



National Aboriginal Capital Corporations Association



**Supporting Your Vision
Investing in Your Strengths**

**2016-17 / 2017-18
Annual Report**

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Message from the Chair



It's been another dynamic year at NACCA

We've been working hard on various fronts to fulfill the NACCA promise: providing strong financial and related

support to Indigenous entrepreneurs in Canada.

To accomplish this, we've built on our partnerships with government. Notably, we've been making headway in getting an injection of much-needed capital for our network – something that is long overdue.

Capital drives economies. And yet the Indigenous economies of Canada have been left behind. Consider the following:

- The Indigenous population in Canada is growing four times faster than the rest of the country according to the 2016 Census.
- The Indigenous economy has also grown exponentially. A recent KPMG study estimates that the network requires capital in the order of \$145 million to meet even its short-term demand.
- AFIs have received no new capital since the federal government's initial investment in the 1990s.

In light of these statistics, securing much-needed capital for our network is our number one priority for the coming year.

Internally, we continue to grow and evolve. We're adding new staff and strengthening our operational capacity, emphasizing in particular effective management and use of information to guide our decisions and products. Combined with our professional staff, NACCA is becoming a viable resource for our partners, both within our network and beyond it.

All this growth comes with its challenges of course. As we near our goal of securing new capital, we will have to work together to ensure the funds go where they are most needed. With such a broad and diverse group as ours, it can be difficult to make such decisions. Yet it can also be opportune, requiring us to consider our diversity as we focus on the many factors that unite us.

Another delicate balance is NACCA's position of being a delivery institution to our own membership. Without a doubt, the transfer of programs from governments to Indigenous institutions has its benefits: it facilitates expansion of programming, capacity and flexibility; it improves the client focus of our services. At the same time, it requires decisions that take into account the fact that we belong to a larger, very diverse collective.

I have been thinking a lot lately about NACCA's vision, "promoting thriving, prosperous, Indigenous businesses with equitable access to capital and care." The way I see things, we've succeeded because we've focused on what we have in common: we are Indigenous groups who are passionate about serving the entrepreneurs in our constituencies.

And we work together for the same reasons those six ACCs came together 28 years ago. Because working in silos is neither as rewarding nor as advantageous as growing together. Because presenting a unified position benefits each AFI in the long term. For example, in securing new capital. Or in building AFIs' operational capacity.

But working together also takes effort and – yes, at times – compromise.

As we move towards new horizons where Indigenous Canadians play a greater role in the economy, NACCA is preparing to assume its larger role while also ensuring that our members' diverse interests and needs are met. It's a tall order indeed! But as Indigenous families and communities, we've been doing this forever: balancing needs, finding consensus as we identify and pursue shared goals.

As long as we stay true to our core values and beliefs, I am hopeful that NACCA is poised to take on the exciting challenges and opportunities that lay just ahead for our network.

Andrew Leach, Chair

Message from the CEO



Tomorrow is controlled by the people who plan today

To plan ahead, it is important to know where you have

been. In business parlance, the store of knowledge built up over the decades is called corporate memory. In Indigenous terms, we call it blood memory.

While the two concepts seem very different, in key ways they are very much the same. The origins of both concepts date back to the 1970s, when corporate language began to expand with new business paradigms, models and formulas. Within the Indigenous experience, more and more Indigenous people reclaimed our culture, language and identity – including our distinctive trade and business practices.

We have been in business for thousands of years. As experts of travel and trade, our ancestors travelled thousands of miles across this continent to buy, sell and trade materials, tools and goods.

At NACCA, we know that business is changing internationally and that Canada has an opportunity to play a role in shaping it in the future. Through their proven track records of success, NACCA, the Aboriginal Financial Institutions and Indigenous businesses across the country can help make Canada a major factor in the global market.

We know that tomorrow's memory is formed by the people who plan today and who honour their past.

At NACCA we are building on our past successes and reaching for new heights. Early in 2017, we fulfilled our commitment to complete a 5-year Strategic Plan. The plan marks an important milestone for NACCA. It is ambitious and it is achievable in a five-year timeframe. Most importantly, it builds on a solid foundation of the AFI network's success to date.

The growth of Indigenous businesses in Canada has been a real success story. Since the Government of Canada first began supporting developmental lending in the 1980s, the number of Indigenous businesses has grown exponentially. Today, it is estimated that over 60,000 businesses operate in First Nation, Inuit and Métis communities across Canada, in both urban and rural communities.

Unfortunately, while the growth of Indigenous businesses has increased significantly over the past 30 years, funding from the Government of Canada no longer supports the scale of growth or complexity of their financing needs. However, with Prime Minister Trudeau's commitment to closing the socio-economic gap between Indigenous peoples and non-Indigenous Canadians, Indigenous people see economic development as the path to greater independence and self-sufficiency.

As we plan for the future, we must acknowledge the players, stakeholders and rights-holders who fought for us to be here today. We must always hold up the ones who came before. As Indigenous peoples, we must honour that blood memory as we pass on the corporate memory. Our economic self-determination depends on it.

Kinanaskoomatin

Shannin Metatawabin, CEO

2016-2018 at a Glance

NACCA's Strategic Objectives and Key Activities

Strategic Objectives	Key Activities	
<p>Serving NACCA Members</p> <p>NACCA will prioritize member satisfaction, seeking to engage its members through conferences, webinars and social media platforms.</p>	<ul style="list-style-type: none"> • Increased number and variety of gatherings • Upgraded NACCA's web interface, launched social media accounts, increased traffic • Launched new AFI Loan Management System • Streamlined AEP Reporting Requirements 	
<p>Inspiring Confidence in the Network</p> <p>NACCA will tell the network's story to decision-makers and potential partners, its own members, potential clients, and the public. It will build relationships needed to amplify the network's influence.</p> <p>NACCA will also enhance its own reputation by obtaining certification of its internal processes.</p>	<ul style="list-style-type: none"> • Told the AFI story – events, media, videos and presentations to government decision-makers and other influential stakeholders • Negotiated new fiscal relationship with the Government of Canada • Developing partnerships with other Indigenous organizations (e.g. CCAB, AFOA and the NIEDB) • Forging new strategic relationships (ISED, Global Affairs, Canadian Chamber of Commerce) • Taking part in NAFTA Indigenous working group • Supporting work of the OECD Report on Indigenous Economic Development • Partnered with the Public Policy Forum to build case for Economic Reconciliation in Canada • Establishing NACCA's brand in social finance space • NACCA now obtaining ISO Certification 	
<p>Expanding AFI Financing</p> <p>NACCA will work to secure new capital – both loan and equity capital – to allow the network's financing activity to grow.</p>	<ul style="list-style-type: none"> • Developed and presented business case for investment in AFI network (Budget 2018) • Completed financial model to determine viability of an Indigenous Growth Fund • Implemented government relations strategy • Engaged providers of capital including the BDC and other commercial financial institutions • Completed AEP program evaluation and optimization review 	
<p>Assessing and Building on the Network's Success</p> <p>The network as a whole is successful and has had significant impact on Indigenous business development in Canada. NACCA will examine the network's successes and work to cultivate AFI leading practices as norms.</p>	<ul style="list-style-type: none"> • Completed research with the Conference Board of Canada on financial eco-system for Aboriginal entrepreneurs • Collaborating on AFOA Business Development Officer Training Program • Participated in Harvard Executive Management Program 	

The Network by the Numbers

\$320^M

in **capital committed to Indigenous SMEs** across the country*

\$110^M

in **new loans***

1,277

businesses receiving loans*

58 AFIs

serving Indigenous businesses across the country

\$86^{K*}

in median **profit**

95%

of loans **repaid*** in over two decades of operations

\$31.5^M

in **program funding** to support Indigenous businesses

30%

of supported entrepreneurs are **women**

30%

of supported entrepreneurs are **35 years or younger**

Since inception, the AFIs network have provided

44^K

loans worth

\$2.5^{B^}

* annual data from 2017 (the most recent year available)

^ Includes projections for 2018

The AFI Network

What We Are, What We Do

What Is an Aboriginal Financial Institution?

Aboriginal Financial Institutions (AFIs) are autonomous, Indigenous-controlled, community-based financial organizations.

Many Indigenous entrepreneurs are still perceived as high-risk borrowers and face difficulty accessing loan capital from conventional lenders due to legislative and market-based barriers. In the late 1980s and early 1990s, Indigenous leaders and the Government of Canada created AFIs to address the shortage of available capital to finance Indigenous small-business development.

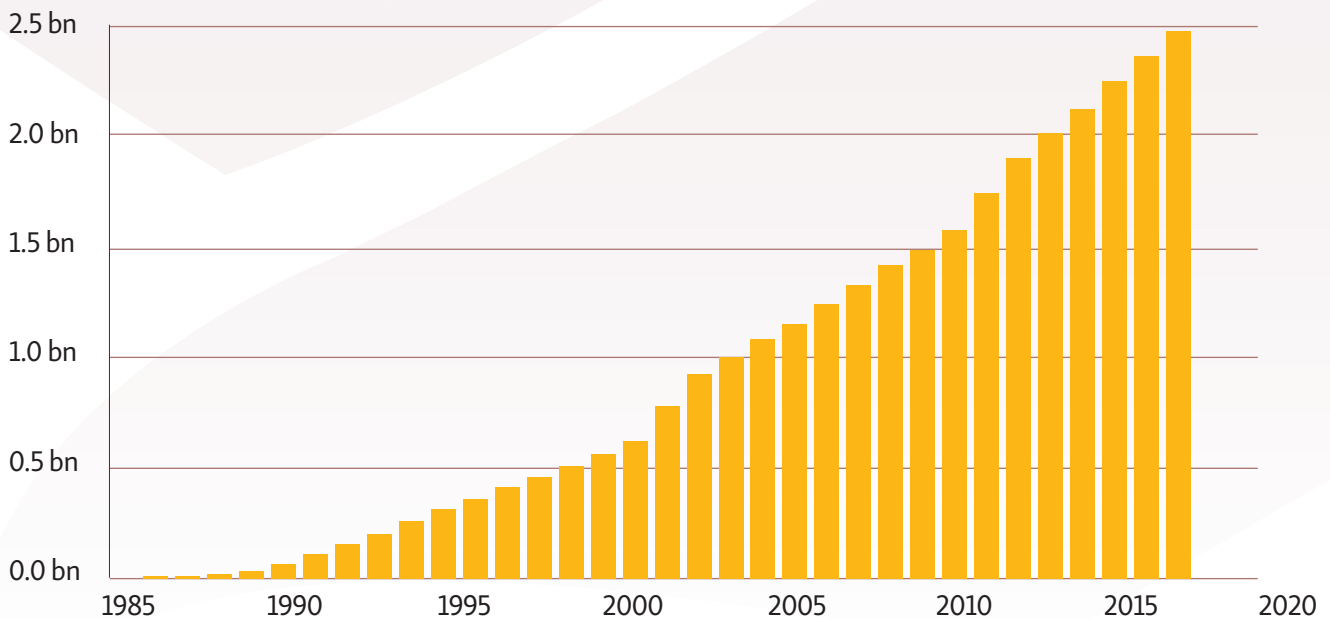
With 44,000 loans worth almost \$2.5 billion in the past 30 years, the AFI network plays a critical role in filling the financing gaps and unmet needs that Indigenous entrepreneurs still face. AFIs provide developmental

loans and business financing to First Nations, Métis, and Inuit entrepreneurs and businesses in all provinces and territories. In addition to loans, clients can access additional supports such as non-repayable contributions, financial and management consulting, and business start-up/aftercare services.

AFI is a collective term for describing three types of Indigenous-controlled financial institutions: Aboriginal Capital Corporations (ACCs), primarily supported by Indigenous Services Canada; Aboriginal Community Futures (ACFs), supported by regional development agencies (RDAs); and Aboriginal Developmental Lenders (ADLs), which have been capitalized by provinces or territories.

Across the country, the AFI network is dedicated to meeting the developmental lending needs of Indigenous entrepreneurs and communities. Within the continuum of lenders that provide loans to Aboriginal entrepreneurs and businesses, AFIs are unique for their grassroots connections with the communities they serve.

Cumulative loans provided by AFIs (\$)



How does NACCA Support the Network?

NACCA is an association of over 50 AFI members across Canada. NACCA serves the network by advocating on behalf of its members, and by providing them with capacity development, capital and program funding. These efforts directly contribute to social and economic self-reliance and sustainability for Indigenous peoples and communities nationwide.

NACCA's vision, mission and core values are profiled in its 2017-22 Strategic Plan. The vast and diverse network it represents holds the belief that the AFIs are stronger if they speak together, with a proud voice.

“The National Aboriginal Capital Corporation Association has played a role in working with 50 plus Aboriginal financial institutions, so has had tremendous success in providing loans and grants and business advice to budding Indigenous entrepreneurs. They have supported nearly 1,400 businesses every year and have provided over 41,000 loans, totaling \$2.3 billion over the past 30 years. Institutions like NACCA play a critical role as an enabler.”

