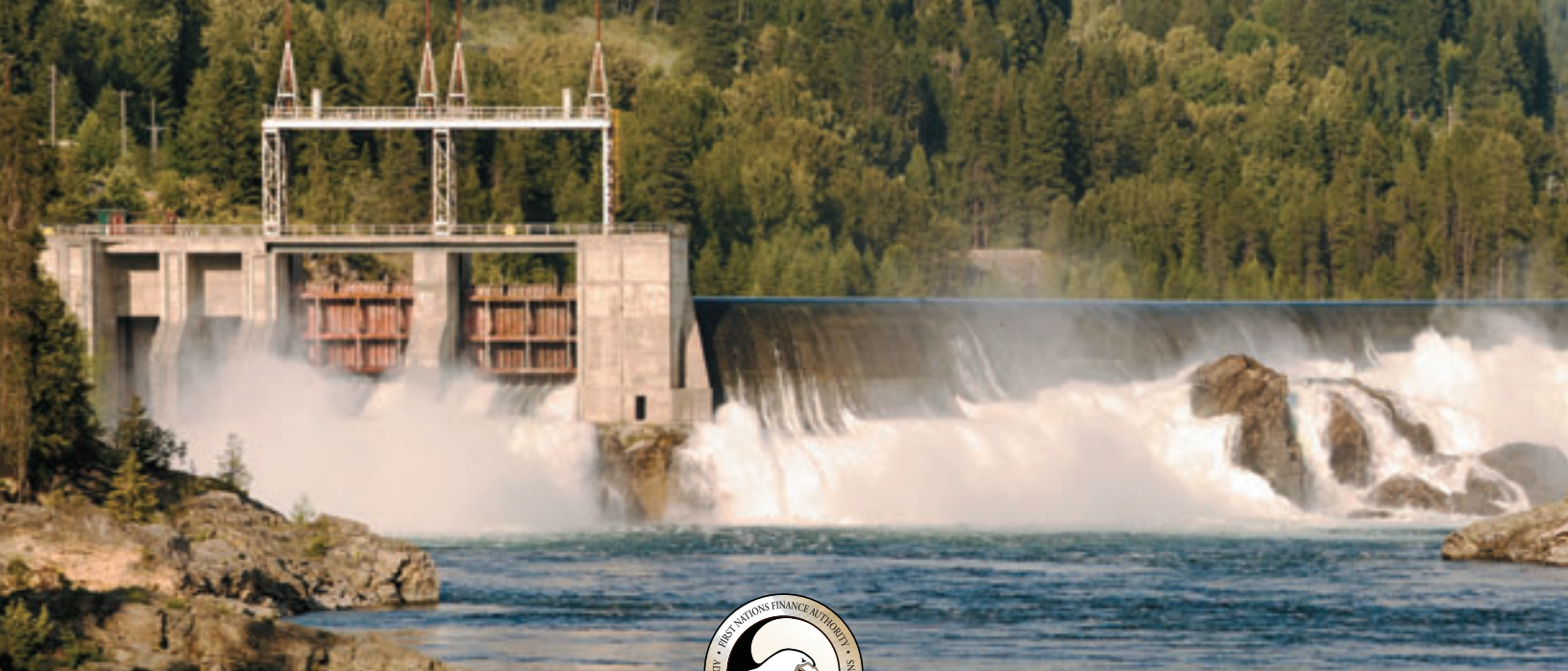




ANNUAL REPORT 2010 - 2011



FNFA

FIRST NATIONS FINANCE AUTHORITY





Created by and for First Nations,
allowing our communities
access to loan financing on
the same terms as other
levels of government.





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Board of Directors

THE
OBJECTIVE
OF THE
FNFA
IS TO ENSURE
CONTINUOUS
ACCESS TO
AFFORDABLE
FINANCING
FOR
FIRST NATION
GOVERNMENTS



Chief Joe Hall, Chair

Joe Hall is Chief of the Tzeachten First Nation, a dynamic and progressive First Nation located in the Fraser Valley. He is also the President of the Sto:lo Nations Chiefs Council and former CEO of Sto:lo Nation.

