



# A Portrait of Aboriginal Financial Institutions

**Fiscal 2016**

SUPPORTING YOUR VISION  
INVESTING IN YOUR STRENGTHS

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Prepared by:  
National Aboriginal Capital Corporations Association (NACCA) – September 2017

## INTRODUCTION

The National Aboriginal Capital Corporations Association serves as a network for the 58 Aboriginal Financial Institutions (AFIs) located throughout Canada. Aboriginal leaders with support from the Government of Canada, created AFIs in the late 1980s to early 1990s. AFIs include Aboriginal Capital Corporations (ACCs); Aboriginal-controlled Community Futures Development Corporations (ACFDCs) and provincially or privately capitalized Aboriginal Developmental Lenders (ADLs). These organizations have varying mandates, coverage areas and funding sources. This report provides a summary of these organizations' activities in the fiscal year ending March 31<sup>st</sup>, 2016 with a focus on AFI lending activities.

An ACC is an Aboriginal-owned and controlled business lending organization capitalized by the Federal Government in the 1980s and 90s to deliver financing and advisory services for Aboriginal business development. ACCs provide business services and support to Canadian status and non-status Indians, Inuit and Métis individuals, associations, partnerships or other legal entities which are wholly or majority owned and controlled by Aboriginal people, on or off reserve. A typical ACC has a revolving-loan capital fund from which it offers secured interest-bearing repayable term loans. Variation among the corporations allows for sensitivity to the needs of local and regional market conditions. Services may vary; however, ACCs generally offer term loans, letters of credit, operating/working capital loans and technical and advisory services. ACCs typically don't receive ongoing operating funding and earn the majority of their revenue from lending activities. However, ACCs have access to programs managed by NACCA that support developmental lending.

*ACFDCs* are capitalized by the Federal Government through the Regional Development Agencies and provide the communities they serve with a variety of services including business development loans, technical support, training and information. In addition to the business development component, ACFDCs are involved in a wide array of community initiatives, including community strategic planning processes, research and feasibility studies and the implementation of a diverse range of community economic development projects.

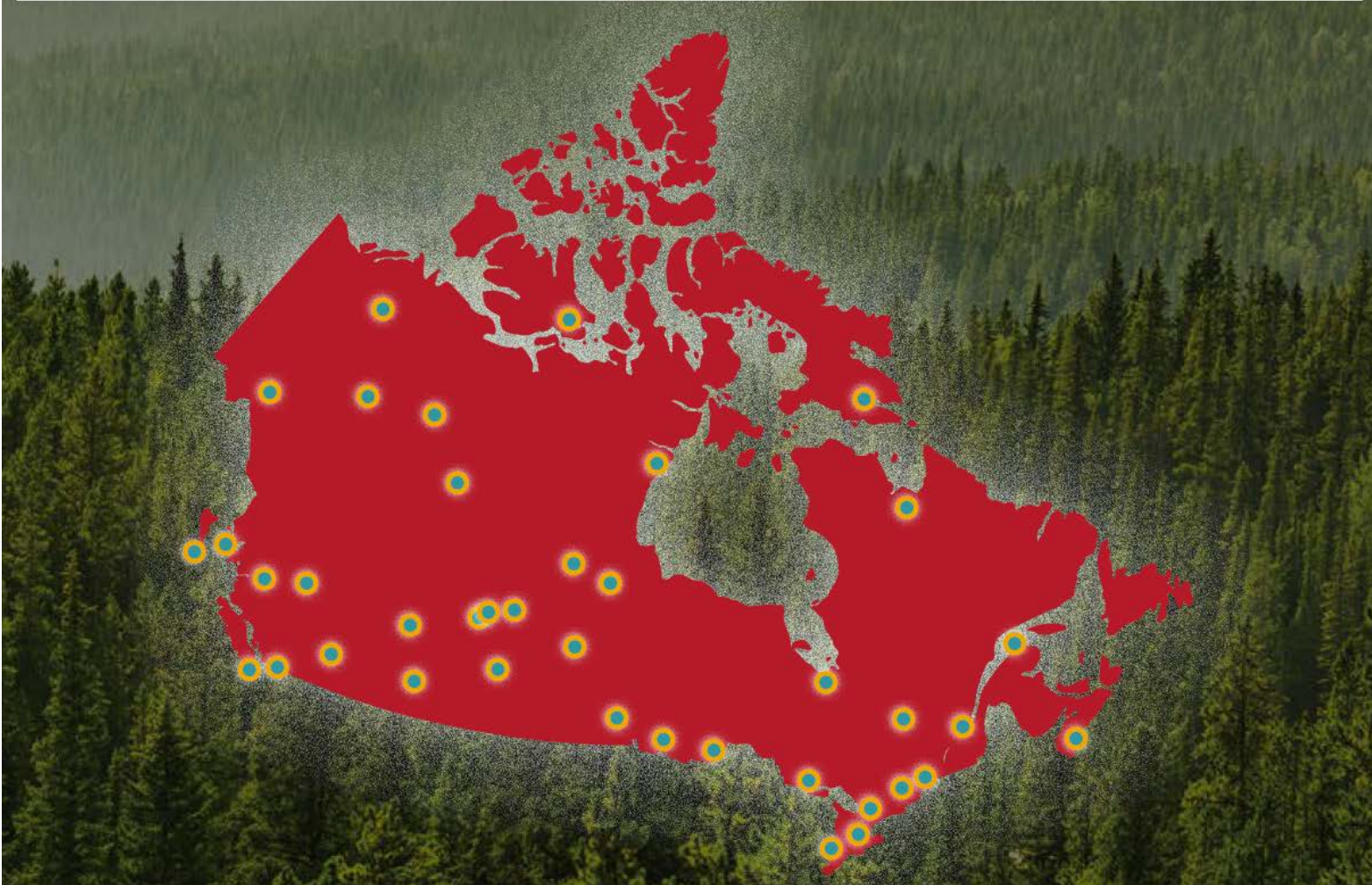
ACFDCs receive operating cost subsidies from their funders and are contractually compelled to deliver specific products and services to communities and entrepreneurs in the regions they serve. ACFDCs must apply to their funder to be able to use a portion of the interest they generate on loans to offset a portion of their operating expenses. The constraints imposed through past as well as current operating subsidy levels, in effect restrict ACFDC autonomy and impede the impact they could have in the regions they serve.

*ADLs* receive loan capital and/or operating funding either from the private sector or Provincial/Territorial Governments. ADLs provide debt and equity capital and a vast array of business support services including Federal, Provincial and Territorial programs to status and non-status Indians, Inuit and Métis individuals, partnerships or other legal entities which are wholly or majority owned or controlled by Aboriginal people, on or off reserve.

The AFI approach to supporting the viability of a business positions AFIs as risk management innovators, providing distinct risk management and mitigation solutions as well as critical access to local financial services. They take a flexible stance on security requirements and managing risk by building capacity of Aboriginal small and medium enterprises. AFIs are highly focused and dedicated to meeting developmental lending needs for Aboriginal clients. Within the continuum of lenders that provide small business loans to Aboriginal people, AFIs have a deep reach to the communities they serve across Canada having developed a know-how over 30 years not shared by other organizations.

AFI Locations across Canada

| YK | NWT | NU | BC | AB | SK | ON | PQ | AC | MB | TOTAL |
|----|-----|----|----|----|----|----|----|----|----|-------|
| 1  | 6   | 5  | 10 | 5  | 6  | 8  | 5  | 1  | 11 | 58    |



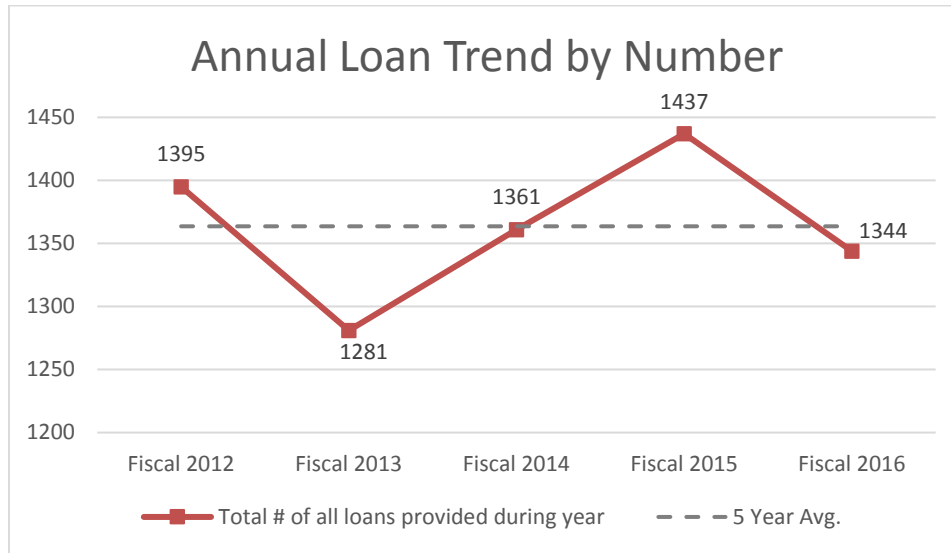
## Aboriginal Financial Institutions Highlights