Minister Jane Philpott, Address to the Canada 2020 – Indigenous Economic Development Symposium, April 25, 2018

Where We Are

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



“We know that rebuilding Indigenous economies is fundamentally interconnected with the economy of our country and when Indigenous people succeed , our country succeeds.”

Jody Wilson-Raybould,
Minister of Justice and Attorney General of Canada

Who We Are

YUKON (1)

1. däna Näye Ventures - Whitehorse

NORTHWEST TERRITORIES (6)

1. Akaitcho Business Development Corporation (ABDC) - Yellowknife
2. Deh Cho Business Development Centre (DCBDC) - Fort Simpson
3. Dogrib Area Community Futures - Wha Ti
4. NWT Métis-Dene Development Fund (MDDF) - Yellowknife
5. Sahtu Business Development Centre - Norman Wells
6. Thebacha Business Development Services (TBDS) - Fort Smith

NUNAVUT (5)

1. Atuqtuarvik Corporation - Rankin Inlet
2. Baffin Business Development Corporation (BBDC) - Iqaluit
3. Kakivak Association - Iqaluit
4. Kitikmeot Community Futures Inc. (KCFI) - Cambridge Bay
5. Kivalliq Business Development Centre - Rankin Inlet

BRITISH COLUMBIA (10)

1. Aboriginal Business and Community Development Centre - Prince George
2. All Nations Trust Company (ANTCO) - Kamloops
3. Burns Lake Native Development Corporation (BLNDC) - Burns Lake
4. CFDC of Central Interior First Nations - Kamloops
5. Haida Gwaii Community Futures - Massett
6. Native Fishing Association (NFA) - West Vancouver
7. Nuu-chah-nulth Economic Development Corporation (NEDC) - Port Alberni
8. Stó:lō Community Futures Corporation (SCF) - Chilliwack
9. Tale'awtxw Aboriginal Capital Corporation (TACC) - West Vancouver
10. Tribal Resources Investment Corporation (TRICORP) - Prince Rupert

ALBERTA (5)

1. Alberta Indian Investment Corporation (AIIC) - Enoch
2. Apeetogosan (Métis) Development Inc. (AMDI) - Edmonton
3. Community Futures Treaty Seven (CFT7) - Calgary
4. Indian Business Corporation (IBC) - Calgary
5. Settlement Investment Corporation (SIC) - Edmonton

SASKATCHEWAN (6)

1. Beaver River Community Futures Development Corporation (BRCFDC) - Meadow Lake
2. Clarence Campeau Development Fund (CCDF) - Saskatoon
3. Northern Enterprise Fund Inc. (NEFI) - Saskatchewan
4. Saskatchewan Indian Equity Foundation Inc. (SIEF) - Asimakaniseekan Askiy Reserve
5. SaskMétis Economic Development Corporation (SMEDCO) - Saskatoon
6. Visions North CFDC - LaRonge

MANITOBA (11)

1. Arctic Co-operative Development Fund (ACDF) - Winnipeg
2. Cedar Lake Community Futures Development Corporation - The Pas
3. Community Futures North Central Development (CFNCD) - Thompson
4. Dakota Ojibway Community Futures Development Corporation (DOCFDC) - Headingley
5. First Peoples Economic Growth Fund Inc. (FPEGF) - Winnipeg
6. Kitayan Community Futures Development Corporation - Winnipeg
7. Metis Economic Development Fund (MEDF) - Winnipeg
8. Louis Riel Capital Corporation (LRCC) - Winnipeg
9. Northwest Community Futures Development Corporation - Lynn Lake
10. Southeast Community Futures Development Corporation - Winnipeg
11. Tribal Wi-Chi-Way-Win Capital Corporation (TWCC) - Winnipeg

ONTARIO (8)

1. Indian Agricultural Program of Ontario (IAPO) - Stirling
2. Métis Voyageur Development Fund Inc. (MVDF) - Ottawa
3. Nishnawbe Aski Development Fund (NADF) - Fort William First Nation
4. Rainy Lake Tribal Area Business & Financial Services Corporation - Fort Frances
5. Tecumseh Community Development Corporation (TCDC) - Sarnia
6. Two Rivers Community Development Centre - Ohsweken
7. Wakenagun Community Futures Development Corporation -
8. Moose Factory
9. Waubetek Business Development Corporation - Birch Island

QUEBEC (5)

1. Corporation de développement économique montagnaise (CDEM) - Sept-Îles
2. Eeyou Economic Group / CFDC Inc. (EEG) - Waswanipi
3. Nunavik Investment Corporation - Kuujuaq
4. Société de crédit commercial autochtone (SOCCA) - Wendake
5. Tewatohnhi'saktha Business Loan Fund - Kahnawake

NOVA SCOTIA, NEW BRUNSWICK, PEI, NEWFOUNDLAND/LABRADOR (1)

1. Ulnooweg Development Group Inc. (serving all Atlantic provinces) - Truro

A Proud Journey

A Brief History of the National Aboriginal Capital Corporations Association

One of the first Indigenous entrepreneurs to become involved with government policy was James Gladstone. In 1958 James Gladstone, a member of the Blood Tribe in Alberta, became the first Status Indian appointed to the Senate of Canada. Senator Gladstone served from 1958 to 1971. Among the many First Nations issues he championed was the full participation of Indigenous people in the administration of their own programs.

Fred Gladstone, James Gladstone's son, was a driving force in the press of Indigenous people to manage their own financial endeavors. He was instrumental in establishing the Indian Equity Fund, designed to assist First Nations people in establishing businesses with an emphasis on Alberta oil sands development. On November 1, 1976, the Alberta-based Treaty 6, 7 and 8 organizations incorporated the Indian Equity Foundation to provide unsecured loans to First Nation-owned businesses.

The Indian Equity Foundation may be the earliest First Nations-owned and -controlled entity to provide financial and advisory services to Indigenous people. It received start-up capital from the Department of Indian Affairs and Northern Development and Syncrude Canada.

In the 1980s, Indigenous leadership recommended the creation of further Aboriginal Financial Institutions. They reasoned that increased Indigenous control would improve efficiencies of the program over direct design and delivery by the federal government.

The Aboriginal Capital Corporation model replicated the Indian Equity Foundation Model. Aboriginal Capital Corporations (ACCs) were capitalized by Aboriginal Business Canada, a division of the Department of Industry. ACCs were provided an average capital base of \$5 million, despite the fact many of their third-party professionally prepared business plans indicated they needed a higher capital base to achieve financial self-sufficiency.

The Aboriginal Community Futures (ACF) model differed from the ACC model. Funded by Regional Development Agencies, ACFs were provided average loan capital in the range of only \$1.5 million. ACFs were and continue to be supported by inadequate annual operating subsidies to offset administrative costs.

How we got here - the NACCA timeline

1985 Aboriginal Financial Institutions (AFIs) are formed at the recommendation of First Nations leaders.

1995 6 initial AFIs start a voluntary network.

1997 NACCA, now representing 22 ACCs, is incorporated.

1999 Membership open to all AFIs across the country. NACCA partners with Industry Canada and Peace Hills Trust to deliver the first components of the Aboriginal Entrepreneurship Program (AEP).

2002 Membership surpasses 50 AFIs.

2009 AFIs provide \$100 million in loans in a single year for the first time in the network's history.

2014/15 \$2 billion milestone in developmental loans to Indigenous entrepreneurs and businesses. The Aboriginal Developmental Loan Allocation (ADLA) program is added to the AEP. Funding increases to \$10M.

2015/16 NACCA assumes program management responsibilities and 11 agreements with AFIs for the Aboriginal Business Financing Program (ABFP)

2017 20th Anniversary. Release of the NACCA 2017-2022 Strategic Plan, honouring past successes and pointing the way to new heights.

At the end of the five-year program, Aboriginal Business Canada completed a review. The review stated that only two of the ten ACCs reviewed could be considered viable, subject to the provision of increased capital to an average of \$10 million of operating subsidies to offset the unanticipated costs of high-risk lending.

To facilitate an end to the program, in May 1995, Aboriginal Business Canada advised that it had signed a Memorandum of Understanding with the Business Development Bank of Canada. Henceforth, ACCs would report to Business Development Canada.

The move spawned discussions between an ACC working group and the Department of Industry. The group of six ACCs objected to reporting to a non-Indigenous development bank on the grounds that it would mark the end of Indigenous control of the corporations.

Representatives from five ACCs met in Truro, Nova Scotia to discuss a joint effort to change the decision. The group of five quickly expanded to a group of six ACCs. They were:

1. **Alberta Indian Investment Corporation**
2. **Indian Agricultural Business Corporation**
3. **Saskatchewan Indian Equity Foundation**
4. **Soci t  de Cr dit Commercial Autochtone**
5. **Tale’Awtwx Aboriginal Capital Corporation**
6. **Ulnooweg Development Group**

Canada’s Fastest Growing Population

In 2017, Statistics Canada stated that the Indigenous population in Canada is growing four times faster than the rest of the country. NACCA and the AFIs have long sought a significant investment of loan and equity capital from the federal government to meet this increased demand. Today AFIs are unable to assist many viable businesses that would normally be approved for funding.

Representatives also met with Business Development Canada to explain their discontent. When it learned their reasons, the latter decided not to proceed with the MOU.

From this situation, the association now known as NACCA was born. The six ACCs entered into a loose alliance to preserve the ACC model by sharing their best practices and pursuing common objectives as a group. By consolidating their collective efforts and results, they reasoned, they could heighten the impact of ACCs. In addition, they felt that a unified position would benefit each individual ACC in the long term. In the late 1990s, ACFs joined NACCA, broadening its membership base to over 50 and strengthening its voice.



Senator James Gladstone: A Nation-Builder

Appointed to the Senate of Canada in January 1958, Senator Gladstone was a member of the Blood Reserve. He was the first Status Indian to be appointed as a Canadian senator. On April 7, 2017 the Royal Canadian Mint unveiled a new \$10 commemorative note recognizing his contribution to Canada.

Network Performance

2017: A Strong Year

The 2016-17 fiscal year was another strong one for NACCA and the AFI network. In establishing the contribution of AFI lending to Indigenous economies, the statistics speak for themselves.

AFI Highlights ¹	2015	2016	2017
AFI Activity and Impact			
Total loan dollars advanced	\$111,017,128	\$104,671,589	\$109,771,983
of which financed start-ups	\$29,186,386	\$29,285,951	\$30,788,223
of which financed existing businesses	\$81,830,742	\$75,385,638	\$78,995,255
Total number of loans provided	1,296	1,266	1,277
of which financed start-ups	462	503	495
of which financed existing businesses	834	763	782
Total FTE jobs created/maintained by new loans	3,833	4,431	4,602
AFI Portfolio Metrics			
Total gross loan and investment portfolio (GLP)	\$306,724,919	\$319,946,675	\$321,124,975
Average size of new loan (weighted)	\$85,661.36	\$82,678.98	\$85,960.83
Average interest yield on GLP (weighted)	6.06%	6.05%	6.27%
Average annual write-offs as % of GLP (weighted)	1.95%	1.10%	2.40%
AFI Sustainability (Median AFI)			
Profit (Loss)	\$32,503	\$44,939	\$86,236

¹ **Notes on method and data:** NACCA has significantly upgraded its reporting database and business intelligence capability in the past two years. As part of the upgrade, we improved the handling of missing values (e.g. when data are missing for one AFI for one year). We also reclassified some figures from prior years. As such, figures presented here should not be compared to or combined with figures from previous reports (such as the AFI Portraits).

The data here are drawn from AFI audited financial statements, supplemented by annual reporting on lending activities and impacts. Where data were unavailable, we filled in values using an algorithm that aligns the estimated value with data points from the previous and following years. The fiscal years reported are assumed to end on March 31, when the vast majority of AFI fiscal year-ends occur. Data for the 2017-18 fiscal year are not yet fully available; thus, the AFI performance highlights do not include analysis for this year.

In 2017, AFIs extended 1,277 loans worth just under \$110M to Indigenous businesses. AFI lending activity translated into over over 4,600 in 2017. This marks a tangible contribution, not only to Indigenous economic development but to the well-being of families and individuals.

Though AFI lending and its impacts were strong, they did not increase in 2016 and 2017. This flat pattern has held for a number of years, due to the stagnant amount of program funds that AFIs have been able to access since 2012.

As in prior years, AFIs were prudently managed. The median AFI closed out the year with a modest surplus (profit).