A graduate of the BCIT and BC Vocational School, Joe subscribes to the life-long learning concept and has enhanced his skill set through training at UBC, the University of Victoria, the Justice Institute and the University College of the Fraser Valley. Prior to coming to the Sto:lo Nation in 1986, Joe was employed for eleven years with the Genstar Development Company as a Civil Engineering Technician, where he was primarily involved in land development.

Joe has served on a number of Boards and Committees including the First Nations Statistical Institute, BC AFN Director, BC AFN Chief's Committee on Fiscal Relations, BC AFN Chief's Committee on Housing, Chairman of the First Nation Education Steering Committee, RCMP Commissioner's Advisory Panel, Chilliwack Official Planning Committee. Joe has lectured at the University of Victoria on taxation, participated on the tax panel at the Union of BC Municipalities in Victoria, and assisted the BC Region DIAND Executive Committee with the development of the "Government to Government" handbook.

Joe is married with two sons and is a very active participant and coach, with more than 35 years involvement in community sports (baseball, soccer).



Deanna Hamilton, Deputy Chair

Deanna Hamilton is Okanagan and a member of the Westbank First Nation in British Columbia. Ms. Hamilton coordinated the development of the First Nations Finance Authority (FNFA) from its conception in 1992 through to Royal Assent in March 2005. She is currently a director and President and Chief Executive Officer of the FNFA.

Ms Hamilton returned to her community in 1990 and accepted the position of Surveyor of Taxes and established the system of property tax administration at Westbank. Ms. Hamilton was elected Councillor to the Westbank First Nation (WFN) from 1996 to 1998 and then again from 2000 to 2002. She is very active in Band administration and governance and has been a part of numerous community organizations sitting on many community boards including: the WFN Self-Government Agreement and Constitution, the WFN treaty negotiations, additions to the reserve committee, and was a founding director of the WFN Economic Development Commission.

Ms. Hamilton is past President of the First Nation Tax Administrators Association, was a Board member of the Kelowna Chamber of Commerce, Economic Development Commissioner for WFN, Director of All Nations Trust Company and served two consecutive terms as a Director of the British Columbia Assessment Authority and was a member of the National Revenue Options Technical Table.

Ms. Hamilton is married, has three children and resides in Westbank, British Columbia.





Sophie Pierre OBC, Director

Sophie Pierre served on Council for the St. Mary's Indian Band from 1978 to 2008, 26 of those years as Chief. She was also the Administrator before becoming Nation Chair for the Ktunaxa Nation Council, formerly the Ktunaxa/Kinbasket Tribal Council, for 30 years.

On April 2, 2009 Sophie was appointed as the Chief Commissioner of the BC Treaty Commission in recognition of her leadership and commitment to Aboriginal issues in British Columbia. As co-chair of the First Nations Summit, she was involved in the work of the British Columbia Claims Task Force which led to the creation of the BC Treaty Commission. Over the last three decades she has served on a number of Boards and Committees including: Chairperson of the Board of Regents for the Ktunaxa Independent School System, a board member of BC Hydro Power Authority, Chairperson of the St. Eugene Mission Development Board, an executive member of the First Nations Congress, a Board Member of the Native Courtworkers and Counselling Association, a Board Member of UNESCO - Decade for Culture, and a Board Member and Chairperson of the College of the Rockies.

Presently, Sophie serves as Board Chair for Aboriginal Tourism of BC and as Co-chair of the Native Nations Institute associated with the University of Arizona. Sophie Pierre was a recipient of the 2003 National Aboriginal Achievement Award for Public Service and in June 1994 was awarded the Order of British Columbia.



Chief Robert Sam, Director

Chief Robert Sam is the elected Chief of the Songhees First Nation, a position he has held for more than 10 years. Chief Sam was born and raised on Songhees land near the Township of Esquimalt, in Greater Victoria. He has been a leader within the Songhees Nation as a councillor since the 1960's and has been elected chief since 1996.

Chief Sam is the lead Negotiator for the Songhees Nation for Treaty Negotiations. He is also a Committee Member of the AFN's Chief's Committee on Treaties and sits on the Greater Victoria Harbour Authority Board.

Within the Songhees government, Chief Sam was the driving force in developing the local government bylaws including taxation and fire protection. He successfully negotiated a local education agreement with the Victoria School Board.

