Nunavut Tunngavik Inc.

LONG TERM FINANCING POLICY

Approved by the Members in November 2008
Last amended in October 2015

1. Background Considerations

1.1 This policy is based on the following background considerations:

(a) The generation of revenues by the Nunavut Trust is dependent on a number of factors outside the control of the Trust, including the overall state of the global and Canadian economies, global and Canadian interest rates, and laws of general application in relation to income taxation and trusts.

(b) In order to act wisely and prudently in the protection and accumulation of assets, the Nunavut Trust must exercise discretion to dispose of and acquire assets in ways that reflect variable financial market conditions and considerations.

(c) The financial requirements of Nunavut Tunngavik Incorporated (NTI) and other beneficiaries of the Nunavut Trust may not correlate to the financial market conditions and considerations.

(d) The object of the Trust is to invest the Trust on behalf of its beneficiary (NTI). The Trustees will be guided by three main principles. They are to invest as a prudent person would. They are to invest to attempt to generate sufficient net income to allow the beneficiary to meet its responsibilities to the Inuit of Nunavut. And they are to attempt to ensure that the value of the net capital of the Trust remains at the real dollar level of 1990.

(e) The amount paid or payable to the beneficiary in any fiscal year shall not be less than the income of the Trust for the year as determined under the provisions of the Income Tax Act of Canada.

(f) “Income” of the Trust Fund shall mean any income of the trust which is treated as income for taxation purposes under the Income Tax Act of Canada but excludes any amounts received which are not subject to tax, including, without limiting the generality of the foregoing, the non-taxable portion of any capital gain.

(g) The Trustees may advance funds to its beneficiary out of the capital of the Trust and have the power to characterize any distribution to the beneficiary as being out of net income, out of capital or as a loan.

(h) The Trust has adopted a policy of capping distribution to its beneficiary at 4% of the average market value of the assets of the Trust.

2. Nunavut Trust

2.1 Nunavut Trust makes cash distributions to the beneficiary of 4% of its assets at the same time it makes a distribution of its taxable income. These two amounts will likely never be the same. To this point in time the cash distribution has been greater than the taxable income. This difference is reflected as a loan to NTI. In recent years the taxable income has been greater than the cash distribution and the loan is being reduced. This will continue in the future and at some point the loan will be retired, at that point any funds earned in excess will be placed in a "reserve account" by Nunavut Trust. The operation of the loan account and the reserve account allows the continuation of the regular annual 4% cash distribution to its beneficiary.

2.2 As NTI further distributes a substantial part of its annual distributions from Nunavut Trust to the Regional Inuit Associations (RIAs), repayment of any loans owed to Nunavut Trust requires concerted efforts of both NTI and RIAs. To that end, NTI and RIAs agree that when there is an outstanding loan balance between Nunavut Trust and NTI, NTI and RIAs will draw only 95% of the above 4% annual distributions from Nunavut Trust, and apply the remaining 5% to repay the outstanding loan. This loan payment arrangement shall automatically apply to any given fiscal year when there is an outstanding loan balance as of the 31st of December prior to the start of the fiscal year.

3. Definition of Surplus Revenue

3.1 Where NTI's spending in any year is less than the amount of cash distribution received from Nunavut Trust that amount will be considered Surplus Revenue.

4. Use of Surplus Revenues

4.1 Surplus revenue shall be dealt with according to the following priorities:

(a) Surplus revenues will be retained to a minimum of six months budgetary requirements of NTI.

(b) Retained surplus revenues in excess of the six months budgetary requirements shall be used only to finance specific time limited projects.

(c) Surplus revenues should not be used for the enrichment or expansion of current programs, or the commencement of new ones. The use of surplus revenues may be determined from time to time by the Members at an Annual General Meeting in accordance with the following criteria:

(1) Use of the surplus revenues must be consistent with any approved strategic plan.

(2) Use of the surplus revenues must be consonant with NTI's mandate and areas of responsibility;
(3) Use of the surplus revenues should not require the creation of new physical and administrative infrastructure to distribute funds;
(4) Use of the surplus revenues should consider the fair funding formula;
(5) Use of the surplus revenues should promote the social, cultural, political and economic well-being of Inuit;
(6) Use of the surplus revenues must not duplicate an existing program or service; and
(7) Use of the surplus revenues will not support a non-Inuit commercial enterprise.

5. Investment of Surplus Funds

5.1 Surplus funds shall be invested prudently at the direction of the Board of Directors.

6. Amendments to Policy

6.1 This policy may be amended from time to time should circumstances indicate that changes are required to the use and application of surplus revenues.