| <b>AFI Highlights</b> (All data is for 54 out of 58 AFIs. See Appendix A for details.) | <b>2015</b>   | <b>2016</b>   |
|--|---------------|---------------|
| <b>AFI Economic impact</b>   |               |               |
| Total loan dollars advanced  | \$115,561,002 | \$108,532,302 |
| Total loans provided   | 1,432         | 1,344         |
| Total FTE jobs created/maintained by new loans   | 3,895         | 4,432         |
| Average FTE jobs created/maintained per AFI loan                                       | 3.02          | 3.59          |
| <b>AFI Portfolio Management (consolidated)</b>   |               |               |
| Total AFI gross loan portfolio (GLP)   | \$318,633,390 | \$329,442,451 |
| Total AFI loan loss reserve  | \$27,037,713  | \$30,153,148  |
| Total loan loss reserve as percent of GLP  | 8.49%         | 9.15%         |
| Average interest yield on GLP  | 7.49%         | 7.38%         |
| Average delinquency reported by AFI  | 11.34%        | 16.38%        |
| Historical write-offs as a percentage of historical loans advanced                     | 5.33%         | 5.20%         |
| <b>AFI Profitability</b>   |               |               |
| Average expense per AFI loan   | \$10,730      | \$9,875       |
| Number of profitable AFIs  | 32            | 34            |
| Profit (Loss) (consolidated)   | \$2,001,657   | \$7,127,062   |

## AFI Lending Activity

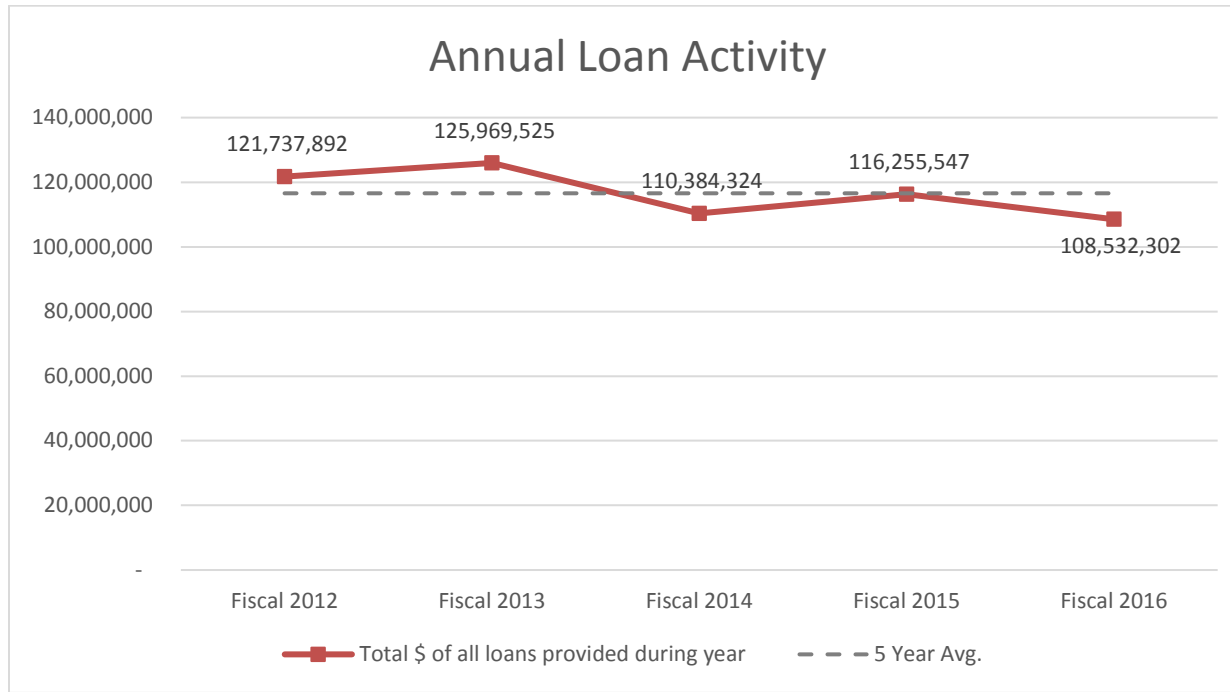
### Annual Loan Trend by Number

AFIs provide in the range of 1,200 to 1,400 loans every year. The five year average is 1,364 loans per year.



### Annual Loan Activity by Dollar

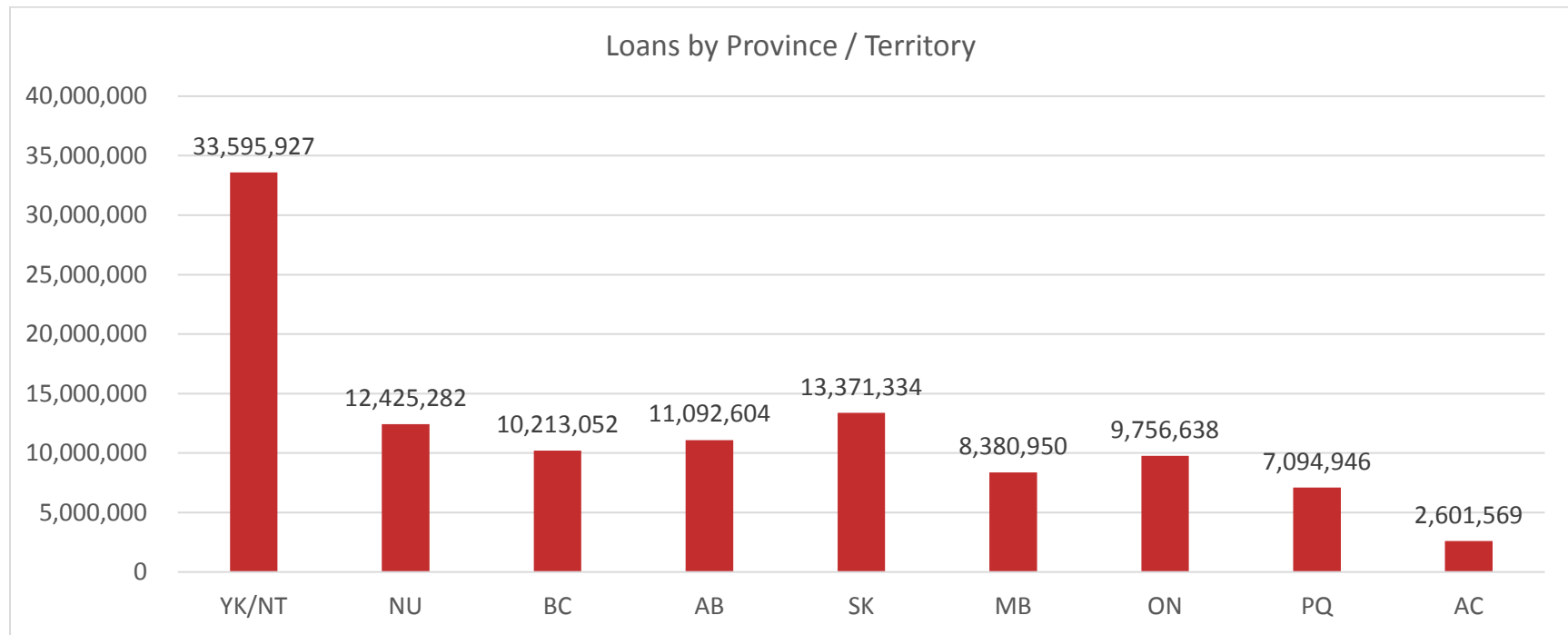
While the number of loans provided has remained relatively stable over the past five years, the dollar value has declined slightly. As a result, the average loan size has also reverted to \$83,062 – a level more in line with previous years after peaking at \$97,704 in 2013.





### Gross Loan Portfolio by Province/Territory

The 2016 Provincial/Territorial distribution of the gross loan portfolio<sup>1</sup> is reflected below.



<sup>1</sup> One AFI from the NWT has substantial loans in Nunavut. However, all of its loans are reflected in the above chart as being in the NWT.

### Lending Activity by NACCA Region

A regional breakdown of lending activity reveals significant variations in lending patterns. Average new loan size varies significantly from roughly \$38,000 in Saskatchewan to over \$254,000 in North of 60. The significantly larger loan sizes also explains in part the out-sized value of loans advanced in the North.