In addition to his duties as Chief, Chief Sam currently runs a garbage disposal business and employs local people. As a strong community member, he has been involved with the Songhees Canoe Club and owns Lekwammen Chief, an eleven man War Canoe. Chief Sam is active with the Songhees Youth Groups and trains the youth in canoe paddling for canoe races.



Chief Terrance Paul, Director

Mi'kmaw Chief Terrance Paul is a dedicated and highly respected leader in Nova Scotia. He has been instrumental in facilitating economic development, advancement, and opportunity for his community and the Mi'kmaw Nation. Originally elected as Chief twenty-seven years ago, Paul is a proud member of the Membertou First Nation in Unama'ki, Cape Breton Island, Nova Scotia.

As an innovative, strong and unyielding advocate for the recognition of Mi'kmaw, Aboriginal and Treaty Rights, Chief Paul has served Membertou as Economic Development Officer and Band Manager before being elected chief in 1984. Paul, one of the original founders of the National Aboriginal Capital Corporation Association, assisted the group to grow from seven members at inception, to presently, greater than fifty Aboriginal corporations across Canada.

Throughout his many dedicated years as Chief, Paul has been the driving force behind Membertou's success, doubling the land base and increasing the employment rate within Membertou to nearly 80 per cent. The evolution of business and community development in Membertou is a testament to Paul's leadership and the confidence he has in his people.

Under Chief Paul's leadership Membertou opened its corporate office in Halifax, Nova Scotia. The Corporate Division forms the foundation for economic development efforts in Membertou. It was instrumental in instilling a corporate mindset for Membertou through its attainment of ISO 9000: 2001 certification. Membertou is the first Aboriginal government in the world to attain this certification.

Since the creation of the Corporate Division, Membertou has developed several businesses including the Membertou Trade & Convention Centre, the Membertou Entertainment Centre, the Membertou Market, the Membertou Gaming Commission, the Membertou Data Centre, Membertou Energy Group, etc.

Chief Paul's commitment, perseverance, ingenuity, and confidence in his people have guided Membertou to become one of the most progressive, efficient, and sustainable Native communities in the country.

Borrowing from FNFA can speed up the development of First Nations projects and help reduce dependence on other government revenues



Message from the Chair

Dear Members:

Over the last fiscal year the Board of Directors and staff of the First Nations Finance Authority (FNFA), focused on the processes outstanding towards a successful debenture issuance.

The FNFA was established in 1995 as a special purpose, not-for-profit corporation, under federal statute, the *First Nations Fiscal and Statistical Management Act* (FSMA) to raise public financing for First Nations' governments and their entities. In order to borrow through the FNFA a First Nation must first become a Borrowing Member of the FNFA. In order to become a Borrowing Member the First Nation must receive certification from the First Nations Financial Management Board (FMB), one of the three other institutions created under the FSMA. This certification process has two steps: firstly, the FMB performs a financial performance review that enables the First Nation to apply for borrowing membership in the FNFA and then request its first loan; secondly, after the First Nation has applied to the FNFA for borrowing membership, the FMB works with the community to progress towards full financial Management System's certification. Once achieved, the First Nation can request further loans up to its borrowing room limit, which is determined by the size and scope of its revenues base.

To date there are approximately 22 First Nations working with the FMB towards initial or full certification. Once certification has been received, each Nation can finalize with the FNFA its borrowing membership agreement. Another 50 Nations are scheduled to the FSMA, and are in various stages of discussion with the FMB. With respect to

First Nations that wish to borrow through the FNFA using 'local revenue' generated under the FSMA (property taxes, development cost charges and business taxes), these First Nations in addition to being certified by FMB prior to finalizing FNFA borrowing membership, must have made borrowing laws in accordance with the FSMA and the standards set by the First Nations Tax Commission (FNTC), the third institution created under the FSMA.

This year the FNFA has primarily worked with INAC officials to finalize the drafting of a Regulation that allows First Nations that join FNFA as Borrowing Members to request loans supported by revenues other than property taxes. We have also made presentations to two rating agencies, established our main banking syndicate players, and have initiated one-on-one sessions with First Nations desiring to become Borrowing Members. The Regulation, entitled Financing Secured by Other Revenues Regulations, has been drafted and is at the last stages of the federal Regulation making process. The two rating agencies, Moody's Investors Service and Standard & Poors, have been in discussions with FNFA staff with the objective being the attainment of an investment-grade credit rating for FNFA. It is expected the FNFA will achieve an investment-grade credit rating given the regulatory framework, the stability of the revenues securitized and the various credit enhancement features under the FSMA and the Regulation.

