The Organization is economically dependent on contributions from the Government of Nunavut for its continuing operations.

14. FINANCIAL INSTRUMENTS

The significant financial risks to which the Organization is exposed is credit risk, interest rate risk and liquidity risk.

(a) Credit risk
Credit risk arises from the possibility that the entities to which the Organization provides loans may experience financial difficulty and be unable to fulfil their obligations. A concentration of credit risk also arises as the debtors of the Organization are concentrated in the Kivalliq Region of Nunavut. The Organization is exposed to credit risk on the accounts receivable from its customers. As of March 31, 2025 approximately 97% (2024, 98%) of the trade accounts receivable balance are owed from one customer (2024, one customer).

(b) Interest rate risk
The Organization is exposed to interest rate cash flow risk to the extent that a portion of the long-term debt and loan receivables bear interest at a fixed rate of interest, and as such is subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. The Organization does not use derivative financial instrument to alter the effects of the risk.

(c) Liquidity risk
The Organization manages liquidity risk by monitoring maturities of financial commitments and maintaining adequate cash reserves and available borrowing facilities to meet these commitments as they come due.