Lending in some regions also focuses more on start-ups whereas in the North loans to existing businesses outnumber those to start-ups by a wide margin.

|   | AB           | APQ*        | BC           | MB          | NO**         | ON          | SK           |
|---|--------------|-------------|--------------|-------------|--------------|-------------|--------------|
| <b># of loans to start-up businesses</b>      | 87           | 29          | 117          | 50          | 28           | 62          | 99           |
| <b>\$ of loans to start-up businesses</b>     | \$5,014,993  | \$2,054,606 | \$5,050,112  | \$3,635,946 | \$1,774,344  | \$2,893,458 | \$7,867,153  |
| <b># of new loans to existing businesses</b>  | 101          | 58          | 123          | 54          | 151          | 95          | 197          |
| <b>\$ of new loans to existing businesses</b> | \$5,738,150  | \$6,832,182 | \$5,157,590  | \$4,553,023 | \$43,722,365 | \$5,989,093 | \$3,627,752  |
| <b>Total # of all loans provided</b>          | 188          | 87          | 240          | 104         | 179          | 157         | 296          |
| <b>Total \$ of all loans provided</b>         | \$10,753,143 | \$8,886,788 | \$10,207,702 | \$8,188,969 | \$45,496,709 | \$8,882,551 | \$11,494,905 |
| <b>Average new loan advanced</b>              | \$57,198     | \$102,147   | \$42,532     | \$78,740    | \$254,172    | \$56,577    | \$38,834     |

\* Atlantic provinces and Quebec

\*\* North of 60 (Yukon, Northwest Territories and Nunavut)

## How AFIs Support Businesses, Jobs and the Economy

### Businesses and Jobs Supported

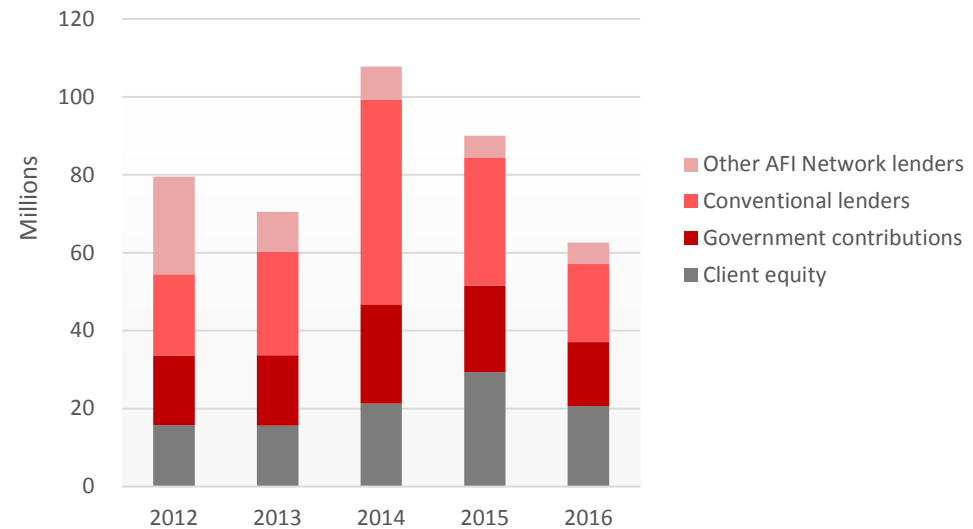
AFIs play a vital role in supporting the creation and maintenance of jobs by Aboriginal entrepreneurs. Considering that new loans support some 4,400 jobs each year, the consolidated AFI gross loan portfolio supports approximately 13,000 full-time equivalent jobs. 2016 job creation/maintenance data is reflected in the table below.

|                        | # of Businesses Supported | FTE Jobs Created or Maintained | FTE Jobs per loan |
|------------------------|---------------------------|--------------------------------|-------------------|
| <b>Start-up loans</b>  | 468                       | 1,121                          | 2.4               |
| <b>Expansion loans</b> | 767                       | 3,311                          | 4.3               |
| <b>Total</b>           | 1,235                     | 4,432                          | 3.6               |

### Project Dollars Leveraged

It is important in this context that AFI loans are typically part of a larger financing package for a project. As such, AFI loans leveraged the following additional financing sources:

Project Dollars Leveraged by AFI Loans



## AFI Leverage by Region

Summary leverage results are reflected below by NACCA region, as a percentage of new loans provided.

| AB  | APQ  | BC   | MB   | NO  | ON  | SK   | All AFIs   |
|-----|------|------|------|-----|-----|------|------------|
| 30% | 131% | 129% | 118% | 44% | 92% | 167% | <b>60%</b> |

## Gauging AFI's Impact on Gross Domestic Product (GDP)

To better measure the economic impact of AFI financing activities, the economic impact of AFI activity can be estimated by using a model that estimates the GDP impact that specific types of expenses in specific regions have. Such models consider the indirect impact from intermediate inputs as well as the induced impact generate when employees spend their wages in addition to the direct value added of an investment or expense. The model also accounts for leakage of spending to other countries that occurs when goods or services that are financed by an AFI are imported. This effect is particularly pronounced in the context of capital investment because capital goods are often imported.

NACCA and BDC commissioned such a study in 2016 because very little is known about the economic impact of Aboriginal developmental finance in Canada.<sup>2</sup> Using data that was available from the ABFP program, the study suggests each dollar lent on projects that also received ABFP, about \$3.6 were added to GDP. While limited to lending associated with ABFP, the multiplier gives a first indication of the impact that AFI lending at large has on the Canadian economy.

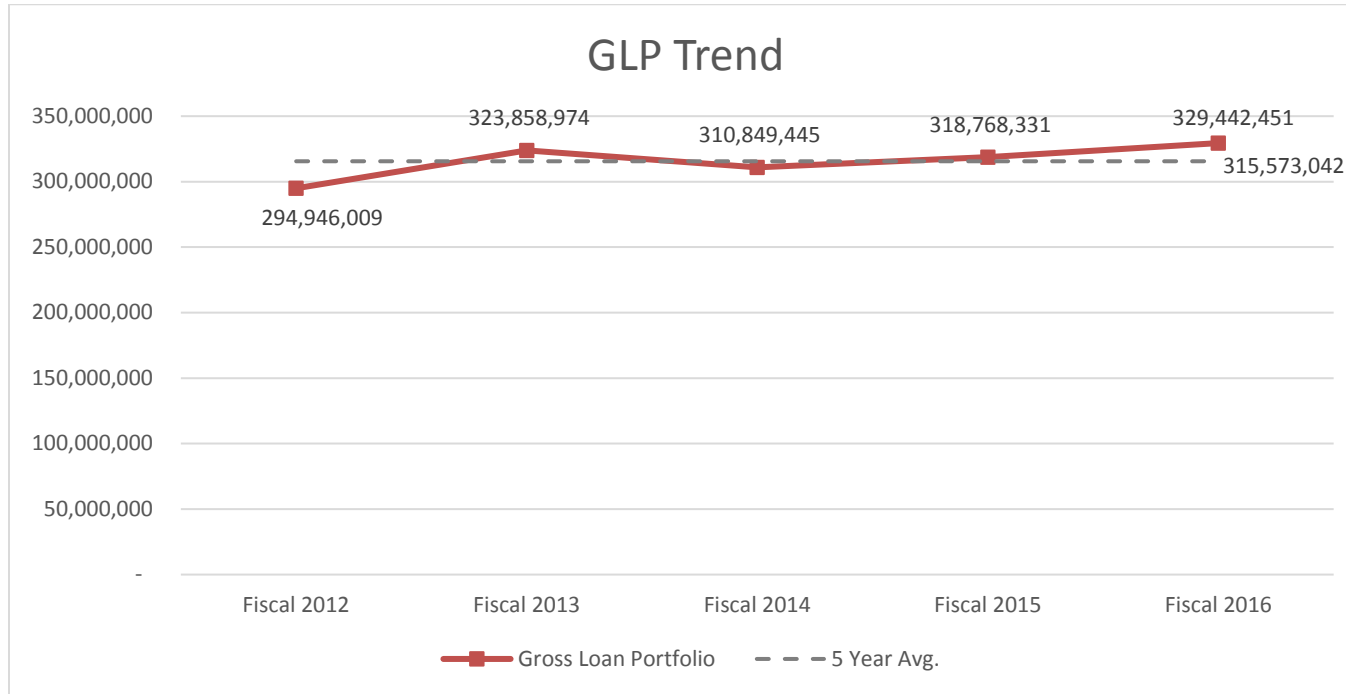
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<sup>2</sup> The Conference Board of Canada; 2017; Research Module 2 - The Impact of Developmental Finance on Aboriginal Entrepreneurship and Economic Development in Canada: Insights from NACCA and BDC

