**Nunavut Tunngavik Inc.**

# LONG TERM FINANCING POLICY

*Approved by the Members in November 2008*
*Last amended in October 2019*

## 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 of the Trust (NTI) 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 Advances and Distributions**

2.1 Historically, NTI, on behalf of NTI and Regional Inuit Associations (RIAs), makes annual funding requests to the Nunavut Trust. Based on the funding requests, Nunavut Trust makes cash advances of 4% of its assets to fund NTI and RIAs' core operations. At the end of its fiscal year, the Trust makes a distribution of its taxable income. If the cash advance is greater than the taxable income, the difference is reflected as a loan to NTI (the "Long Term Loan"). If the taxable income is greater than the cash advance, the loan is being reduced by the additional distribution (the "Surplus Distribution"). The operation of the loan account allows the continuation of the regular annual 4% cash distribution to NTI and RIAs.

**3. NTI/RIA Operating Fund**

3.1 An Operating Fund is hereby established to receive annual taxable income of the Nunavut Trust. All taxable income of the Nunavut Trust will be paid into the Operating Fund.

3.2 The Operating Fund will be the main funding source of NTI's and RIAs' core operations. In the absence of a funding deficit in the Operating Fund, NTI and RIAs will no longer make requests to the Nunavut Trust for advances or short term loans.

3.3 To ensure long term sustainability, NTI's and RIAs' total funding requirements will be maintained at 4% of the average market value of the assets of the Nunavut Trust.

3.4 Funds in excess of 100% of the annual funding requirement of NTI and RIAs ("One-year Requirement") immediately after an annual distribution of taxable income of the Trust will be considered "surplus revenues" and available to be used outside NTI's and RIAs' core operations and in accordance with this Policy. For greater certainty, no new use of surplus revenues will be considered if there is an outstanding balance of short term or long term loans at any time.

3.4A Transitional provisions – notwithstanding anything to the contrary stated in the Policy,

(a) until the One-year Requirement is initially reached, half of the Surplus Distributions from the Trust will be paid to the Operating Fund and the other half will be considered surplus revenues.

(b) Section 3.2 will come into effect only after the One-year Requirement is initially reached.

## 4. Use of Surplus Revenues

4.1 The use of surplus revenues may be determined from time to time by the Members and the Board of Directors in accordance with budgetary approval process and 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 consistent 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 in the absence of approval by the Membership at an Annual General Meeting or a Special Meeting; and
(7) Use of the surplus revenues will not support a non-Inuit commercial enterprise.

## 5. Investment of Operating Fund

5.1 Funds in the Operating Fund 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 at the recommendation of the Board of Directors.