Once attained, the Borrowing Members of the FNFA will be able to access loans at the low interest rates now available to municipalities and provinces in Canada, and will be able to set their own loan repayment terms (from 5 years to 30 years) to ensure their budgets remain healthy. No collateral is required for FNFA loans. Instead loans are secured on the strength of the Borrowing Member's revenue stream(s) and our credit enhancement features.

In addition to the above primary activities this year, the staff of the FNFA has worked to finalize all the legal documents supporting borrowing membership and loan requests, initiated the application for an amended securities exemption related to other revenues, concluded the establishment of leveraging factors that determine how much each Borrowing Member can borrow based upon its revenue streams, and built a website that acts as a budget planning tool for finance officers in that it allows both the calculation of a community's borrowing room and the estimation of annual debt payments for any project.

The securities issued by the FNFA will be exempt from certain filing requirements of securities legislation across Canada, including the filing of a full prospectus. This exemption, available to all governments in Canada, is in recognition of the public financing role of the FNFA for First Nations' governments.

Federal Regulations are also being developed to facilitate the use of the FNFA by self-governing and treaty First Nations, namely Westbank First Nation and Tsawwassen First Nation respectively.

The Regulations for self-governing and treaty First Nations will respect the advanced regulatory framework created under such agreements reached between a self-governing First Nation and Canada, or the treaty First Nation's province in which it is located. Self-governing and treaty First Nations, as with all Borrowing Members, will still be required to achieve certification by FMB.

At this point in time, the FNFA is awaiting its first Borrowing Members as First Nations are completing the prerequisite FMB steps to becoming a Borrowing Member. Until such time as the FNFA has Borrowing Members, the current Board of Directors will continue to govern the FNFA in accordance with the FSMA. Once First Nations have received an FMB certificate they are eligible to nominate their Chief or a Councillor for a position on the FNFA Board of Directors.

Completion of the two major outstanding prerequisites to a debenture issuance – two credit ratings, and receipt of an amended securities commission exemption – can only occur after the Financing Secured by Other Revenues Regulations is in force and after a sufficient number of First Nations are in receipt of an FMB certificate which allows their application for borrowing membership.

FNFA will be the first aboriginal government credit in the world. This credit is supported by the regulatory framework and a number of credit enhancement features we are using, including the use of Debt Reserve Funds (DRF), a Credit Enhancement Fund (CEF), and a revenue intercept mechanism. The DRF will be funded by withholding 5% of each Borrowing Member's financing request, and will form the first defence against a missed loan repayment. These monies, plus net interest earnings, are repaid to the Borrowing Member when they have fully repaid their loan. During the year Canada and the FNFA finalized a contract authorizing the transfer from Canada to the FNFA of \$10 million dollars for the purposes of our Credit Enhancement Fund (CEF), and these monies were received April 1, 2011. This CEF will be a second investor defence against a missed loan

repayment. The purpose of the revenue intercept mechanism is to safeguard the Borrowing Member's revenue streams which are supporting each FNFA loan (called a Trust Account System). This safeguarding occurs by capturing the revenue stream into a trust account, managed by a financial trustee, and apportioning firstly monies to FNFA to cover the annual loan service payments, and secondly the balance to the Borrowing Member's bank account.

The potential for FNFA borrowing is significant and expanding as First Nations' revenues grow. Canada-wide First Nations revenues, not including transfers from other governments, are currently conservatively estimated by the FNFA in 2010/11, as exceeding \$4.0 billion, with property tax revenues adding an additional \$50 million. The FNFA estimates current borrowing limits of First Nations Canada-wide in the range of \$2.5 billion - \$3.0 billion. Of the 633 First Nations, over 70 have requested and received scheduling to the FSMA to utilize the services of the FNFA, the FMB and the FNTC. The staff of the FNFA is engaging in one-on-one sessions with those First Nations who are working towards FMB certification. These sessions focus on the community's revenue streams (i.e. calculating borrowing room), the capital projects planned by the community (i.e. choosing of appropriate loan repayment terms, and calculating annual loan costs), and reviewing the Borrowing Member documentation to be completed by the Chief and Council.