## AFI Loan Portfolio Analysis

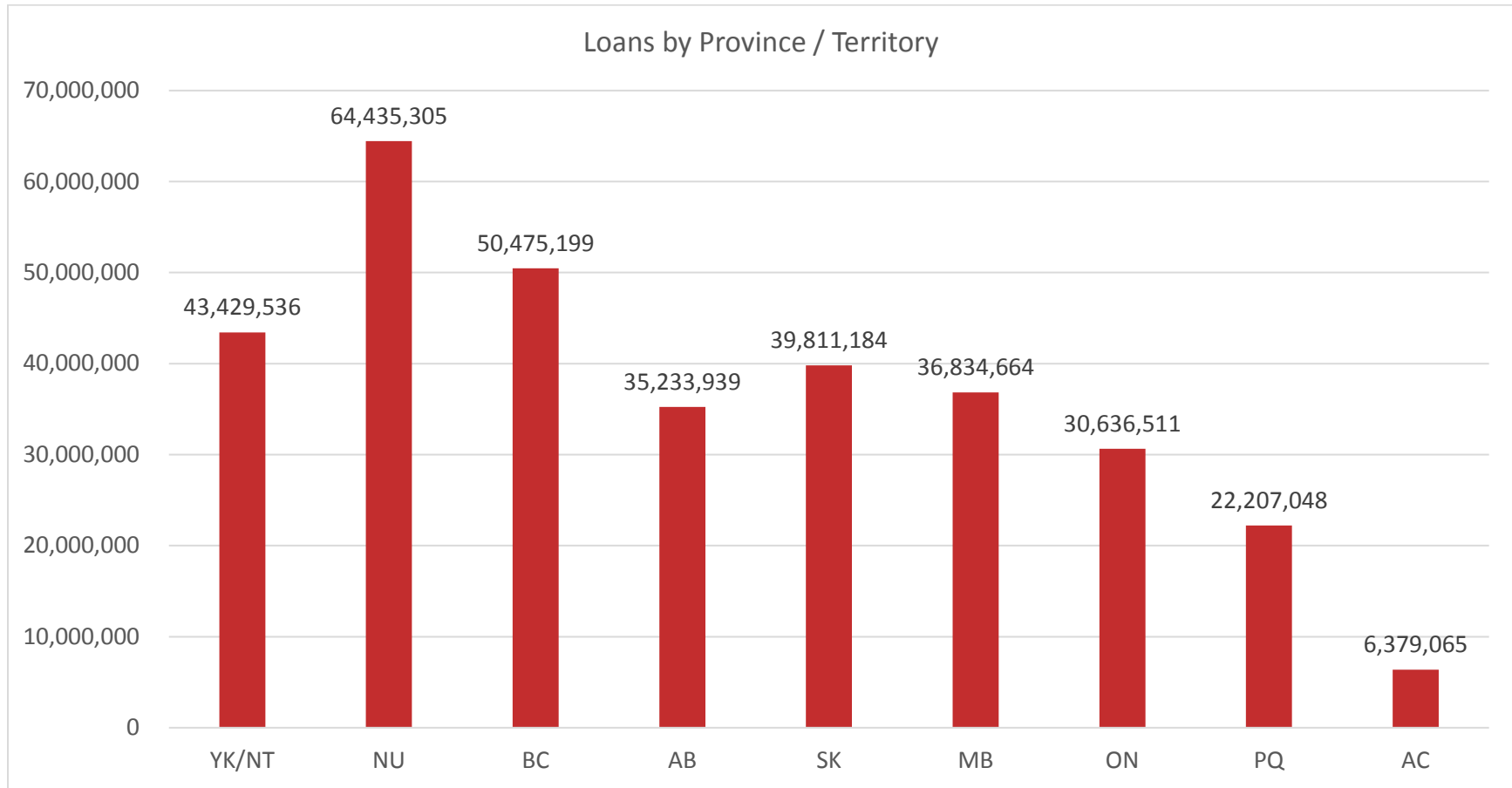
### GLP Trend

The consolidated gross loan portfolio has only grown slightly over the past five years.



### AFI Gross Loan Portfolio by Province/Territory

For additional information the 2016 AFI Gross Loan Portfolio (GLP) is reflected below by province or territory (in Dollars).



Portfolio Aging (Share of Loans up-to-date)

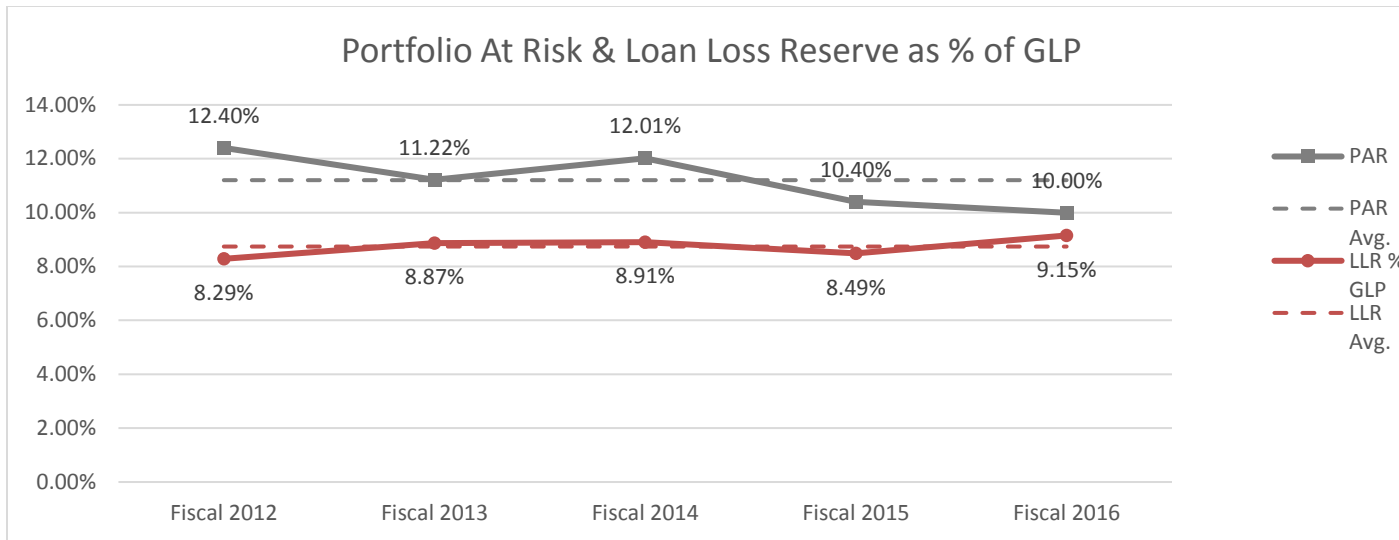
Current or up-to-date loans have remained fairly stable from 2012 to 2016 despite the fragile economy in regions which rely heavily on the resource sector.

| Reported Loan Portfolio Contractual Delinquency | Fiscal 2012 | Fiscal 2013 | Fiscal 2014 | Fiscal 2015 | Fiscal 2016* |
|---|-------------|-------------|-------------|-------------|--------------|
| <b>Current</b>                                  | 86.99%      | 88.90%      | 87.59%      | 88.66%      | 88.29%       |
| <b>1-30</b>                                     | 1.52%       | 1.20%       | 1.54%       | 0.96%       | 1.92%        |
| <b>31-60</b>                                    | 0.75%       | 0.75%       | 0.94%       | 0.52%       | 0.67%        |
| <b>61-90</b>                                    | 0.77%       | 0.50%       | 0.44%       | 0.51%       | 0.53%        |
| <b>91-120</b>                                   | 4.89%       | 3.63%       | 3.44%       | 2.78%       | 3.10%        |
| <b>121+</b>                                     | 5.08%       | 5.01%       | 6.04%       | 6.58%       | 5.49%        |
| <b>Total</b>                                    | 100%        | 100%        | 100%        | 100%        | 100%         |

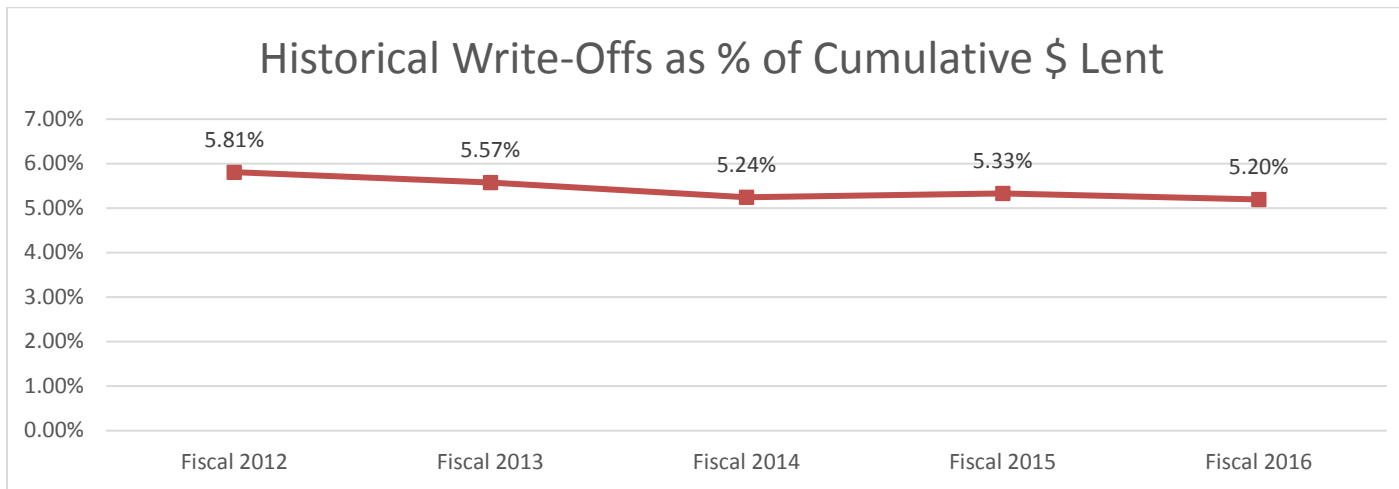
\* The 2016 figures exclude the impaired loans from one AFI which resulted from a unique issue which was resolved by the time this document was written.