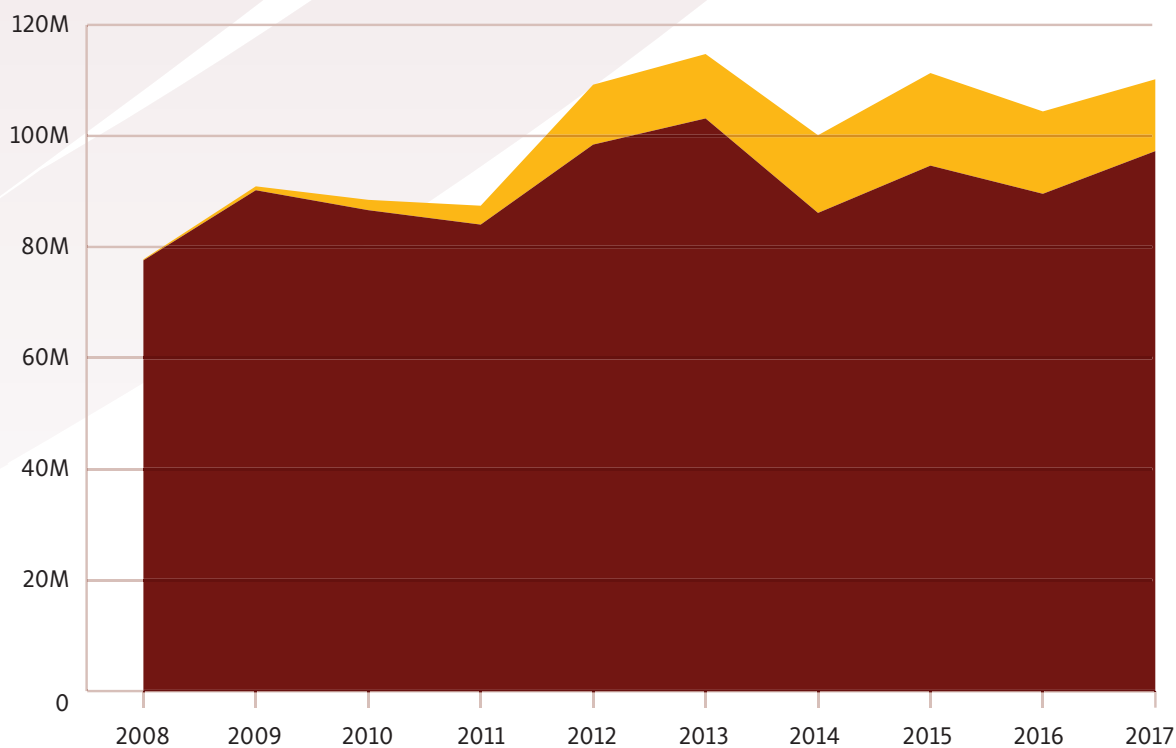
Overview of Lending Activity: The Past Decade

Findings for the most recent reporting period correspond with those of the past decade: AFIs are a reliable lending network. The past decade shows the strength and endurance of a network of social finance institutions that stand out for their accomplishments – not only within Canada, but globally. In fact, there is growing interest internationally in the work of the AFIs, among governments and Indigenous peoples in other jurisdictions (for example, in Australia) as well as among impact investors.

The following graphs show both the consistent AFI lending trends since 2008 and certain important nuances as well.

Annual Loan Activity by Dollar : Existing vs. New AFIs

Total New Loans (\$) ● Existing AFIs ● New AFIs



The ten years leading up to 2017 began with a jump in lending following the financial crisis and have been marked by steady lending since. And yet there is also a sub-theme when examining lending trends over the past decade. Namely, it is important to distinguish new AFIs from existing ones.

For existing AFIs, their annual lending has hardly increased since 2009, despite their consistent contribution to Indigenous economies. The modest overall increase to over \$100M in AFI lending annually has been driven by new AFIs opening their doors and providing data to NACCA. These new AFIs were capitalized by provincial and territorial governments rather than the federal government and yet they also access the federally-funded programs that NACCA delivers. This has placed further strain on these programs over the years.

The emergence of new AFIs since 2011 is a story in itself. Their emergence, and the growth in lending by them, demonstrates a latent demand for developmental loans and provides a glimpse of the hidden potential that an investment in the network could tap into.

As for AFIs that existed prior to 2008, their lending has stagnated. This is in stark contrast to the growth in number of Indigenous businesses over the same period. This contrast is no surprise, where the loan capital made available to AFIs has not increased in years. The mismatch between the growth in Indigenous economic activity and the limited pool of capital available to promote it marks nothing short of a missed opportunity.

The missed opportunity: thousands of unrealized success stories

NACCA often refers to the “missed opportunity” that the network’s longstanding lack of further loan capital and program resources represents. But what does it entail? To understand its facets – and conversely, the magnitude of the opportunity if it were realized – consider the following statistics:

- From 1996 to 2018, the number of Indigenous businesses has grown by more than 150 % (National Household Survey, Conference Board of Canada)
- Despite this growth, the size and number of Indigenous businesses continues to lag behind those of mainstream Canada.
- According to Aboriginal Business Survey (Canadian Council for Aboriginal Business), Indigenous entrepreneurs cite access to capital as the very top obstacle to their growth. This is especially true for growing businesses.

- The result? At every stage of business growth, an opportunity for Indigenous businesses and those they might have employed is missed. Specifically:
 - Potential start-ups (at present, 40% of the network’s activity) go unfunded.
 - Existing small Indigenous businesses lack the capital to expand to medium-sized businesses.
 - Private and community-owned businesses cannot take advantage of larger, capital-intensive opportunities (for example, in major resource projects, trade and tourism, or procurement).
 - Fewer jobs are created – for Indigenous people and for all Canadians.

In this era of reconciliation, NACCA’s position has been clear and consistent. *The time is overdue to grow Indigenous businesses and realize those thousands of success stories waiting to happen.*

Annual Loan Trend by Number: Start-Up vs. Existing Businesses

A large majority of Indigenous businesses are small businesses – the very type that AFIs are committed to serving as developmental lenders. Their size should not be underestimated in terms of their impact. For example, ISED has found that small businesses (with 1 to 99 employees) provide 71% of all private sector employment in Canada (Key Small Business Statistics 2016).

As in previous years, so in 2016-17: about 40 percent of AFIs’ total lending went to start-up Indigenous businesses. On average over the past decade, AFI

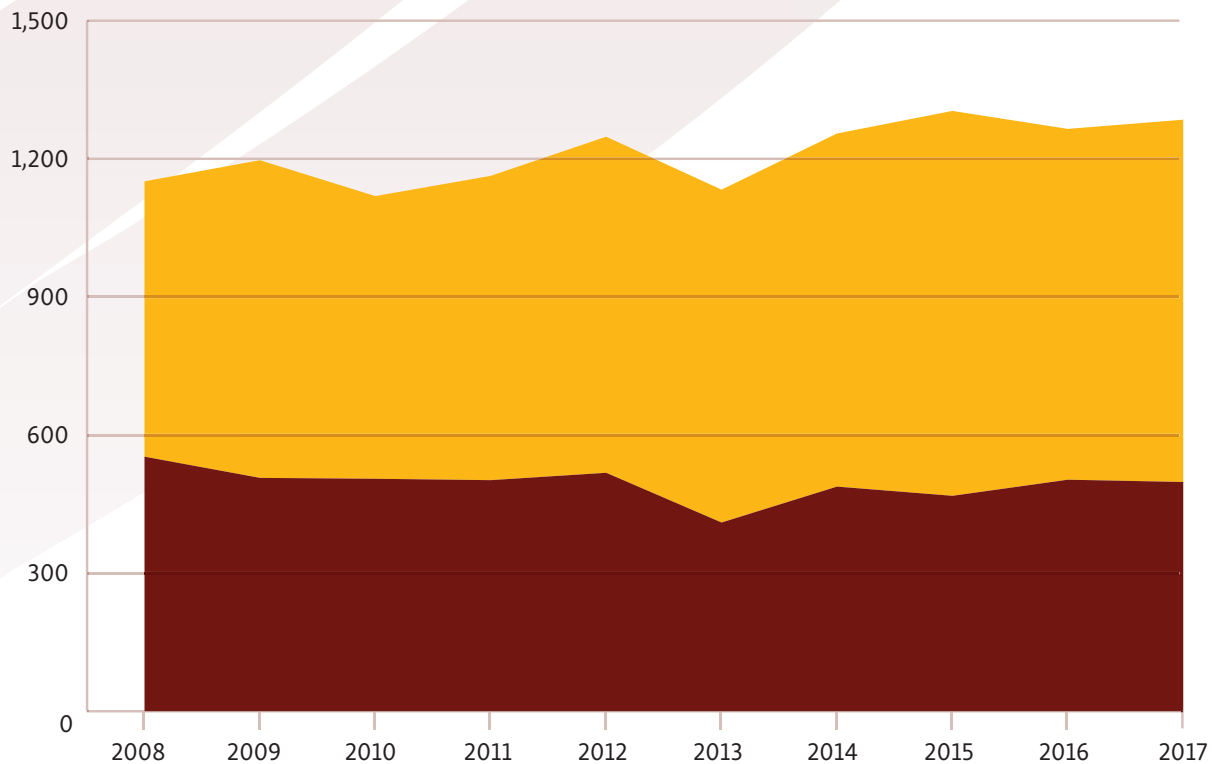
lending has supported about 500 start-ups and 750 existing businesses. The number of loans advanced overall has remained stable.

In dollar amounts, start-ups have received on average a smaller — yet still significant — proportion of AFI lending. The total dollar value of loans provided to Indigenous businesses has been slightly above \$100M for six years running – with over \$30M going to a new cohort of start-ups each year.

Notably, many small businesses find loans crucial to getting off the ground. According to ISED surveys, 51% of start-ups require credit from financial institutions.

Number of New Loans

● Start-ups ● Existing Businesses



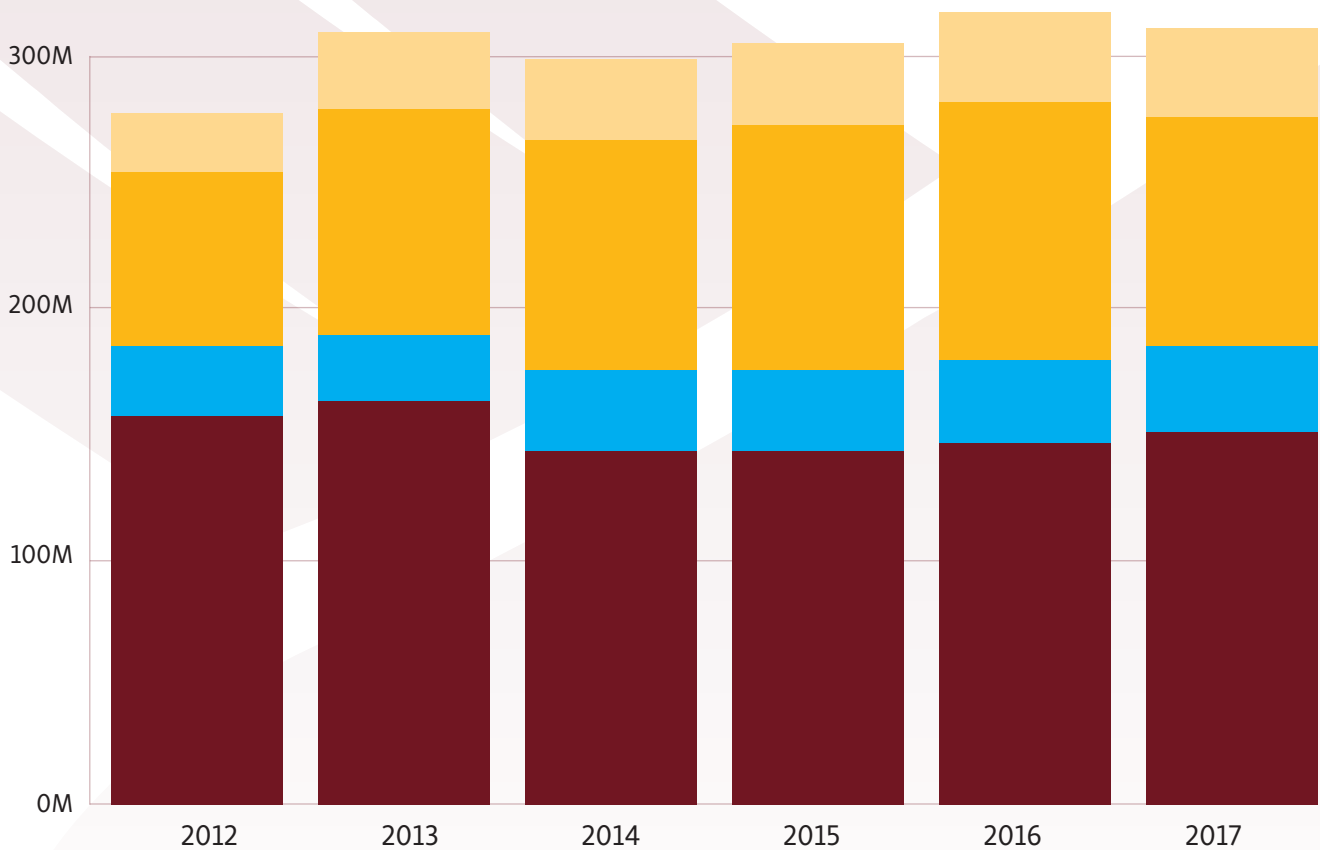
AFI Capital Committed to Small and Medium Sized Businesses

The outstanding loan portfolio indicates the amount of money that AFIs have currently invested or lent to Indigenous businesses. As the bar graph below indicates, that amount has largely been flat since 2012. The minimal growth that has occurred is due to the lending activity of new AFIs, which have received additional capital from non-federal government entities.