Issuance of our first bond will be an important milestone for the FNFA and all those involved in this initiative that have supported the concept of pooled borrowing for First Nations; a concept that has worked so well for other small diversified governments in Canada and beyond. It will certainly be a milestone for many of our Board members who were involved at the start of this initiative.

For our communities, access to long-term debt at interest rates that reflect the true credit worthiness of our collective credit as First Nations' governments is long overdue. Far too many of our communities are forced into short-term loans or tiered loans with financial institutions on a retail lending

basis as access to public financing has not previously been available for our communities. The ability to secure competitive and stable interest rates over longer periods of time for our public financing requirements, based on our collective credit, will provide considerable financial benefits and freedom to our communities.

Finally, I would like to thank our staff for their continued hard work in ensuring that the FNFA is now in a position to issue our first bond once sufficient numbers of First Nations have been certified to become Borrowing Members and the regulatory framework has been completed by Canada. I believe I speak for all the Board members when I say that we have remained supportive in getting Borrowing Members certified and the necessary Regulations completed, and remain steadfastly committed to the principle of pooled borrowing and its economic benefits. We remain confident that the FNFA is poised to make a significant contribution to the financial future of our communities, providing our governments with the ability to raise financing to build our economies and therefore realize our visions. At the same time FNFA bonds will provide an investment and diversification opportunity for the private sector that support our collective goal of providing a better and stronger future for Aboriginal peoples.

Yours sincerely,



Joe Hall
Chair



FNFA AT A GLANCE

HOW WE OPERATE

Legal Authority

Under Part 4 of the *First Nations Fiscal and Statistical Management Act (FSMA)* which came into force on April 1st, 2006, the First Nations Finance Authority (FNFA) is established as a not-for-profit corporation without share capital. The FNFA is not an agent of Her Majesty or a Crown corporation. The FNFA is governed by the First Nations that join as Borrowing Members.

Representation

The FNFA has two types of members: Borrowing Members and Investing Members. Borrowing Members are First Nations that have applied to and have been accepted by the FNFA Board as a Borrowing Member. Investing members are First Nations that have invested in the FNFA's Pooled Investment Funds. The FNFA is managed by a Board of Directors consisting of 5 to 11 directors, including a Chairperson and Deputy Chairperson. These Directors are elected by the Borrowing Members from amongst the Borrowing Members; the Investing Members cannot be elected.

Mandated Areas

The purposes of the FNFA are to:

- (a) secure for its Borrowing Members, through the use of property tax revenues,
 - (i) long-term financing of capital infrastructure for the provision of local services on reserve lands,
 - (ii) lease financing of capital assets for the provision of local services on reserve lands; and,
 - (iii) short-term financing to meet cash flow requirements for operating or capital purposes under a law made under paragraph 5(1)(b) or to refinance a short-term debt incurred for capital purposes;
- (b) secure for its Borrowing Members, through the use of other revenues prescribed by regulation, financing for any purpose prescribed by regulation;
- (c) secure the best possible credit terms for its Borrowing Members;
- (d) provide investment services to its members and First Nations organizations; and
- (e) provide advice regarding the development of long-term financing mechanisms for First Nations.



OUR CAPITAL FINANCING PROGRAMS

Long Term Loans

The FNFA's mandates allow First Nations to support loan requests with two types of revenue streams: property taxation revenues, and other revenues. Other revenues are defined in the *Financing Secured by Other Revenues Regulations* and are revenue streams other than property tax. This distinction is made since property tax revenues are almost exclusively collected from ratepayers that are non-band members, and rules are established to protect their rights since they are non-voting. Other revenues are a First Nation's own monies, and might be subject to rules under which the revenues were generated or a band's own governance policies.

Appropriate oversight has been established for property tax revenues in the FSMA, and incorporates the First Nations Tax Commission (FNTC) approval process. The FNTC represents the collective interests of First Nations and ratepayers and promotes the fairness of the First Nation's property tax system, which safeguards ratepayer interests. Oversight processes regarding other revenues are now being finalized in consultation with INAC in the *Financing Secured by Other Revenues Regulations*.

Regardless of which revenue stream the First Nation chooses to support its loan, they must receive certification from the First Nations Financial Management Board (FMB) prior to requesting Borrowing Member status in the FNFA. Certification is intended to provide comfort that a First Nation has implemented appropriate elements of a financial management system.