Loan loss provision and write-off policy is not consistent throughout the AFI network. Some AFI policies stipulate a fixed percentage of the gross loan portfolio be set aside at year-end as a loan loss reserve. Other AFIs perform an analysis of delinquent loans to identify specific potential losses and make loan loss provisions reflecting the aggregate of specific potentially unrecoverable loan principal. Still others review delinquent loans, identify specific potential losses and add an additional percentage of the GLP as a general provision.

The adequacy of the loan loss reserve (LLR) can be tested by comparing it to the portion of the portfolio at risk (PAR) which is calculated based on the sum of loans over 90 days in arrears plus restructured loans. The gap between the consolidated AFI loan portfolio at risk and the loan loss reserve has narrowed over the past five years. On average over the past five years, the ratio of the loan loss reserve to the portfolio at risk implies that AFIs expect to recover a mere 9 cents on the dollar for the portfolio at risk, suggesting that minimal reliance is being placed on underlying securities held in support of the loans.



The percentage of loans that has been written off historically continues to decline – indicating exceedingly cautious lending practices in the developmental lending context. As of 2016 cumulative write-offs only amounted to 5.2% of the cumulative value of loans made in the history of AFIs.

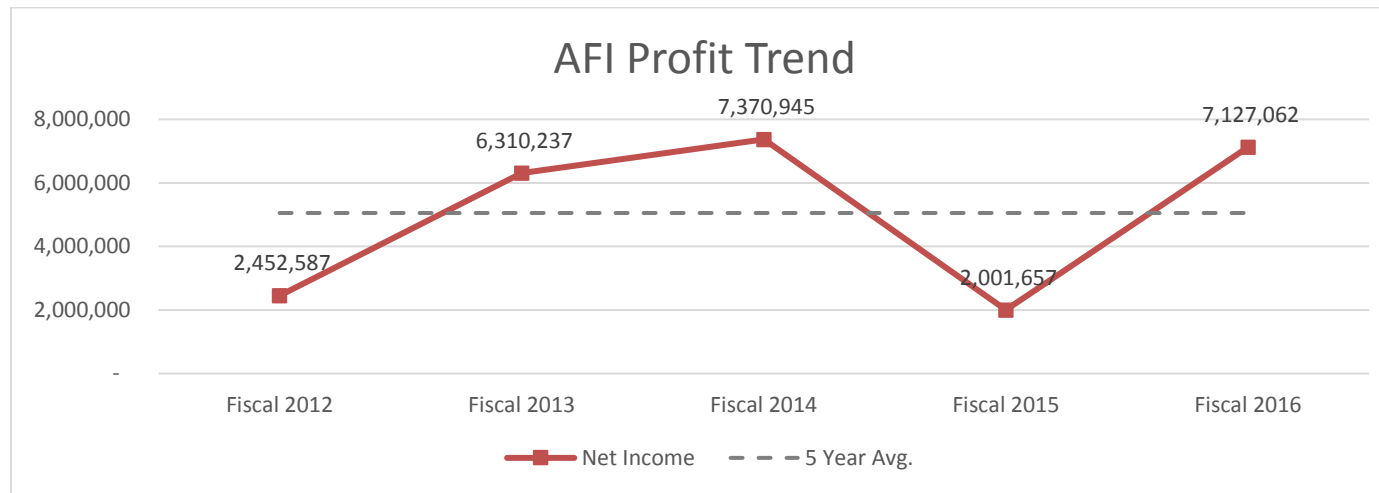




## AFI Operations and Profitability

### AFI Profitability (Consolidated)

Collectively AFIs have achieved profitability for five years running despite the fragile economy.



Consolidated profitability results sorted by AFI type reveal ACFDCs were profitable in three of the last five years. ADLs were profitable in all five years. Dual ACFDCs/ACCs were first categorized as such in 2014. Dual ACFDCs/ACCs were profitable in all three years. ACCs' profitability has improved markedly over the past five years. The ADLA incentivized programming introduced in 2014 played a significant role in putting ACCs on a sustainable footing. In the past, ACCs as a group have frequently run losses. However, since introduced in the fiscal year 2015-16 ACCs have run consistent surpluses.

| Net Income in Dollars |                |           |           |           |             |
|-----------------------|----------------|-----------|-----------|-----------|-------------|
| Year                  | Total All AFIs | ACFDCs    | ADLs      | Duals     | ACCs        |
| <b>2012</b>           | 2,452,587      | (455,631) | 3,969,250 |           | (1,066,667) |
| <b>2013</b>           | 6,310,237      | 491,875   | 4,995,157 |           | 823,205     |
| <b>2014</b>           | 7,370,945      | 2,346,110 | 3,796,636 | 589,833   | 638,366     |
| <b>2015</b>           | 2,001,657      | (374,846) | 1,299,187 | 100,553   | 976,763     |
| <b>2016</b>           | 7,127,062      | 403,839   | 1,896,502 | 2,032,703 | 2,794,018   |

### AFI Staffing (Small Region vs. Large Region)

As of March 31, 2016 AFIs employed 305 people (309 in 2015). The 35 AFIs that serve small regions employed 146 people and the 19 AFIs that serve large regions employed 169 people.

The table below provides a concise reference for AFI GMs or Boards of Directors regarding human resource requirements. It demonstrates that significant regional variations exist between AFIs in terms of staffing requirements, i.e. geographic size, rural or urban, client visit frequency, ease of access and exit in respect to on-site client support, etc.

| 2016  | Average<br>SR AFI | Average<br>LR AFI | Average<br>AFI     |
|---|-------------------|-------------------|--------------------|
| <b>Average # of loans in GLP</b>              | 69                | 90                | <b>77</b>          |
| <b>Average GLP \$</b>                         | \$3,070,545       | \$11,682,809      | <b>\$6,100,786</b> |
| <b>Average # of Account Managers</b>          | 1.59              | 2.06              | <b>1.76</b>        |
| <b>Average number of BSOs</b>                 | 0.91              | 1.00              | <b>0.94</b>        |
| <b>Average number of support staff</b>        | 1.43              | 2.40              | <b>1.78</b>        |
| <b>Average total staff</b>                    | 4                 | 8                 | <b>6</b>           |
| <b>Average # of loans per Account Manager</b> | 28                | 30                | <b>29</b>          |
| <b>Average # of loans per employee</b>        | 23                | 20                | <b>22</b>          |

### AFI Governance and Oversight

AFI Boards are predominately Aboriginal people from the regions or heritage groups served. Control and oversight by members of the communities served has often been cited as an integral reason for AFI successes in maintaining high repayment efficiency rates. In some cases, Aboriginal AFI Board members may appoint independent directors with specialized skills such as accountants or lawyers to ensure that the AFI Board of Directors possesses required capacity.

## 2017-22 AFI Network Objectives

In April 2017, NACCA's Board has approved a 5-year strategic plan that outlines the key priorities for the network and metrics of success. The following provides a summary.

### Serving Aboriginal Businesses

- a. **Engage AFIs and potential clients** by holding regular conferences and gatherings, improving NACCA's web interface and enlisting social media.
- b. **Provide AFIs with tools** encouraging them to improve client service, including web-based loan application processes and more comprehensive pre- and post-loan services.

### Expanding AFI Financing

The primary achievement of the AFI network has been in developmental lending, which is a high cost, high risk activity. Since 2012, federal program funding for the network has not risen. Some AFIs would like to continue focusing on developmental lending. Others are seeking to grow their range of services into new sectors, new products, and larger loans and ventures. A priority will be to secure new capital – both loan and equity capital – to allow the network's financing activity to grow.

As strategic directions to achieve this priority NACCA will:

- a. **seek more capital, including accompanying program funding, for the network** by developing and distributing the investment case for the network's developmental financing, sending out a delegation of experienced lenders to decision-makers, and identifying funding sources elsewhere in government;
- b. **optimize NACCA's use of existing capital** by developing a tiered approach to allocating capital among AFIs, reallocating capital based on lending activity, as required; and
- c. **promote diversification** of the network's funding sources by allowing AFIs to support projects exceeding \$250,000, developing tools that will enable AFIs to expand, and facilitating their exploration of options in social finance, innovation and housing sectors.

### Expected Impacts of Our Work

- Increase in capital dollars and accompanying program funding available to expand the networks financing activities
- Un- and under-served areas are identified
- Increase in the number of larger and syndicated loans
- Identify and implement as appropriate mechanism(s) to raise additional loan capital from non-government sources.
- Entry of interested AFIs into new sectors, sharing of lessons learned and best practices.

### Assessing and Building on the Network's Success

The foregoing has made clear that the network as a whole is successful, and has had a significant impact on Indigenous business development in Canada. Yet its successes are not yet well understood, benchmarked or measured. AFI best practices remain to be cultivated as norms. Standards have yet to be developed and applied.

NACCA has some unspent monies as an organization. Its board has committed to investing in the network by funding third-party certification for interested AFIs, and for tailoring capacity resources to assisting AFIs in that goal. NACCA has also committed to take the lead in this process, seeking third-party certification itself within the next year.