Aboriginal Capital Corporations (ACCs) and Aboriginal Developmental Lenders (ADLs) tend to have larger loan portfolios than the Aboriginal Community Futures (ACFs) backed by Regional Development Agencies. As a result, 78% of overall loans are in their portfolios. Despite there relatively small number (5), Duals held another 11.7% of the portfolio in 2017. Duals are AFIs that were capitalized under the ACC program and also hold a mandate to deliver Community Futures (CF) programming for the various Regional Development Agencies.

Gross Loan and Investment Portfolio by AFI Type

AFI Type ● ACC ● ACF ● ADL ● Dual



From Coast to Coast to Coast: AFI Highlights by Region

If we break down AFI activity and impact by NACCA region, the network's reach becomes clear: AFI lending truly does benefit Indigenous entrepreneurs from coast to coast to coast.

Key Statistics	Alberta	Atlantic and Quebec	British Columbia	Manitoba	North	Ontario	Saskatchewan
AFI Activity and Impact							
Total loan dollars advanced	\$11,821,783	\$11,808,046	\$12,480,570	\$10,379,316	\$39,654,988	\$13,433,609	\$10,193,671
Total number of loans provided	202	94	268	100	129	184	300
of which financed start-ups	92	21	132	50	21	72	107
of which financed existing businesses	110	73	136	50	108	112	193
Total FTE jobs created/maintained by new loans	211	494	731	587	978	1,193	407
AFI Portfolio Metrics							
Total gross loan and investment portfolio (GLP)	\$38,076,568	\$28,855,045	\$43,226,060	\$33,725,100	\$109,185,465	\$29,502,037	\$38,554,700
Average size of new loan (weighted)	\$58,523.68	\$125,617.51	\$46,569.29	\$103,793.16	\$307,403.01	\$73,008.74	\$33,978.90
Average interest yield on GLP (weighted)	6.90%	5.67%	7.95%	5.62%	6.30%	5.50%	5.27%
AFI Sustainability (Median AFI)							
Profit (Loss)	\$19,271	\$26,856	\$3,054	(\$7,397)	\$408,323	\$131,147	\$219,173

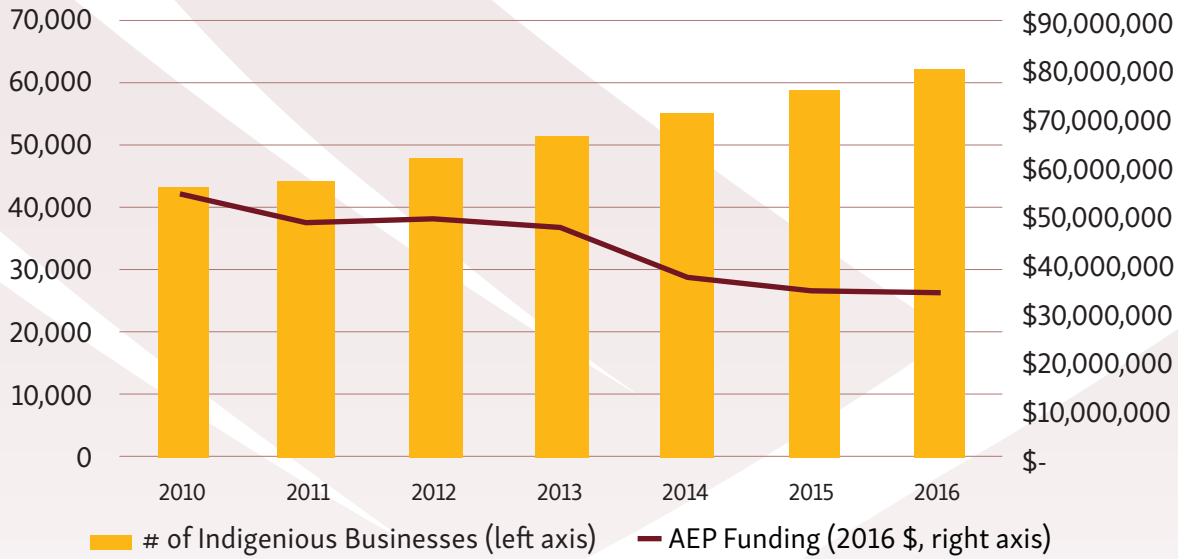
Key indicators of activity vary among NACCA's regions depending on the type and size of AFIs that are active in them.

NACCA's Programs at Work

Progressively over its history, NACCA has taken on the role of managing many of the programs that support AFIs in providing developmental loans to their Indigenous clients. As an administrator of loan programs, NACCA distributes funding under the Aboriginal Entrepreneurship Program (AEP).

The Aboriginal Entrepreneurship Program

NACCA's Aboriginal Entrepreneurship Program (AEP) supports most of the loans that AFIs provide to Indigenous businesses. The program has a \$31.5M budget. While the number of applications has been steadily rising, the amount of program funding has been on a decline for the past several years.



Aboriginal Entrepreneurship Program (AEP)		2016-17	2017-18
ABFP	Contributions	\$24,823,548	\$21,044,109
	Operations	\$3,831,804	\$3,751,261
ACDP		\$846,051	\$1,029,581
ADLA		\$4,067,305	\$4,669,397
EA		\$118,232	\$73,871
IRB		\$91,404	\$127,972
TOTAL		\$33,778,344	\$30,696,192

Under the broad umbrella of the AEP, five programs are individually tailored to meet the needs of Indigenous entrepreneurs and businesses, and of the AFIs that lend to them.

1: Aboriginal Business Financing Program (ABFP)

Starting or expanding a business typically requires a mix of sources of capital. In general, Indigenous entrepreneurs have fewer assets to draw on than their non-Indigenous counterparts. As a result, they often struggle to bring their own money to the table – the most crucial component of any financing package.

This is where the Aboriginal Business Financing Program (ABFP also known as the equity program) comes in. Delivered by 15 AFIs, the program provides Indigenous entrepreneurs and community-owned business ventures with a non-repayable contribution toward eligible project expenses.

With the ABFP contribution in place, financing the remaining portion of a start-up or expansion through a loan becomes a viable proposition. Without the contribution from the ABFP, many loans to Indigenous businesses would not be viable.

Aboriginal Business Financing Program (ABFP)	2015-16	2016-17	2017-18
# of AFI Regional Leads	12	14	15
# of Projects supported	529	660	620
Contributions provided to businesses	\$17,379,816	\$24,823,548	\$21,044,109
Operating support for AFI Regional Leads	\$2,997,069	\$3,831,804	\$3,751,261
TOTAL ABFP Funding	\$20,376,885	\$28,655,352	\$24,795,370

ABFP funding totaling almost \$53.7M supported 1,280 projects from 2016 to 2018.

As in previous years, demand for the ABFP continued to be very high, with a full commitment of available resources in both years. In 2016-17 NACCA was able to move additional resources (close to \$4.4M, a further 20% of the original budget) to the program. Our partner AFIs were able to use up this further allocation within two months, demonstrating the scale of the unmet demand for this program.

Requests for ABFP funding exceeded budgets again in 2017-18. That year, the program received 4,519 inquiries but could support only 620 businesses.

2: Aboriginal Developmental Lending Assistance Program (ADLA)

Launched with support from INAC in 2014-15, the Aboriginal Developmental Lending Assistance (ADLA) marked an important addition to the suite of programs that support the work of AFIs. NACCA had long advocated for the program. We are pleased to report that it had great success in achieving its goals.

The ADLA program supports the sustainable deployment of loan capital that AFIs now have available, much of it originally provided by the federal government in the 80s and 90s. The program addresses a fundamental problem that AFIs faced prior to its inception: namely, it is neither feasible nor desirable to charge an interest rate high enough to cover the costs of developmental lending—even though this is what AFIs were mandated to provide. This problem applies especially in today's low-interest environment.

In addition to lending, AFIs provide many advisory and support services to the entrepreneurs they finance – for example, hands-on support with developing business plans or with administrative tasks such as accounting and tax-filing. As a result, prior to introduction of the ADLA, many AFIs struggled to break even. The situation led to a slow depletion of their available capital and to excessively cautious lending. It ultimately impeded the ability of AFIs to lend, despite their being very prudent lenders incurring very low loan losses.

Aboriginal Developmental Lending Allocation (ADLA)	2015-16	2016-17	2017-18
# of AFIs accessing	19	24	23
# of loans to businesses supported	579	593	616
\$ Value of developmental loans supported	\$26,039,022	\$28,336,177	\$35,336,765
\$ ADLA Funding paid to AFIs	\$3,820,242.11	\$4,046,526.47	\$4,669,397.41

24 AFIs accessed ADLA program funds in 2016-17 and 23 in 2017-18. ADLA funding of just over \$8.7 million allowed the AFIs to support 1,209 loans with total values approaching \$63.7M over two years.

The activity-driven ADLA program provides an incentive to AFIs to engage any capital they can access. The program’s success has meant a rapid growth in demand, which is projected to exceed its budget within the next two years.

3: Aboriginal Capacity Development Program (ACDP)

The Aboriginal Capacity Development Program (ACDP) supports AFIs in their continuous effort to enhance their capacity and effectiveness as developmental lenders. Projects range from specialized training for the AFIs’ 285 staff members to upgrades to their loan management software.

This program continues to enjoy a wide reach within the AFI network. In 2017/18, it supported 34 AFIs directly through individual contributions. The program further supported all AFIs through programs and activities benefiting the entire network.

Aboriginal Capacity Development Program (ACDP)	2015-16	2016-17	2017-18
# of individual AFIs supported*	39	21	34
# of AFI staff trained	220	153	143
# of AFI Directors trained	130	61	94
\$ of Funding Provided to AFIs	\$859,851	\$846,051	\$1,029,581

*) in addition to projects by individual AFIs, the program also supports projects that support the network at large.

“The ADLA program’s success has meant a rapid growth in demand, which is projected to exceed its budget within the next two years.”

4: Interest Rate Buy-Down Program (IRB)

Faced with a lack of capital to make new loans to businesses, some AFIs establish lines of credit with other financial institutions. By offsetting the interest costs for accessing capital, the Interest Rate Buy-Down Program (IRB) supports additional developmental lending.

In each of the past two years, the dollar amount claimed under this program has grown. Increasingly, AFIs have to make use of such credit lines to meet the demand in their areas. But it also bears noting: capital that can be sourced this way is limited, as mainstream lenders will allow an AFI to borrow only a relatively small amount of money.

Interest Rate Buy-Down (IRB)	2015-16	2016-17	2017-18
# of AFIs accessing the program	8	4	7
\$ Value of Interest Subsidy Claimed	\$72,848	\$91,403	\$127,972

5: Enhanced Access Program (EA)

For various reasons, some areas of the country do not have an AFI to serve Indigenous businesses there. The EA Loan Fund provides loan capital that other AFIs can access to provide loans in underserved areas. AFIs that access the EA for additional lending capital are also reimbursed for the operational expenses associated with serving loans outside of their traditional territories.

Funds drawn through the EA Program supported 21 new developmental loans in the 2016-18 period.

Established over a decade ago, the EA fund demonstrated NACCA's ability to manage a loan fund from which AFIs can draw to access additional capital. For nine years leading up to 2018, the outstanding loan portfolio featured an average loan loss rate of 2.18%. This underlines the astuteness of AFI lending decisions, as well as the responsible management of loan capital by NACCA.

Enhanced Access (EA)	2015-16	2016-17	2017-18
\$ EA Loans Receivable	\$4,961,343	\$4,970,559	\$3,840,122
# of AFIs accessing program for new loans	3	7	4
# of new developmental loans supported	9	13	8
\$ value of loans approved	\$1,525,573	\$1,182,323	\$738,711
\$ Value of 10% admin approved	\$152,557	\$118,232	\$73,871

Supporting a Diverse Set of Entrepreneurs

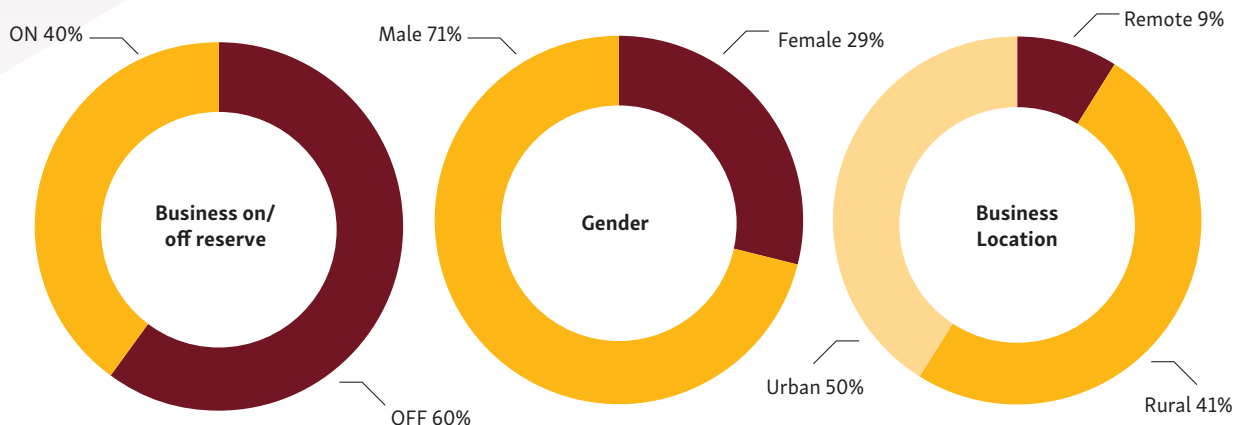
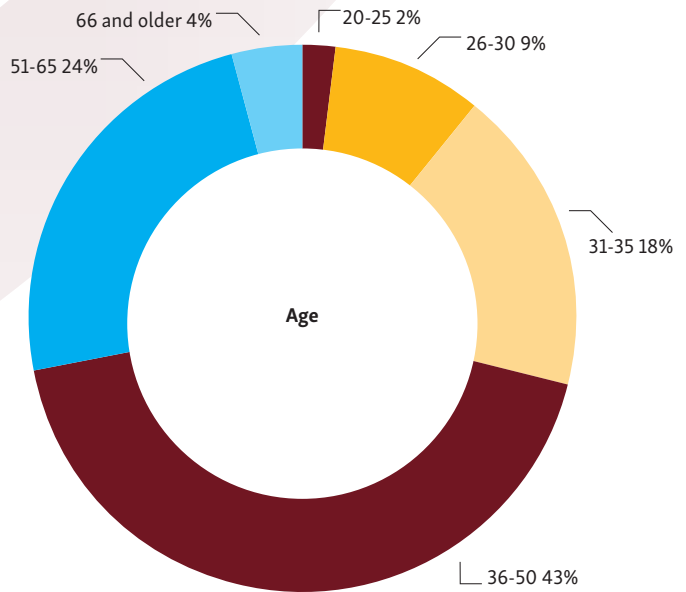
Aboriginal entrepreneurship is growing and diversifying. Beyond individual entrepreneurs there are larger community-owned businesses, joint ventures, and various forms of social enterprise, which are also growing in size and complexity.

In the 2016 Aboriginal Business Survey, the Canadian Council for Aboriginal Business found that over one in three Aboriginal businesses (36 percent) create employment for others.

NACCA's program statistics tell us something of the clients supported by AFIs through loans and/or the ABFP. Above all, these data indicate a wide diversity of Indigenous entrepreneurs served in 2017-18:

- **On- / off-reserve:** Businesses were distributed fairly evenly on-and off-reserve, with 40% of clients located on-reserve and 60% outside of reserve communities.
- **Business location:** 50% of loans and financing went to businesses in urban settings, while another 50% went to Indigenous businesses in rural (41%) or remote (9%) locations.

- **Gender:** Over 2/3 (71%) of businesses majority-owned by males, while less than 1/3 (29%) were majority-owned by women.
- **Age:** Most Indigenous entrepreneurs supported in this period were in the 31 to 50-year age range. A full 18% of clients were between the ages of 31 to 35 and 43% were ages 36 to 50. By comparison, youth under age 30 received only 11% of AFI financing. Entrepreneurs aged 50 and over received 28%.

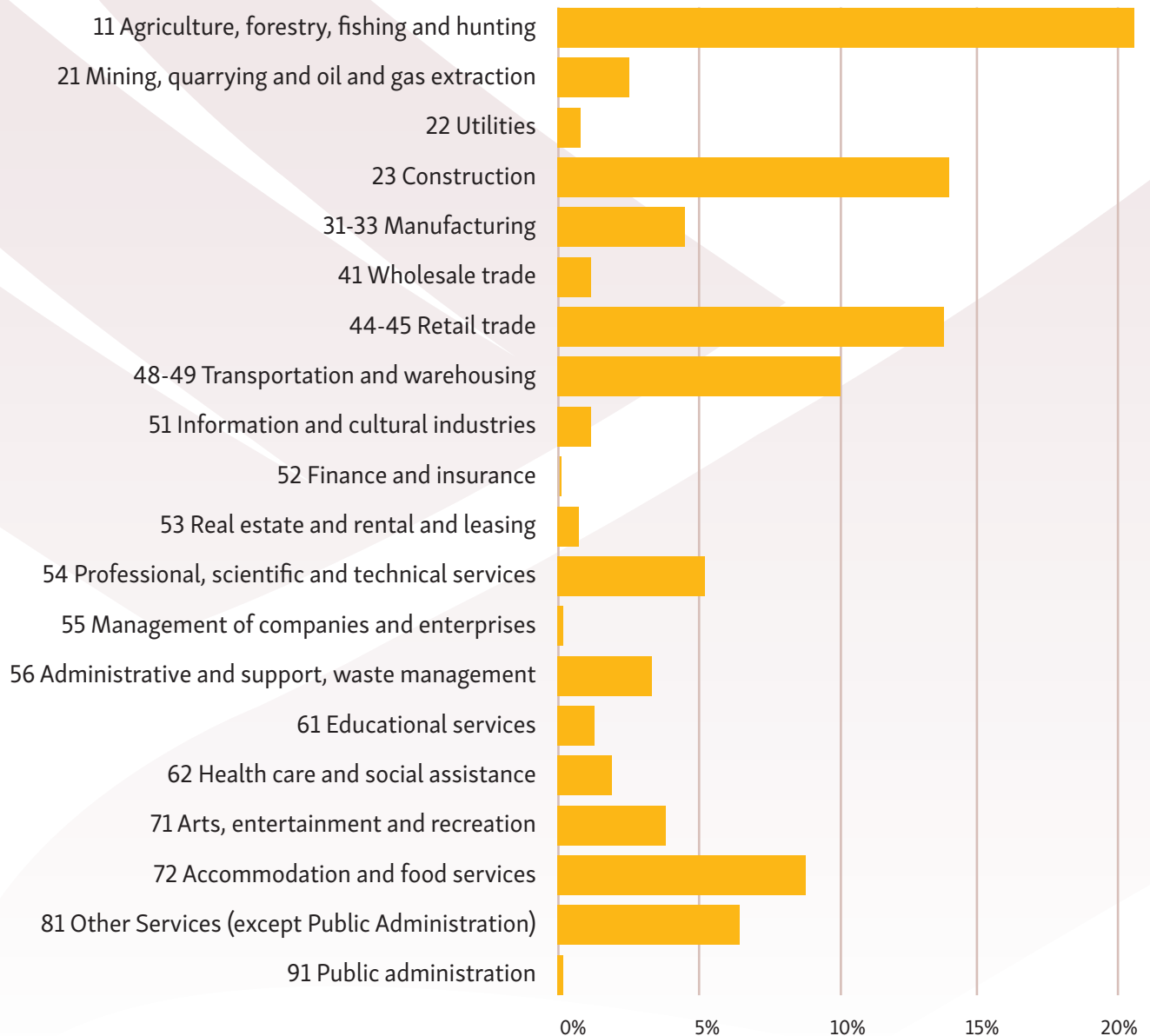


Serving a Broad Range of Industries

By North American Industry Classification System (NAICS) groups.

AFI loans supported Indigenous entrepreneurs in a broad range of industries in 2017/18. As in previous years, certain sectors stand out.

Agriculture, forestry, fishing and hunting businesses continued to receive by far the largest number of loans, with over 20% of total loans in 2017/18. Further industries included construction (14%), retail trade (13%), transportation and warehousing (10%) and accommodation and food services (8%).



NACCA Governance: Setting The Tone At The Top

The past few years have seen significant changes for NACCA and the AFI network. In particular, the transfer of the Aboriginal Business Funding Program (ABFP) to NACCA management has required the Association to build its capacity and optimize its way of working with AFIs.

In NACCA's 2015-16 Annual Report, Chair of the Board Andrew Leach stressed the Board's commitment to build a tone of collaboration, transparency, and performance, aligned with the network's Indigenous character and core values.

Aware that tone is set at the top, the Board has included its own processes among those to be updated. In 2015, NACCA's members approved changes to the Bylaw surrounding size and selection of the Board.

2016-2018 saw further governance milestones designed to equip the Association to reach new heights of performance. These included:

- Further refinement of the NACCA Board's nomination and election processes
- Adoption and use of a simplified NACCA Board Governance Manual
- Review and revision of terms of reference for all Committees of the Board

All hallmarks of a mature organization, these governance innovations signal the Board's enduring commitment to attract Indigenous Board members of the highest quality. The processes promote the transparency and professionalism of the Board and help ensure that it can attract the mixture of skills, qualities and representation that the AFI network requires.

Board of Directors

Andrew Leach

British Columbia Region
Chair

Jean Vincent

Quebec, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, and New Brunswick Region
Vice-Chair

Wayne Flamand

Independent Director
Treasurer

George Kurszewski

Yukon, Northwest Territories, and Nunavut Region
Director

Cory McDougall

Independent
Director

Ron Marano

Ontario Region
Director

Lucy Pelletier

Saskatchewan Region
Director

Jack Royal

Alberta Region
Director

Muriel Parker

Manitoba Region
Director

Building on Success: 2016-18 In Review

It is a key feature of accountability, the exercise of recalling what was promised and what was delivered in the last period. NACCA's current commitments actually go back to 2015, the year the Association began to serve as both the national voice of AFIs and the primary delivery institution for the economic development programs supporting many of its members. The transfer of the Aboriginal Business Financing Program (ABFP) to NACCA required stock-taking about what kind of national organization the network needed.

As part of its operational objectives for 2016/17, NACCA committed to developing a 5-year Strategic Plan for 2017 to 2022.

Beyond this commitment, NACCA set four further operational objectives for 2016/17:

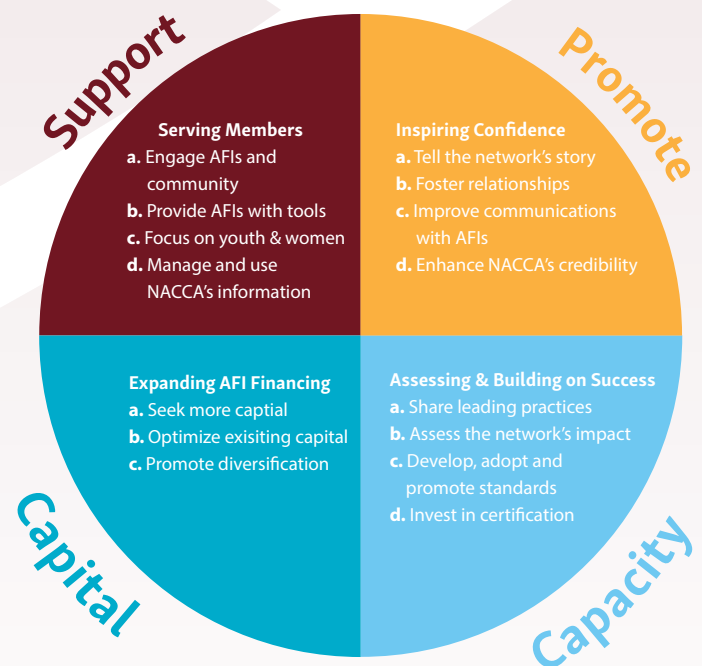
- To continue exploring **innovative, private, and social financing solutions** to widen the investment and capital attraction channels in the AFI network.
- To explore **partnerships for impact investing** with similar organizations and government partners.
- To continue with the **loan management system review and redesign**, and to improve NACCA business analytics capabilities.
- To reach out to the AFI network to **assess communication and information needs**, and to develop a stakeholder engagement and communications strategy.

NACCA's 2017-22 Strategic Plan

NACCA developed a Strategic Plan in Winter 2016 and Spring 2017. It created the Plan through a consultative process that included AFI General Managers, NACCA's Board of Directors, and NACCA staff. Presented at the 2017 Annual General meeting in Edmonton, the Strategic Plan is continuous with the strategic objectives of the 2016/17 fiscal year.

The Plan has marked an important milestone for NACCA. Though ambitious, it builds on the solid foundation of the network's success to date. Its four priorities mutually reinforce each other and work together as a piece:

Though much work remains at this early stage, the Association has made significant progress in realizing all four strategic priorities, as well as its operational objectives for 2017-18.



Reporting on our Commitments

Priority 1: Serving NACCA Members

The Strategic Plan stresses NACCA’s pledge to prioritize member satisfaction, engaging members through regular meetings and conferences, webinars and social media platforms. It commits the Association to developing tools and applications to assist AFIs in improving client services, and to enlist its program

information to help AFIs provide the best possible care to the next generation of Indigenous entrepreneurs. The Plan requires NACCA to target its training and capacity support to distinct tiers of lenders. Finally, it entails a special focus on youth and women—identifying their lending needs, holding dedicated forums, and inviting youth to help develop new loan products.