Over the next five years, NACCA will:

- share best practices of AFIs** by identifying and publicizing them at conferences, major national events, and online;
- develop, adopt and apply standards** for the network by developing criteria for a tiered allocation approach, offering AFIs third-party certification, and pursuing certification for NACCA as an organization within the next year; and
- invest in members' pursuit of certification**, and targeting capacity development to assist them in achieving it.

## Appendices

### Appendix A: Methods

The 2016 AFI Portrait provides an overview of lending activity in the AFI network drawn from 50 AFI audited financial statements and supplemental data from 45 AFIs for the fiscal year ending March 31, 2016. In consolidating data for all AFIs, the following was taken into account:

- AFIs do not utilize identical revenue and expense category terms/phrases. Some discretion is necessary to consolidate results.
- There are 58 AFIs in Canada. However, for this report, reasonable assumptions about financial performance could only be made for 54 AFIs.
- One of the 54 active AFIs provides resupply credit lines to Aboriginal owned and controlled co-ops north of 60.
- Where the current year financial data is unavailable, the last available year-end data is included. It was assumed that AFIs which have not submitted their most recent financial data would closely replicate previous year-end results.
- The report estimates as best as possible the results fiscal year ending March 31, 2016 (referred to as “2016” or “Fiscal 2016” in the report).
- The vast majority of AFI fiscal year-ends occur March 31. However, 7 AFIs have a fiscal year-end later in the calendar year. For all, the most recent available year-end data for all 54 AFIs was consolidated to produce the 2016 AFI Portrait. It was assumed likely that AFIs that did not provide 2016 audited financial statements would likely replicate their most recent year-end results in 2016.

### Appendix B: List of Abbreviations and Acronyms

|        |  |
|--------|--|
| ACC    | Aboriginal Capital Corporation                       |
| ACF    | Aboriginal Community Futures                         |
| ACFDC  | Aboriginal Community Futures Development Corporation |
| ACOA   | Atlantic Canada Opportunities Agency                 |
| ADL    | Aboriginal Developmental Lending Institution         |
| ADLA   | Aboriginal Developmental Lending Assistance          |
| AEP    | Aboriginal Entrepreneurship Program                  |
| AFI    | Aboriginal Financial Institution                     |
| APQ    | Atlantic Provinces and Quebec                        |
| AV     | Average  |
| BSO    | Business Services Officer                            |
| CanNor | Canada Northern Economic Development Agency          |
| CEDQ   | Canada Economic Development Quebec                   |
| CAT    | Capital Attraction Tool                              |

|        |  |
|--------|--|
| EA     | Enhanced Access  |
| FEDEV  | Federal Economic Development Agency Southern Ontario                         |
| FEDNOR | Federal Economic Development Agency Northern Ontario                         |
| FTE    | Full Time Equivalent   |
| GLP    | Gross Loan Portfolio   |
| GM     | General Manager  |
| INAC   | Indigenous and Northern Affairs Canada                                       |
| IRB    | Interest Rate Buy-Down   |
| LLR    | Loan Loss Reserve  |
| LR     | Larger Region  |
| NACCA  | National Aboriginal Capital Corporations Association                         |
| NO     | North of 60, i.e. Yukon, Northwest Territories and Nunavut                   |
| PAR    | Portfolio-At-Risk – loans 90 days or more in arrears plus restructured loans |
| PDP    | Program Delivery Partnership   |
| RA     | Rolling Average  |
| RDA    | Regional Development Agency such as WD, FEDEV, FEDNOR, CEDQ, ACOA, CanNor    |
| SR     | Smaller Region   |
| WD     | Western Economic Development Agency  |

## Appendix C: 2016 Key AFI Statistics by Region (Revenue, Loans, Delinquency, Jobs created/Maintained)

| 2016 NACCA Region Summaries |               |               |               |               |               |               |               |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Key Statistics              | AB            | APQ           | BC            | MB            | NO            | ON            | SK            |
| Earned revenue \$           | \$5,169,177   | \$2,511,569   | \$7,568,535   | \$3,612,349   | \$7,280,615   | \$2,142,763   | \$3,540,656   |
| Government revenue \$       |               |               |               |               |               |               |               |
| - programs/projects         | \$10,587,338  | \$4,860,863   | \$17,084,766  | \$4,214,834   | \$3,552,078   | \$9,246,651   | \$2,477,051   |
| - subsidies                 | \$1,045,755   | \$755,114     | \$1,363,370   | \$4,632,128   | \$1,705,740   | \$1,892,774   | \$3,968,898   |
| Total Revenue \$            | \$16,802,270  | \$8,127,546   | \$26,016,671  | \$12,459,311  | \$12,538,433  | \$13,282,188  | \$9,986,605   |
| Historical loans \$         | \$252,901,724 | \$194,951,399 | \$275,456,696 | \$128,717,201 | \$863,340,544 | \$209,047,136 | \$273,058,555 |
| Historical loans #          | 6,318         | 3,277         | 6,523         | 4,024         | 5,060         | 4,612         | 9,849         |
| Historical write-offs #     | 747           | 637           | 645           | 500           | 476           | 650           | 1,013         |
| Historical write-offs \$    | \$17,752,128  | \$13,970,334  | \$16,826,556  | \$9,592,456   | \$12,329,877  | \$23,694,336  | \$18,656,570  |
| <b>Loans</b>                |               |               |               |               |               |               |               |
| Number                      | 191           | 119           | 241           | 106           | 183           | 179           | 325           |
| Dollars                     | \$11,092,604  | \$9,696,515   | \$10,213,052  | \$8,380,950   | \$46,021,209  | \$9,756,638   | \$13,371,334  |
| Gross loan portfolio #      | 520           | 428           | 773           | 512           | 481           | 640           | 703           |
| Gross loan portfolio \$     | \$35,233,939  | \$28,586,113  | \$50,475,199  | \$36,834,664  | \$107,864,841 | \$30,636,511  | \$39,811,184  |
| Loan loss reserve           | 8.07%         | 16.65%        | 8.07%         | 18.17%        | 4.23%         | 16.23%        | 5.65%         |
| Net loan portfolio          | \$32,392,210  | \$23,827,712  | \$46,402,082  | \$30,140,150  | \$103,302,627 | \$25,663,635  | \$37,560,887  |

|                                    |        |        |        |        |        |        |        |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| <b>Delinquency</b>                 |        |        |        |        |        |        |        |
| Current                            | 82.95% | 82.46% | 91.90% | 84.61% | 82.76% | 73.08% | 84.80% |
| 1-30                               | 6.03%  | 1.19%  | 0.35%  | 1.43%  | 0.18%  | 4.56%  | 4.67%  |
| 31-60                              | 0.87%  | 1.10%  | 0.63%  | 0.33%  | 0.58%  | 0.67%  | 0.84%  |
| 61-90                              | 0.44%  | 2.02%  | 0.05%  | 0.10%  | 0.20%  | 1.66%  | 0.67%  |
| 91-120                             | 2.55%  | 4.43%  | 2.47%  | 8.77%  | 2.76%  | 1.21%  | 0.48%  |
| 121+                               | 7.17%  | 8.80%  | 4.60%  | 4.77%  | 13.53% | 18.82% | 8.53%  |
|                                    |        |        |        |        |        |        |        |
| <b>Jobs<br/>Created/Maintained</b> | 356    | 469    | 838    | 373    | 1,366  | 508    | 552    |



## Appendix D: 2016 Balance Sheet by NACCA Region

| All figures in dollars                | AB                | APQ               | BC                 | MB                | NO                 | ON                | SK                |
|---------------------------------------|-------------------|-------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
| <b><u>Assets</u></b>                  |                   |                   |                    |                   |                    |                   |                   |
| Cash & term                           | 7,985,648         | 10,722,304        | 33,948,334         | 19,158,958        | 49,194,028         | 30,797,217        | 32,011,386        |
| Accrued Interest                      | 811,539           | 52,751            | 556,448            | 499,653           | 262,839            | 545,087           | 434,558           |
| Accounts receivable                   | 3,286,384         | 3,132,026         | 4,254,672          | 2,007,000         | 3,030,268          | 2,758,888         | 499,691           |
| Collateral, Loans & Investments       | 32,392,210        | 23,827,712        | 46,402,082         | 30,140,150        | 103,302,627        | 25,663,635        | 37,560,887        |
| Other/segregated funds                | 40,977            | 2,697,386         | 33,974,827         | 302,744           | 246,860            | 37,521            | 21,342            |
| Capital assets                        | 939,145           | 76,109            | 4,509,733          | 430,148           | 6,523,997          | 725,689           | 1,476,074         |
| <b>Total Assets</b>                   | <b>45,455,903</b> | <b>40,508,288</b> | <b>123,646,096</b> | <b>52,538,653</b> | <b>162,560,619</b> | <b>60,528,037</b> | <b>72,003,938</b> |
| <b><u>Liabilities</u></b>             |                   |                   |                    |                   |                    |                   |                   |
| Payables                              | 3,014,041         | 2,748,795         | 4,886,396          | 1,579,977         | 3,024,743          | 3,402,523         | 3,597,402         |
| Other (includes credit lines)         | 1,921,388         | 1,227,757         | 65,000             | 49,642            | 679,018            | 0                 | 0                 |
| Deferred revenue                      | 1,305,405         | 1,040,426         | 34,276,753         | 254,488           | 1,497,674          | 4,990,623         | 716,141           |
| Long term debt                        | 682,513           | 422,965           | 7,650,508          | 1,068,462         | 5,323,251          | 4,395,489         | 5,172,276         |
| <b><u>Equity</u></b>                  |                   |                   |                    |                   |                    |                   |                   |
| Equity capital                        | 407               | 0                 | 1,599,300          | 0                 | 34,594,415         | 0                 | 101               |
| Contributed surplus                   | 39,859,288        | 33,478,165        | 68,633,220         | 51,447,774        | 112,600,617        | 52,201,988        | 64,399,722        |
| Accumulated surplus (deficit)         | (1,327,139)       | 1,590,180         | 6,534,919          | (1,861,690)       | 4,840,901          | (4,462,586)       | (1,881,704)       |
| <b>Total liabilities &amp; Equity</b> | <b>45,455,903</b> | <b>40,508,288</b> | <b>123,646,096</b> | <b>52,538,653</b> | <b>162,560,619</b> | <b>60,528,037</b> | <b>72,003,938</b> |