Strategic Directions	Achievements over the past two years
<p>Engage AFIs and potential clients by holding regular conferences and gatherings, improving NACCA’s web interface and enlisting social media.</p>	<ul style="list-style-type: none"> • Increased number and variety of gatherings, such as: <ul style="list-style-type: none"> • GM & Chairs Meeting/AFI Visioning Exercise • Frontline Workers Conference • Conducted member satisfaction survey • Upgraded NACCA’s web interface, launched social media accounts, increased traffic
<p>Provide AFIs with tools encouraging them to improve client service, through such things as web-based application processes and more comprehensive pre-and post-loan services.</p>	<ul style="list-style-type: none"> • Launched a new AFI loan management system, FaasBank (by Fern) • Supporting modernization of Federal Procurement Strategy for Indigenous business • Involved in National Financial Literacy Working Group • Investigating member benefits package
<p>Focus on youth and women, using research and NACCA data to identify their lending needs, holding dedicated forums, and inviting youth to help develop new products.</p>	<ul style="list-style-type: none"> • Tracking number and dollar values of loans to youth and women across the network
<p>Manage and use NACCA’s program information by improving its information management systems and using information to drive program and product development.</p>	<ul style="list-style-type: none"> • Streamlined AEP Reporting Requirements • Developed a NACCA internal Reporting Database to better report on and analyse program and network performance
<p>Help members build capacity by publishing leading practices, implementing new tools and systems, and dedicating resources to accommodate various tiers of AFIs.</p>	<ul style="list-style-type: none"> • Examining tools/practices to support work of AFIs and their staff • Providing access to Harvard Executive Management Program • Collaborating on AFOA Business Development Officer Training Program

Priority 2: Inspiring Confidence in the Network

The AFI network's accomplishments are real, but not yet well known. Over the next 5 years, NACCA committed to telling the network's story to decision-makers and potential partners, as well as to members, potential clients and the public. It will build relationships to amplify the network's influence at

policy tables, and conclude partnerships with like-minded organizations to improve its training and capacity-building. Finally, the Strategic Plan commits NACCA to enhancing its reputation by obtaining certification of its internal processes.

Strategic Directions	Achievements over the past year
<p>Tell the network's story to the government, other lenders, and the public by sending out a delegation of NACCA's most experienced lenders, participating in national events, and taking guest speaking and other opportunities to get the word out.</p>	<p>Told the AFI story – events, media, videos and presentations to government decision-makers and others (see Media and Communications and Conferences, Engagements and Network text boxes below).</p>
<p>Foster beneficial relationships with other Indigenous organizations, federal and provincial politicians, departments beyond INAC and Industry, non-Indigenous professional associations and the private sector.</p>	<ul style="list-style-type: none"> • Developing partnerships with other Indigenous organizations (e.g. CCAB, AFOA and the NIEDB) • Forging new strategic relationships (ISED, Global Affairs Canada, and Canadian Chamber of Commerce) • Negotiated New Fiscal Relationship with the Government of Canada • Partnered with the Public Policy Forum to build the case for Economic Reconciliation in Canada • Taking part in NAFTA Indigenous working group • Supporting work of the OECD Report on Indigenous Economic Development • Participating in the Indigenous Economic Opportunities Network • Establishing NACCA's brand in the social finance space
<p>Improve communications with AFIs through regular technical conferences, improving the website, and enhancing the Association's social media presence.</p>	<p>Held more conferences for AFIs, including:</p> <ul style="list-style-type: none"> • GM & Chairs Meeting/AFI Visioning Exercise • Frontline Workers Conference <p>Upgraded NACCA's web interface, launched social media accounts, increased traffic</p>
<p>Enhance NACCA's credibility by obtaining certification for the Association.</p>	<p>Now in the process of obtaining ISO Certification</p>

Media & Communications

NACCA has been busy over the past two years, producing corporate relations videos, recording testimonials, publishing newsletters, distributing news releases, attending events, hosting conferences, writing op-eds, appearing on WebTV and using social media as a regular communications tool.

In May 2017 NACCA launched a corporate video that described how economic reconciliation and wealth creation plays an important role in removing barriers for successful Indigenous businesses.

NACCA Launches a Powerful New Video that Describes Economic Reconciliation and Wealth Creation

by pinnacaltalk on May 29, 2017



Interviewees included NACCA Chair Andrew Leach, CEO Shannin Metatawabin, NACCA board members Lucy Pelletier and Muriel Parker, NACCA AEP committee member Leonard Odjick, INAC Director of Aboriginal Business Financing Directorate Robert Fortin and Assembly of First Nations (AFN) National Chief Perry Bellegarde.

At NACCA’s February 2017 economic reconciliation event held with the Public Policy Forum in Ottawa, NACCA conducted interviews with Chiefs, financial professionals and federal ministers. The interviewees discussed the importance of NACCA and AFIs, and how improving partnerships and support will build both Indigenous economic prosperity and Canada’s overall economic climate.



Interviews: Ian Campbell, Chief Squamish Nation, BC; Lynn Acoose, Chief of Sakimay First Nation, Treaty 4; Rocky Sinclair, CEO of the Alberta Investment Corporation; Dawn Madahbee-Leach, Interim Chair, National Aboriginal Economic Development Board, GM Waubetek Business Development Corporation; Carolyn Bennett, Minister of Indigenous and Northern Affairs Canada; Jean Paul (JP) Gladu, President and CEO of the Canadian Council for Aboriginal Business (CCAB); Chief Darcy Bear, Whitecap Dakota First Nation; Jody Wilson-Raybould, Minister of Justice and Attorney General of Canada.

In September 2017 NACCA provided a full-page opinion piece for The Hill Times titled ‘Economic self-determination through lending: empowering Indigenous Peoples, implementing UNDRIP.’ The Hill Times is read by Members of Parliament, senior bureaucrats, key decision makers, and influencers.



This past year NACCA CEO Shannin Metatawabin appeared on a special edition of RAW Talks, a WebTV interview series that shares insight and ideas from innovative thinkers and practitioners in the field of resource policy and economics. The special series focused on Economic Reconciliation. Shannin spoke of the importance of NACCA and supporting Indigenous economic growth and sustainability.

Conferences, Engagements, and Networking

Over the past two years, the CEO, Shannin Metatawabin has presented publicly at:

Feb 15, 2017: National Aboriginal Economic Development Board

Feb 16, 2017: Public Policy Forum – Indigenous Economic Development

March 23, 2017: Public Policy Forum

March 28, 2017: BC - Assembly of First Nations Annual General Assembly

March 29, 2017: Assembly of First Nations Panel on Trade

Mar 31, 2017: Congress of Aboriginal People – Creative Leaders Conference

June 6, 2017: Institute on Governance – Fiscal Relationship Forum

July 11, 2017: AFOA Canada Board

Sept 13, 2017: AFOA – Ontario

Oct 2-4, 2017: AFOA – Building Sustainable Communities International Conference

Nov 2017: National Financial Literacy conference

Attendance at Networking Events, including:

August 28-30, 2017: National Treaties 1-11

March 22, 2017: AFN Energy Forum

May 1-5, 2017: Harvard University– Building Sustainable Communities

July 12, 2017: NACCA/AFOA Meet and Greet. 120+ networking event

Oct 26, 2017: CANDO conference

Nov 7, 2017: NAEDB Presentation

Nov 8, 2017: PPF Metis Economic Development Forum

March 22, 2018: Presentation to AFN Chiefs Committee on Economic Development

United Nations Permanent Forum on Indigenous Issues.

NACCA CEO Shannin Metatawabin was invited by the federal government to attend the UN Permanent Forum on Indigenous Issues, held in New York the week of April 16-20, 2018.

“Being invited is another sign that we are being recognized as leaders in Indigenous economic development. I was there to engage and network with other nations to ensure that Indigenous sustainability in the future is top of mind ...”

Priority 3: Expanding AFI Financing

NACCA identified securing new capital for the network – both loan and equity capital – as a core strategic priority. The Strategic Plan commits the Association to developing and distributing the case for further investment; sending a delegation of experienced lenders to decision-makers; and identifying social financing umbrellas that could allow the AFI network to become a leader in socially responsible investment. The Association has also committed to working with its TAG Working Group to maximize the benefits of the capital the network already receives.

NACCA put great effort into preparing a proposal for investment in the AFI network. This included a submission as part of the government’s Pre-Budget Consultation exercise and an extensive media campaign (including ads and op-eds in *The Hill Times* and an interview on CBC radio). NACCA encouraged

AFIs to engage with their local MPs and government officials. NACCA staff and Board members met with MPs from the Indigenous Caucus as well as with numerous government officials, including from Indigenous and Northern Affairs (INAC) and Innovation, Science and Economic Development (ISED).

While Budget 2018 ultimately did not provide support, our collective efforts succeeded in putting NACCA and the AFI network on the map of policy- and decision-makers in Ottawa. As a result of these efforts, ISED and INAC indicated a strong desire to work with NACCA in an effort to secure additional investment in the network as part of the Budget 2019. We continue to see strong interest from key federal departments, including Finance, to work with AFIs to further the Indigenous economic development agenda.

Strategic Directions	Achievements over the past year
<p>Seek new capital for the network, including accompanying program funding 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 social financing umbrellas.</p>	<ul style="list-style-type: none"> • Developed and presented business case to support investment in the AFI network (2018 budget ask) • Completed financial model to determine viability of an Indigenous Growth Fund • Conducted demand study • Implemented engagement strategy • Engaged providers of capital including the BDC and other commercial financial institutions
<p>Optimize the use of existing capital by developing a tiered approach to allocating capital among AFIs</p>	<ul style="list-style-type: none"> • Tracked capital and program dollars received and used • Completed AEP Program Evaluation and Optimization Review
<p>Promote diversification of the network’s funding sources by allowing AFIs to support projects exceeding \$250,000, developing tools that will enable them to expand, and facilitating their exploration of options in social finance, innovation and housing.</p>	<ul style="list-style-type: none"> • Identified potential appropriate mechanisms to raise additional loan capital from non-government sources.

Priority 4: Assessing and Building on the Network's Success

The AFI network has had a significant impact on Indigenous business development in Canada. Yet there is still scope better to understand, benchmark and measure the network's successes and to cultivate leading AFI practices as norms. The Strategic Plan commits NACCA to sharing leading practices of AFIs at conferences, events and online. The Association will also assess the network's impact on Indigenous business by collecting and analyzing relevant data about its activities.

NACCA's board has committed to investing in the network by funding quality management systems (e.g. ISO) for interested AFIs and tailoring capacity resources to assist AFIs in meeting this goal. NACCA will take the lead in this process, seeking certification within the next year.

By definition, the work of continuous improvement is never-ending. Beyond this, initiatives begun one year may not bear fruit until several years later. And yet the Association has already made progress in achieving its long-term capacity-building goals.

Strategic Directions	Achievements over the past year
<p>Share leading practices of AFIs by identifying and publicizing them at conferences, major national events, and online.</p>	<ul style="list-style-type: none"> Organized the Frontline Workers Conference for AFI staff to discuss and share program delivery practices
<p>Assess the network's impact on Indigenous business in Canada by collecting and analyzing relevant data about the network's activities.</p>	<ul style="list-style-type: none"> Completed research with the Conference Board of Canada on financial eco-system for Aboriginal entrepreneurs Conduct ongoing analysis, which has yielded a solid evidence base of successes and areas to improve
<p>Develop, adopt and promote standards for the network by developing criteria for a tiered allocation approach, offering AFIs certification, and pursuing certification for NACCA as an organization within the next year.</p>	<ul style="list-style-type: none"> NACCA now obtaining ISO Certification Exploring ways to encourage adoption of best practices among AFIs
<p>Invest in members' pursuit of certification, and target capacity development funding to assist them in achieving it.</p>	<ul style="list-style-type: none"> Investments in capacity development continue

Indigenous Business Strategy

Indigenous economic development is the missing piece in “reconciliation.” Adding this piece is necessary to move to a future of sustainability, independence, and true nation-to-nation relationships. Only then can we break the cycle of economic marginalization and ongoing dependence of our people and communities on government programs.

The Indigenous business community is growing in size and sophistication. And yet, according to a 2016 survey by the Canadian Council for Aboriginal Business, access to capital remains the very top major obstacle to their growth. This obstacle prevents Indigenous businesses from taking advantage of today’s growth opportunities. The 58 AFIs that NACCA represents have been crucial to addressing the lack of capital available to Indigenous entrepreneurs, though the resources they have fall further and further behind the need.

NACCA is proposing the Indigenous Business Strategy to help make reconciliation real: to strengthen Indigenous communities, economies, and employment opportunities.

The approach has four features:

1. **An Indigenous Growth Fund**, a credit facility providing \$150 - \$200M in repayable loan capital to AFIs.
2. **Accompanying AEP funding** to support the additional lending.
3. Funds for the AFI network to **expand and diversify its business support services** beyond those that directly relate to business financing. This will further strengthen the role of AFIs as hubs of Indigenous entrepreneurship development.
4. Support to **NACCA’s institutional capacity** to serve AFIs and grow the Indigenous economy.

As outcomes of the Strategy (assuming an initial credit facility size of \$150M), NACCA has calculated that the network’s annual lending would grow from \$100M to \$175M, with loans to an additional 500+ Indigenous businesses. Implementing the strategy would strengthen the capacity and sustainability of those businesses and of the AFIs themselves. It would help to solidify the institutional infrastructure of Indigenous economic development, with AFIs strengthened in their roles as investment catalysts. Finally, the extensive reach of this network would translate into enhanced business skills and financial literacy for Indigenous entrepreneurs from coast to coast to coast, promoted by AFIs significantly expanded business support services.

Certainly, major investment is required. But regardless of the starting point – whether reconciliation, self-determination, or sustainability of investments – the Indigenous Business Strategy simply makes long-term sense. NACCA and the AFI network are committed to making it a reality over the next years.

Reaching New Heights:

2019 and Beyond

The 2017-22 Strategic Plan is ambitious, aiming the network's sights at new heights of service achievement. Many activities initiated in the past two years will carry on into future ones. The following points present a few major highlights of work continuing into 2019.

Pressing the Case for Investment

It is crucial that the federal government recognize the benefits of a significant investment in economic development for Indigenous Peoples in Canada. NACCA will continue to meet with government officials to push for a comprehensive approach to a new fiscal relationship; new investments in building economic development institutions; and new and enhanced measures to address the persistent challenge of access to capital for Indigenous businesses

Specific initiatives carrying into 2019 include:

- Developing the Indigenous Business Strategy
- Pressing various government departments and ministers for inclusion of the Strategy in Budget 2019
- Hosting an Access to Capital conference profiling the work of the AFI network
- Co-hosting, with the Public Policy Forum, a conference on Inuit economic development
- Participating in a major OECD international Indigenous economic development project
- Exploring further options to increase the availability of capital for the network.



Supporting Network Capacity-Building

AFIs have become central economic development institutions in their communities. NACCA is committed to developing tools to assist them with their work, and to using information in a way that will best serve the network. NACCA also recognizes that AFI resources are stretched very thin in the face of growing demand for their services and expertise. AFIs and NACCA thus require additional program resources.

On the capacity-building front, the following initiatives are ongoing into 2019:

- Working further on Faasbank, the new AFI loan management system, and providing training AFIs that wish to transition to it.
- Continuing work on NACCA's ISO certification and on Business Development Officer training/certification with AFOA.
- Developing (with our Technical Advisory Group) an AFI member benefits package.
- Collecting success stories, leading practices, and tools about AFIs and/or their clients for sharing within and beyond the network.
- Calling on government to invest in programs that support developmental lending, as well as an expanded and diversified range of Indigenous business support services and institutional capacity for the AFIs and NACCA.

“Representing our AFI network, we will continue striving as our founders and builders strove before us, so that we too can help transform today’s missed opportunities into the success stories of tomorrow.”

Touchstones: Our Vision, Mission and Values

These are the highlights of the Association’s ongoing work. Through it and beyond, NACCA’s vision will serve as our guide. *“Promoting thriving, prosperous Aboriginal businesses with equitable access to capital and care.”* From the Association’s founding by a small group of ACCs to our shared future with 58 AFIs, our vision reflects a consistent emphasis on service quality to Indigenous entrepreneurs.

As we pursue our vision, we are guided by a mission to serve as the voice of AFIs, as a national advocate for Indigenous business development, and as a provider of capacity and professional development support to our members. Last but not least, the Association is guided by our shared values. Despite—indeed, because of—the AFI network’s diversity, we are constantly aware of the rights, aspirations and needs of our diverse Indigenous clients; and we strive for balance, diligence, integrity, respect and sharing in all our work.

NACCA is the national representative organization of the AFI network. The AFI performance statistics have shown that our network is itself an Indigenous economic development success story – and one that has endured over 25 years. As we look ahead to the next 25 years, we are humbled by the achievements of those who went before. Their vision now spurs us on. Representing our AFI network, we will continue striving as our founders and builders strove before us, so that we too can help transform today’s missed opportunities into the success stories of tomorrow.

Staff

(as of March 31, 2018)

Shannin Metatawabin

Chief Executive Officer

Gerry Huebner

Chief Strategy Officer

Mark Dokis

Director of Programs and Services

Claudia Gongora Boles

Director of Finance

André Jetté

Communications and IT Manager

Pamela Verch

AEP Program Coordinator

Brenda LeBouthillier

Administrative Assistant

Debbie LeClair

Executive Assistant

Emma Fairbrass

Products and Services Administrator

Stacey Fox

Products and Services Administrator

Frank Richter

Financial Analyst

Valerie Shecapio

Finance Clerk

Gary Moore

Communications & IT Assistant

Annex A

NACCA Financial Statements

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NON-CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of National Aboriginal Capital Corporations Association

We have audited the accompanying non-consolidated financial statements of National Aboriginal Capital Corporations Association (NACCA), which comprise the non-consolidated statement of financial position as at March 31, 2018, and the non-consolidated statement of operations and statement of fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the association's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITOR'S REPORT, CONTINUED

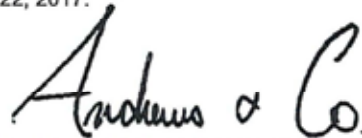
Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of National Aboriginal Capital Corporations Association (NACCA) as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of NACCA as at March 31, 2017 and for the year then ended were audited by another auditor who issued an unmodified opinion on June 22, 2017.

Ottawa, Ontario
September 28, 2018



CHARTERED PROFESSIONAL ACCOUNTANTS
PROFESSIONAL CORPORATION
LICENSED PUBLIC ACCOUNTANTS

**NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2018**

	Unrestricted Fund	Internally Restricted Fund	Enhanced Access Fund	ADLA	ABFP	2018	2017
Cash	\$ 6,525,543	\$ -	\$ -	\$ -	\$ -	\$ 6,525,543	\$ 10,280,828
Funding receivable	384,000	-	8,000	500,000	2,500,000	3,392,000	3,392,707
Short term investment (Note 7)	-	3,722,751	-	-	-	3,722,751	-
Accounts receivable	45,399	27,921	6,023	-	349,592	428,935	156,855
Loans receivable (Note 3)	-	-	3,840,122	-	-	3,840,122	4,970,559
Prepaid expenses	43,341	-	-	-	-	43,341	171,530
	<u>6,998,283</u>	<u>3,750,672</u>	<u>3,854,145</u>	<u>500,000</u>	<u>2,849,592</u>	<u>17,952,692</u>	<u>18,972,479</u>
DUE FROM RELATED PARTY (Note 4)	-	-	-	-	-	-	70,000
CAPITAL ASSETS (Note 5)	79,805	-	-	-	-	79,805	74,684
TOTAL ASSETS	<u>\$ 7,078,088</u>	<u>\$ 3,750,672</u>	<u>\$ 3,854,145</u>	<u>\$ 500,000</u>	<u>\$ 2,849,592</u>	<u>\$ 18,032,497</u>	<u>\$ 19,117,163</u>
Accounts payable and accrued liabilities	\$ 478,614	\$ -	\$ -	\$ 1,512,670	\$ 429,261	\$ 2,420,545	\$ 7,933,176
Deferred contributions (Note 6)	618,034	-	-	408,583	623,972	1,650,589	883,439
Interfund	5,412,836	-	(5,787,942)	(1,421,253)	1,796,359	-	-
	<u>6,509,484</u>	<u>-</u>	<u>(5,787,942)</u>	<u>500,000</u>	<u>2,849,592</u>	<u>4,071,134</u>	<u>8,816,615</u>
UNAMORTIZED EXTERNAL CAPITAL CONTRIBUTIONS (Note 9)	79,805	-	-	-	-	79,805	71,598
TOTAL LIABILITIES	<u>6,589,289</u>	<u>-</u>	<u>(5,787,942)</u>	<u>500,000</u>	<u>2,849,592</u>	<u>4,150,939</u>	<u>8,888,213</u>
FUND BALANCE	488,799	3,750,672	9,642,087	-	-	13,881,558	10,228,950
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,078,088</u>	<u>\$ 3,750,672</u>	<u>\$ 3,854,145</u>	<u>\$ 500,000</u>	<u>\$ 2,849,592</u>	<u>\$ 18,032,497</u>	<u>\$ 19,117,163</u>

The accompanying notes are an integral part of the non-consolidated financial statements.

Approved on behalf of the board

Director,



Director,



NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NON-CONSOLIDATED STATEMENT OF OPERATIONS
As at March 31, 2018

	Unrestricted Fund	Internally Restricted Fund	Enhanced Access Fund	ADLA	ABFP	2018	2017
REVENUE							
Administration fees (Note 4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,000
Amortization of external capital contributions	39,317	-	-	-	-	39,317	27,074
AANDC	4,241,817	-	80,000	4,669,397	24,623,751	33,614,965	37,145,565
Interest Income	168,714	27,921	674	319	-	197,628	128,198
Membership fees	153,000	-	-	-	-	153,000	156,000
	<u>4,602,848</u>	<u>27,921</u>	<u>80,674</u>	<u>4,669,716</u>	<u>24,623,751</u>	<u>34,004,910</u>	<u>37,526,837</u>
PROGRAM COSTS							
ABFP equity	-	-	-	-	20,872,490	20,872,490	25,808,807
ABFP operating support cost	-	-	-	-	3,751,261	3,751,261	3,374,194
ADLA costs	-	-	-	4,669,397	-	4,669,397	4,090,748
Enhanced access	-	-	179,057	-	-	179,057	114,852
Interest rate buy down	127,972	-	-	-	-	127,972	118,614
ACDP costs	1,078,017	-	-	-	-	1,078,017	843,190
Research and program development	858,786	-	-	-	-	858,786	527,025
	<u>2,064,775</u>	<u>-</u>	<u>179,057</u>	<u>4,669,397</u>	<u>24,623,751</u>	<u>31,536,980</u>	<u>34,877,430</u>
	<u>2,538,073</u>	<u>27,921</u>	<u>(98,383)</u>	<u>319</u>	<u>-</u>	<u>2,467,930</u>	<u>2,649,407</u>
EXPENSES							
AEP Committee	58,334	-	-	-	-	58,334	52,310
Advertising and promotion	64,745	-	-	-	-	64,745	54,986
Amortization (Notes 2 & 5)	42,403	-	-	-	-	42,403	36,304
Audit and legal	145,220	-	-	-	-	145,220	236,140
Bank and processing fees	4,094	-	-	-	-	4,094	4,983
Board (Schedule 1)	316,630	-	-	-	-	316,630	305,708
IT upgrade	21,205	-	-	-	-	21,205	55,031
Insurance	9,437	-	-	-	-	9,437	8,999
Office and administration	56,308	-	-	-	-	56,308	68,346
Professional fees	188,916	-	-	-	-	188,916	369,319
Rent	87,858	-	-	-	-	87,858	95,107

Continued on Page 5

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Continued from Page 4

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NON-CONSOLIDATED STATEMENT OF OPERATIONS
 As at March 31, 2018

	Unrestricted Fund	Internally Restricted Fund	Enhanced Access Fund	ADLA	ABFP	2018	2017
Staff recruitment and relocation	-	-	-	-	-	-	53,097
Staff training and development	45,323	-	-	-	-	45,323	28,884
Telephone and utilities	19,654	-	-	-	-	19,654	15,780
Translation	15,526	-	-	-	-	15,526	5,047
Travel and accommodation	164,637	-	-	-	-	164,637	121,875
Wages and benefits	1,297,783	-	-	-	-	1,297,783	1,261,477
	<u>2,538,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,538,073</u>	<u>2,773,393</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ 27,921	\$ (98,383)	\$ 319	\$ -	\$ (70,143)	\$ (123,986)

The accompanying notes are an integral part of the non-consolidated financial statements.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NON-CONSOLIDATED STATEMENT OF FUNDS BALANCES
As at March 31, 2018

	Unrestricted Fund	Internally Restricted Fund	Externally Restricted			2018	2017
			Enhanced Access Fund	ADLA	ABFP		
BALANCE, BEGINNING OF YEAR	\$ 612,466	\$ -	\$ 9,740,470	\$ 102,716	\$ (226,702)	\$ 10,228,950	\$ 10,352,936
Excess of revenues over expenditures	-	27,921	(98,383)	319	-	(70,143)	(123,986)
Interfund transfers	(123,667)	-	-	(103,035)	226,702	-	-
Funds transferred from NACSI (Note 4)	-	3,722,751	-	-	-	3,722,751	-
BALANCE, ENDING OF YEAR	<u>\$ 488,799</u>	<u>\$ 3,750,672</u>	<u>\$ 9,642,087</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,881,558</u>	<u>\$ 10,228,950</u>

The accompanying notes are an integral part of the non-consolidated financial statements.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended March 31, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ (70,143)	\$ (123,986)
Items not effecting cash		
Amortization	42,403	36,304
Amortization of external capital contributions	(39,317)	(27,074)
Provision for impaired loans	111,209	-
	44,152	(114,756)
Change in non-cash working capital items		
Funding receivable	707	227,870
Prepaid expenses	128,188	(166,856)
Accounts payable and accrued liabilities	(5,512,631)	512,422
Accounts receivable	(272,080)	(53,722)
Deferred contributions	767,150	(3,283,580)
	(4,844,514)	(2,878,622)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to capital assets	(47,525)	(65,084)
Deferred capital contribution received	47,525	65,084
Due from related party	70,000	17,527
Issuance of new EAF loan receivable	(738,712)	(1,228,311)
Repayments of EAF loans receivable	1,757,941	1,219,095
Funds transferred from NACSI	3,722,751	-
	4,811,980	8,311
DECREASE IN CASH AND CASH EQUIVALENTS	(32,534)	(2,870,311)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,280,828	13,151,139
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,248,294	\$ 10,280,828

The accompanying notes are an integral part of the non-consolidated financial statements.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2018

1. NATURE OF OPERATIONS

National Aboriginal Capital Corporations Association (NACCA), incorporated under the Canada Corporations Act to facilitate the provision of products and services to Aboriginal Financial Institutions, is a non-profit corporation without share capital and is exempt from taxation under paragraph 149(1)(l) of the Federal Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Basis of presentation

The association has elected to report each controlled entity by providing the disclosure as set out in Note 4. Accordingly, these non-consolidated financial statements present the financial position, results of operations and cash flows of National Aboriginal Capital Corporations Association and exclude the accounts of National Aboriginal Contractors Support Incorporated (NACSI). The financial position, results of operations and cash flows of NACSI are presented in a separate set of financial statements that do not include the financial position, results of operations and cash flows of the organization.