Appendix E: 2016 Revenue by NACCA Region

| Revenue (\$)                    | AB                | APQ              | BC                | MB                | NO                | ON                | SK               |
|---------------------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Interest on loans & investments | 2,771,199         | 1,564,488        | 3,302,051         | 1,911,746         | 6,479,183         | 1,500,204         | 1,999,080        |
| ADLA                            | 1,178,068         | 477,173          | 1,130,380         | 150,374           | 134,985           | 63,657            | 593,392          |
| Net Interest on loans           | 3,949,267         | 2,041,661        | 4,432,431         | 2,062,120         | 6,614,168         | 1,563,861         | 2,592,472        |
| Recovery on loans & interest    | 153,545           | 4,025            | 0                 | 65,446            | 39,093            | 18,898            | 92,753           |
| Interest on investments         | 37,731            | 70,632           | 299,495           | 346,125           | 365,590           | 183,166           | 288,400          |
| Fee and misc. income            | 1,028,634         | 395,251          | 2,836,609         | 1,138,658         | 261,764           | 376,838           | 567,031          |
| Operating subsidies             | 1,045,755         | 755,114          | 1,363,370         | 4,632,128         | 1,705,740         | 1,892,774         | 3,968,898        |
| Program revenue                 | 10,557,861        | 4,586,188        | 17,075,421        | 4,305,123         | 1,379,337         | 7,812,541         | 2,477,051        |
| Other                           | 29,477            | 274,675          | 9,345             | -90,289           | 2,172,741         | 1,434,110         | 0                |
| <b>Total revenue</b>            | <b>16,802,270</b> | <b>8,127,546</b> | <b>26,016,671</b> | <b>12,459,311</b> | <b>12,538,433</b> | <b>13,282,188</b> | <b>9,986,605</b> |

## Appendix F: 2016 Expenses by NACCA Region

| Expenses (\$)             | AB                | APQ              | BC                | MB                | NO                | ON                | SK               |
|---------------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Advertising & promotions  | 149,783           | 57,614           | 146,206           | 144,000           | 323,530           | 146,225           | 193,671          |
| Collection expense        | 2,138             | 0                | 8,216             | 0                 | 0                 | 8,998             | 0                |
| Communications            | 75,565            | 60,796           | 154,952           | 62,169            | 154,458           | 48,626            | 98,045           |
| Depreciation/Amortization | 91,475            | 13,482           | 244,237           | 49,786            | 286,981           | 60,885            | 125,197          |
| Interest & Bank Charges   | 98,688            | 49,620           | 132,282           | 42,968            | 204,008           | 19,119            | 42,208           |
| Meetings                  | 455,592           | 89,811           | 271,627           | 150,266           | 650,816           | 142,993           | 345,524          |
| Office & Admin            | 411,960           | 541,703          | 676,840           | 352,685           | 654,113           | 617,582           | 314,685          |
| Premises costs            | 415,082           | 122,172          | 484,232           | 312,542           | 448,854           | 227,827           | 283,664          |
| Professional fees         | 874,185           | 743,762          | 872,421           | 379,860           | 763,723           | 686,902           | 374,534          |
| Provision for losses      | 1,644,865         | -177,806         | 317,179           | 853,476           | 481,637           | 2,249,281         | 469,593          |
| Salaries                  | 3,064,875         | 2,480,919        | 3,618,613         | 3,580,624         | 4,796,359         | 3,255,741         | 2,979,376        |
| Training & development    | 27,679            | 11,129           | 116,403           | 45,918            | 77,948            | 25,958            | 39,677           |
| Travel                    | 236,602           | 120,834          | 366,633           | 195,887           | 488,044           | 312,476           | 175,197          |
| Program expense           | 9,048,317         | 3,839,510        | 15,547,358        | 3,957,501         | 75,361            | 5,712,466         | 2,568,392        |
| Other                     | 84,310            | 4,416            | 584,646           | 854,731           | 1,279,289         | 377,569           | 335,094          |
| <b>Total expenses</b>     | <b>16,681,116</b> | <b>7,957,962</b> | <b>23,541,845</b> | <b>10,982,413</b> | <b>10,685,121</b> | <b>13,892,648</b> | <b>8,344,857</b> |

## Appendix G: Expense Definitions

### **Advertising and Promotions**

Promotional and advertising materials and events.

### **Collection Expense**

Generally considered to be legal, repossession, storage, refurbishment and other costs related to the collection of a debt through realization on security.

### **Communications**

Communication expense relates to telephone, facsimile and, in some cases, identified Internet costs.

### **Depreciation and Amortization**

This refers primarily to the amortization expenses for office equipment. However, when AFIs own their office space, amortization of the office space is also included.

### **Interest and Bank Charges**

Straightforward, however a small number of AFIs may incur a mortgage interest or credit line expense.

### **Meetings**

Predominantly Board meeting expense costs inclusive of travel, accommodation, incidental expenses and honorariums. It is noted that honorariums are generally associated with ACCs.

### **Office and Administration (averages)**

Costs related to office expenses such as office supplies, small equipment purchases of under \$500, insurance, licenses and dues and, finally, membership expenses.

**Premises Costs (averages)**

Premises costs include rent and other occupancy costs such as utilities and common costs etc. Mortgage interest for AFI owned office premises are also included in this category.

**Professional Fees**

Professional fees typically include legal, audit and third party consultant expenditures.

**Provisions for Loan Losses**

The amount of loans estimated to be uncollectable subsequent to realization of security.

**Salaries**

Self-explanatory – includes employee benefits

**Training and Development**

Costs for an AFI to provide employees or Board Members training. Entrepreneurial training costs for clients are not included in this section.

**Program Expense**

A consolidation of all program expenses and disbursements relating to programs delivered by AFIs.

**Travel**

Relates primarily to AFI employee travel costs associated with client visits and marketing activities.

**Other**

Pertains primarily to costs associated with specific projects, which have intermittently been undertaken by AFIs.

## Appendix H: 2016 Loan Statistics by NACCA Region

|  | AB          | APQ         | BC          | MB          | NO          | ON          | SK          |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Loan data</b>                       |             |             |             |             |             |             |             |
| Cumulative loans provided by \$        | 252,901,724 | 194,951,399 | 275,456,696 | 128,717,201 | 863,340,544 | 209,047,136 | 273,058,555 |
| Cumulative loans provided by #         | 6,318       | 3,277       | 6,523       | 4,024       | 5,060       | 4,612       | 9,849       |
| Historical loans w/o #                 | 747         | 637         | 645         | 500         | 476         | 650         | 1,013       |
| Historical loans w/o \$                | 17,752,128  | 13,970,334  | 16,826,556  | 9,592,456   | 12,329,877  | 23,694,336  | 18,656,570  |
| % loans w/o by #                       | 11.82%      | 19.44%      | 9.89%       | 12.43%      | 9.41%       | 14.09%      | 10.29%      |
| % loans w/o by \$                      | 7.02%       | 7.17%       | 6.11%       | 7.45%       | 1.43%       | 11.33%      | 6.83%       |
| # of loans to start-up businesses      | 87          | 29          | 117         | 50          | 28          | 62          | 99          |
| \$ of loans to start-up businesses     | 5,014,993   | 2,054,606   | 5,050,112   | 3,635,946   | 1,774,344   | 2,893,458   | 7,867,153   |
| # of new loans to existing businesses  | 101         | 58          | 123         | 54          | 151         | 95          | 197         |
| \$ of new loans to existing businesses | 5,738,150   | 6,832,182   | 5,157,590   | 4,553,023   | 43,722,365  | 5,989,093   | 3,627,752   |
| Total # of all loans provided          | 191         | 119         | 241         | 106         | 183         | 179         | 325         |
| Total \$ of all loans provided         | 11,092,604  | 9,696,515   | 10,213,052  | 8,380,950   | 46,021,209  | 9,756,638   | 13,371,334  |
| Loan Loss Reserve \$                   | 2,841,729   | 4,758,401   | 4,073,117   | 6,694,514   | 4,562,214   | 4,972,876   | 2,250,297   |
| Loan Loss Reserve % of GLP             | 8.07%       | 16.65%      | 8.07%       | 18.17%      | 4.23%       | 16.23%      | 5.65%       |
| Net loan investment portfolio          | 32,392,210  | 23,827,712  | 46,402,082  | 30,140,150  | 103,302,627 | 25,663,635  | 37,560,887  |
| Gross Loan Investment Portfolio        | 35,233,939  | 28,586,113  | 50,475,199  | 36,834,664  | 107,864,841 | 30,636,511  | 39,811,184  |
| Repayment Efficiency                   | 92.98%      | 92.83%      | 93.89%      | 92.55%      | 98.57%      | 88.67%      | 93.17%      |