(b) Fund accounting

The association uses fund accounting for financial reporting purposes.

The Unrestricted Fund accounts for the daily operating activities of the association, the Aboriginal Capacity Development Program (ACDP) and the Interest Rate Buy-down Program (IRB). The Aboriginal Capacity Development Program provides funding to eligible Aboriginal Financial Institutions (AFIs) to maintain and update operations. The IRB Program provides funding to eligible Aboriginal Financial Institutions to reduce financing costs.

The Internally Restricted Fund consists of funds received from NACSI upon its dissolution. The organization has chosen to internally restrict the funds for future programming use and will be utilized once it is decided how best to allocate the funds.

The Enhanced Access Fund (EAF) reports amounts for which the use is restricted to providing loans to Aboriginal contractors which would otherwise be unable to access to capital.

These funds are a suite of products and services under the title of Aboriginal Entrepreneurship Program (AEP).

The Aboriginal Developmental Lending Assistance (ADLA) Fund reports amounts for which the use is restricted to allocating to AFIs to help in developmental loan costs.

The Aboriginal Business Financing Program (ABFP) reports amounts for which the use is restricted for the delivery of non-repayable contributions to qualifying AFIs to help Aboriginal businesses in Canada.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Revenue recognition

The association follows the restricted fund method of accounting for contributions.

The association has five funds. The Enhanced Access Fund relates to the association's program under which it provides 0% interest loans to participating Aboriginal Financial Institutions to fund loans to Aboriginal businesses under a funding agreement with the Government of Canada. The Enhanced Access Fund reports the revenue, expenses, assets and net assets of the fund's activities.

The ADLA Fund relates to the association's program destined to enhance the capacity of individual AFI's by contributing funds to alleviate the cost of providing, managing and deploying developmental loans. The ADLA Fund reports the revenue, expenses, assets and net asset's of the fund's activities.

The ABFP Fund relates to the association's program destined to increase the number of Aboriginal businesses in Canada with non-repayable contributions to qualifying AFIs. The ABFP Fund reports the revenue, expenses, assets and net asset's of the fund's activities.

The Unrestricted fund includes the revenue, expenses, assets, liabilities and net assets of the other operations of the association including interest income and membership fees.

The Internally Restricted Fund includes internally restricted short-term investments and reports the investment income received on these investments.

Restricted contributions for activities other than through the restricted funds are recognized as revenue of the Unrestricted fund in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis.

(d) Cash and cash equivalents

Cash and cash equivalents are defined as cash, bank overdrafts, and short term deposits with term maturity of three months or less at the date of purchase.

(e) Financial assets and liabilities

The association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The association subsequently measures all of its financial assets and financial liabilities at amortized cost unless otherwise noted.

Financial assets measured at amortized cost include cash, accounts receivable and funding receivable. Enhanced access fund loans receivables are carried at the amount disbursed less principal repayments and provisions for loan impairment sufficient to reduce their carrying amount to estimated realizable amounts, which approximate fair value.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) **Accounting estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to the financial statements. These estimates are based on management's best knowledge of current events and actions that the association may undertake in the future. Actual results could differ from those estimates. Significant estimates include the allowance for impaired loans, amortization of fixed assets and accrued interest on short-term investments.

(g) **Capital assets**

Capital assets, which include computer equipment and furniture and fixtures are amortized over their estimated useful lives according to the straight-line method over a period of 3 years.

Leasehold improvements are amortized using the straight-line basis over the term of the lease.

(h) **Allowance for impaired loans**

The association maintains a general allowance for impaired loans that reduces the carrying value of the EAF receivable portfolio to its estimated realizable value.

The allowance for loan losses is updated annually with estimates prepared by management based on historical loan loss experience in the Enhanced access loan portfolio.

3. LOANS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Loans receivable	\$ 4,499,653	\$ 5,560,395
Less: Allowance for impaired loans	<u>(659,531)</u>	<u>(589,836)</u>
	<u>\$ 3,840,122</u>	<u>\$ 4,970,559</u>

Enhanced access fund loans are made to participating Aboriginal Financial Institutions to fund loans to Aboriginal businesses under the terms of the fund's agreement with the Government of Canada. During the year, the association receives or becomes entitled to funding from the Government of Canada. The association also issues new loans and receives payments from pre-existing loans

The association does not require security from, or charge interest to, participating Aboriginal Financial Institutions who receive Enhanced access fund loans. Loans are due on demand, but participating Aboriginal Financial Institutions are required to repay Enhanced access fund loans when they receive repayment from their clients.

The association also prepares an estimated allowance for impaired loans if deemed necessary, based on historical portfolio performance.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2018

4. CONTROLLED ENTITY

National Aboriginal Contractors Support Incorporated (NACSI) was incorporated under the Canadian Corporations Act as a non-profit corporation without share capital, and is tax exempt under the Income Tax Act. It was established on March 1, 2001 to provide contractors owned by persons of Aboriginal descent, including the Status and Non-Status Indian, Inuit and Metis people of Canada, with financial support so that Aboriginal contractors can develop their opportunities and prosper. The association is a sole member of NACSI. The association appoints the majority of the Board of Directors for NACSI.

On March 21, 2018, NACSI was officially dissolved under the Canadian Not-for-profit Corporations Act, and all remaining funds of NACSI transferred to NACCA for future programming use. The funds have been recorded in the internally restricted fund.

The accounts of NACSI are not consolidated with the association's financial statements. A financial summary of this non-consolidated entity is as follows:

	2018	2017
Summarized Statement of Financial Position		
Assets		
Unrestricted cash	\$ -	\$ 696,347
Other assets	-	3,090,000
Total Assets	-	3,786,347
Liabilities		
Total liabilities	-	82,000
Net assets	-	3,704,347
Total liabilities and net assets	\$ -	\$ 3,786,347

	2018	2017
Summarized Statement of Operations		
Revenue	\$ 18,429	\$ 110,054
Expenses	25	83,560
Excess of revenues over expenses	\$ 18,404	\$ 26,494

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2018

4. CONTROLLED ENTITY (CONTINUED)

During the year, the association entered into transactions with NACSI. The transactions are as follows:

	<u>2018</u>	<u>2017</u>
Payable to NACCA, beginning of year	\$ (70,000)	\$ (87,527)
Administrative fee charged by NACCA	-	(70,000)
Funds remaining upon dissolution	(3,722,751)	-
Payment made to NACCA	<u>3,792,751</u>	<u>87,527</u>
Payable to NACCA, end of year	<u>\$ -</u>	<u>\$ (70,000)</u>

These transactions are in the normal course of operations and have been valued in these non-consolidated financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Historically, the balances were non-interest bearing with no set terms of repayment and thus the balances have been classified as long-term in the prior year.

5. CAPITAL ASSETS

	<u>2018</u> Cost	<u>2018</u> Accumulated amortization	<u>2018</u> Net book value	<u>2017</u> Net book value
Office equipment	\$ 54,738	\$ 42,304	\$ 12,434	\$ 10,267
Leasehold improvements	57,248	37,608	19,640	17,361
Computer equipment	<u>171,943</u>	<u>124,212</u>	<u>47,731</u>	<u>47,056</u>
	<u>\$ 283,929</u>	<u>\$ 204,124</u>	<u>\$ 79,805</u>	<u>\$ 74,684</u>

Amortization in the year amounted to \$42,403 (2017- \$36,304).

6. DEFERRED CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 883,439	\$ 4,167,019
Contributions received during the year	34,382,115	33,861,985
Contributions recognized as revenue during the year	<u>(33,614,965)</u>	<u>(37,145,565)</u>
Balance, end of year	<u>\$ 1,650,589</u>	<u>\$ 883,439</u>

Deferred contributions represent amounts received under the funding agreement with AANDC that have not yet been spent on operations or programming. Under this 5 year agreement, contributions that are unspent at the end of each fiscal year can be deferred and spent in subsequent fiscal years. Any remaining unspent funds at the end of the five year agreement are repayable under the terms of the agreement. Fiscal year 2018 is the first of five years under the current agreement.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2018

7. MARKETABLE SECURITIES

	2018	2017
Term certificate, maturing August 24, 2018 with an interest rate of 1.25%	\$ <u>3,722,751</u>	\$ <u>-</u>

Interest income accrued on the term certificate for the year ended March 31, 2018 is \$27,921. This amount is included in accounts receivable.

8. EMPLOYEE BENEFIT PLAN

The association is an employer member of the Native Benefits Plan, which is a multi-employer, defined benefit plan. The Plan is being accounted for as a defined contribution plan since information specific to the association's portion is unavailable. Total cash payments for employee future benefits, consisting of cash contributed by the association to its funded pension plan during the year ended March 31, 2018 were \$99,560 (2017- \$69,846). This amount is included in wages and benefits on the statement of operations.

9. UNAMORTIZED EXTERNAL CAPITAL CONTRIBUTIONS

	2018	2017
Balance, beginning of year	\$ 71,598	\$ 33,588
Received during the year	47,524	65,084
Recognized during the year	<u>(39,317)</u>	<u>(27,074)</u>
Balance, end of year	<u>\$ 79,805</u>	<u>\$ 71,598</u>

10. COMMITMENTS

The association has entered into a long-term lease agreement expiring April 15, 2019 for the rental of office space which calls for a minimum aggregate lease payment of \$42,895.

The minimum lease payments in fiscal year 2019 are \$39,595 and 2020 are \$3,300.

11. ECONOMIC DEPENDENCE

The Association derives 99% (2017 - 99%) of its total revenues from a funding agreement with Aboriginal Affairs and Northern Development Canada.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2018

12. CONTINGENCY

Certain program revenues of the association are subject to conditions regarding the expenditures of the funds. The association's accounting records are subject to audit by funding agencies to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Adjustments to the financial statements as a result of these audits will be recorded in the future period in which they become known.

13. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The association's main financial risk exposure and its financial risk management policies are as follows.

(a) Interest rate risk

The association manages its exposure to interest rate risk through acquiring fixed rate investments.

(b) Credit risk

The financial instruments that potentially expose the association to credit risk are primarily loans receivable. Credit risk relating to loans receivable is generally diversified since the association negotiates with a large number of institutions. The association ensures that its member financial institutions have undertaken appropriate credit investigations into the ultimate loan recipients.

(c) Concentration risk

The association's cash is subject to concentration risk because the majority of its cash is held by one financial institution and exceeds the maximum deposit coverage provided by the Canada Deposit Insurance Corporation.

14. COMPARATIVE AMOUNTS

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION

Schedule 1 - Board Committees expenses

For the year ended March 31, 2018

(unaudited)

	2018	2017
Honorarium by meeting		
Board of Directors	\$ 39,125	\$ 37,300
Executive Committee	2,700	8,775
Governance Committee	15,550	9,000
Audit and Finance Committee	5,150	7,450
Annual General Meeting	12,925	7,500
General Manager's Meeting	10,600	10,125
Event Meetings	15,575	20,000
Individual Meetings	11,100	6,700
Training	14,800	-
Other	3,400	5,511
	<u>130,925</u>	<u>112,361</u>
Airfare & meals	106,945	124,002
Accommodations	48,229	33,319
Other	30,531	36,026
	<u>316,630</u>	<u>305,708</u>



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