## Appendix I: 2016 Staffing Data by NACCA Region

|  | AB        | APQ       | BC        | MB        | NO        | ON        | SK        |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b># Account Managers</b>                  | 8         | 13        | 16        | 13        | 13        | 14        | 17        |
| <b># of loan support employees</b>         | 12        | 11        | 16        | 16        | 7         | 19        | 15        |
| <b># Total employees</b>                   | 30        | 44        | 46        | 38        | 36        | 70        | 41        |
| <b># of loans per Account Manager BSO</b>  | 39        | 19        | 30        | 23        | 23        | 33        | 40        |
| <b># of loans per all loan employees</b>   | 26.67     | 17.83     | 24.94     | 17.96     | 23.75     | 19.31     | 22.68     |
| <b>\$ of loans per Account Manager BSO</b> | 2,609,921 | 1,299,369 | 1,979,420 | 1,637,096 | 5,261,700 | 1,567,085 | 2,274,925 |
| <b>\$ of loans per all loan employees</b>  | 1,806,869 | 1,191,088 | 1,628,232 | 1,292,444 | 5,326,659 | 924,178   | 1,284,232 |

## Appendix J: 2016 Operating Data by NACCA Region

|   | AB        | APQ       | BC        | MB        | NO        | ON        | SK        |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Operational Data</b>                     |           |           |           |           |           |           |           |
| <b>Bad debt recovery as % Rev</b>           | 0.91%     | 0.05%     | 0.00%     | 0.53%     | 0.31%     | 0.14%     | 0.93%     |
| <b>Fee Rev as % of total rev</b>            | 6.12%     | 4.86%     | 10.90%    | 9.14%     | 2.09%     | 2.84%     | 5.68%     |
| <b>Loan Interest as % of total Rev</b>      | 23.50%    | 25.12%    | 17.04%    | 16.55%    | 52.75%    | 11.77%    | 25.96%    |
| <b>Program Rev as % of total Rev</b>        | 62.84%    | 56.43%    | 65.63%    | 34.55%    | 11.00%    | 58.82%    | 24.80%    |
| <b>Revenue- % of total Assets</b>           | 36.96%    | 20.06%    | 21.04%    | 23.71%    | 7.71%     | 21.94%    | 13.87%    |
| <b>Expenses %of Total Revenue</b>           | 99.28%    | 97.91%    | 90.49%    | 88.15%    | 85.22%    | 104.60%   | 83.56%    |
| <b>Expenses per Loan</b>                    | 11,719    | 7,236     | 8,353     | 13,218    | 14,830    | 7,259     | 8,347     |
| <b>% Expenses of Net Loan Portfolio</b>     | 51.50%    | 33.40%    | 50.73%    | 36.44%    | 10.34%    | 54.13%    | 22.22%    |
| <b>Net Profit as % of Revenue</b>           | 0.72%     | 2.09%     | 9.51%     | 11.85%    | 14.78%    | -4.60%    | 16.44%    |
| <b>Net Profit as % of Total Assets</b>      | 0.27%     | 0.42%     | 2.00%     | 2.81%     | 1.14%     | -1.01%    | 2.28%     |
| <b>Cost of Capital</b>                      | 6,093,778 | 3,097,099 | 6,457,079 | 6,767,579 | 7,133,043 | 4,645,997 | 5,867,806 |
| <b>Cost of Capital % of GLP</b>             | 17.30%    | 10.83%    | 12.79%    | 18.37%    | 6.61%     | 15.16%    | 14.74%    |
| <b>Cost of Capital per Outstanding Loan</b> | 11,719    | 7,236     | 8,353     | 13,218    | 14,830    | 7,259     | 8,347     |



## Appendix K: 2016 Leverage by NACCA Region

|   | AB        | APQ       | BC        | MB         | NO        | ON        | SK         |
|---|-----------|-----------|-----------|------------|-----------|-----------|------------|
| <b>Leverage</b>                                   |           |           |           |            |           |           |            |
| <b>Client equity (\$)</b>                         | 1,180,892 | 2,990,647 | 2,507,979 | 4,406,197  | 2,228,347 | 1,987,673 | 5,312,817  |
| <b>Government contributions (\$)</b>              | 1,699,625 | 2,513,014 | 4,059,514 | 2,856,383  | 651,500   | 1,771,191 | 2,870,004  |
| <b>Conventional lenders (\$)</b>                  | 137,500   | 2,685,150 | 1,436,375 | 4,419,238  | 2,100,000 | 2,117,363 | 7,176,213  |
| <b>Other AFI Network lenders (\$)</b>             | 26,000    | 87,050    | 20,000    | 533,732    | 0         | 1,819,678 | 3,030,737  |
| <b>Total leveraged (\$)</b>                       | 3,044,017 | 8,275,861 | 8,023,868 | 12,215,550 | 4,979,847 | 7,695,905 | 18,389,771 |
| <b>Leverage as a percentage of loans advanced</b> | 28%       | 93%       | 79%       | 149%       | 11%       | 87%       | 160%       |

## Appendix L: Timeline of AFI Milestones

1985 ~ the concept of AFIs is developed with a specific purpose to improve efficiencies in program design and delivery through increased Aboriginal control. Over the next few years, demand for AFI establishment exceeds expectations and a nationally-based network of lending, mentoring and training and development is established

1991 ~ Six years after the establishment of the network, collective loans advanced to Aboriginal entrepreneurs exceed \$100 million.

1994 ~ the consolidated gross loan portfolio surpasses \$100 million and accumulated payback of advances to entrepreneurs also exceeds \$100 million.

1996 ~ the number of loans provided by the network exceeds 10,000. Over the next few years, plans are developed to establish a national organization to manage government programs and to represent the issues associated with Aboriginal entrepreneurial lending on behalf of the network to the government.

1997 ~ The National Aboriginal Capital Corporations Association is formally established with 22 founding Aboriginal Financial Institutions.

2000 ~ NACCA receives Deputy Minister's award in recognition of excellence as a member of the Aboriginal Business Development initiative Access to Capital Team. Membership in NACCA is made available to any interested AFI.

2001 ~ NACCA membership exceeds 50 AFIs and the AFI gross loan portfolio exceeds \$150 million. AFI loans to entrepreneurs exceed 20,000 and payback of AFI loans, on a cumulative basis, exceeds \$500 million.

2004 ~ Cumulative AFI loans exceed \$1.0 billion since inception.

2005 ~ AFI gross loan portfolio value surpasses \$200 million.

2007 ~ Cumulative AFI loans exceed 30,000.

2009 ~ AFIs provide more than \$100 million in loans to support Aboriginal entrepreneurialism in single fiscal year. Cumulative AFI loans since inception exceed \$1.4 billion and cumulative payback surpasses \$1.0 billion.

2010 ~ Individual AFIs and NACCA members begin to receive external recognition for excellence. SIEF becomes the first entrepreneurial formed AFI to obtain more than \$50 million in loan repayments; TWCC wins CANDO Economic Developer of the Year award and received recognition as Manitoba's 12<sup>th</sup> fastest growing company.

2011 ~ Program renovation discussions continue.

2012 ~ NACCA Chair addresses the Parliamentary Standing Committee on Aboriginal Affairs; INAC develops Program Delivery Partnership Initiative with selected AFIs; Aboriginal Developmental Lending Allocation (ADLA) is designed to commence April 1, 2013.

2013 ~ Cumulative AFI loans approach \$2 billion; roll-out of ADLA programming delayed to April 1, 2014

2014 ~ Cumulative AFI loans surpass 38,000 totaling over \$2 billion; ADLA is launched April 1, 2014; scope of study to examine capital needs of AFIs and ways to attract private sector capital developed and Deloitte is engaged to perform this analysis

2015 ~ NACCA Board becomes competency based reducing from 13 Directors to seven NACCA Regional Directors and two independent Directors; Cumulative loans surpass \$2.1 billion; NACCA assumes responsibility for managing the ABFP program which provides support to business lacking sufficient equity to complete a financing deal.

2016 ~ NACCA launches research initiative with BDC to better understand the financial ecosystem for Aboriginal entrepreneurs and SMEs in Canada and begins work on finding a common loan management software to be made available to all interested AFIs.