Loan requests presented to the FNFA are subject to approval by the FNFA's Borrowing Members. Upon approving a loan request, the FNFA's Borrowing Members are stating that each member stands behind the loan – initiating the Debt Reserve Fund (DRF) replenishment obligation. And then taking into account market and economic conditions, the Borrowing Members of the FNFA may authorize staff to issue the sale of debentures in an amount sufficient to meet the loan requests of the Borrowing Members.



The FNFA has the power to provide for the creation, management and application of sinking funds or other means of securing the repayment of securities issued by the FNFA. A separate sinking fund account will be maintained for each debenture issue. Contributions to this fund may be invested only in eligible investments as outlined in the FSMA and the Regulations.

Short Term Loans

FNFA is working with Canada to develop and implement its short term loan program. It is expected to begin operating after the long term loan program (loan terms of 5 to 30 years) has been initiated.

HOW WE SAFEGUARD OUR INVESTORS

Financial Protection

The FNFA has initiated various investor safeguards.

Firstly, when a Borrowing Member requests a loan, the FNFA withholds 5% and deposits into a DRF. A separate DRF is operated for property tax supported loans, and a separate DRF for loans supported by other revenues. Should a Borrowing Member default on its loan payment to the FNFA, the FNFA will pull sufficient funds from the appropriate DRF to fully cover its loan obligation to the bondholders. The FNFA's Board may then require the Borrowing Members to proportionally replenish the DRF. If the loan default is related to a property tax supported loan than those Borrowing Members with property tax loans outstanding will replenish the property tax DRF; and vice versa for Borrowing Members with other revenues supported loans. These members will be reimbursed their replenishment monies when the defaulting member covers its default. The Board is obligated to initiate DRF replenishment should the value of the DRF fall below 50% of its intended value.

When a Borrowing Member has repaid its loan in full, the FNFA refunds back its 5% plus net interest earnings.

Secondly, both the FSMA and the Regulations provide the FNFA with the power of intervention through Third Party Management or Co-Management, should a First Nation default on its loan payments, or appear imminent of default. The FNFA works with the FMB in the intervention area.

Thirdly, in addition to the DRF, the FNFA must establish a fund for the enhancement of the FNFA's credit rating, the capital of which can be used to temporarily offset any shortfalls in either DRF. This fund is called the Credit Enhancement Fund (CEF) and is a secondary investor safeguard after the DRF. The FNFA contracted an agreement with Canada in March 2011, and received the \$10 million CEF monies on April 1, 2011.

Fourthly, the FNFA is establishing for other revenue borrowers an intercept mechanism (ie. Trust Account arrangement) whereby the gross other revenue stream supporting the other revenues loan flows into a trust account; and a trustee under an irrevocable Assignment Agreement allocates the monies – firstly to the FNFA in the amount of the loan payment, and the balance to the First Nation.

Fifthly, borrowing power factors on each revenue stream have been developed with banking syndicate input and will mitigate over leveraging by a Borrowing Member.

Legislative Protection

The FSMA and the Regulations establish a strict regulatory system that ensures Borrowing Members are certified and meet specific borrowing standards that ensure safeguards on indebtedness are maintained. The FNFA shall only accept a First Nation as a Borrowing Member where the FNFA is of the opinion that the loan will be repaid. A First Nation may cease to be a Borrowing Member after all their outstanding loans have been repaid in full, and only with the consent of the other Borrowing Members.

OUR POOLED INVESTMENT FUNDS PROGRAM

Organization

The FNFA has established short-term pooled investment funds. These Funds are operated by the Municipal Finance Authority of BC, and are governed by the Investment Advisory Board which sets parameters around eligible investment purchases.

The FNFA receives a small management fee off the monies invested, and uses these fees to help support FNFA operations.





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FIRST NATIONS FINANCE AUTHORITY

Year ended March 31, 2011

AUDITORS' REPORT

To the Members of the First Nations Finance Authority

We have audited the accompanying financial statements of First Nations Finance Authority (FNFA) which comprise the statement of financial position as at March 31, 2011, the statements of operations, changes in net assets and cash flows for the year then ended and notes, comprising of 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 financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 an audit to obtain reasonable assurance about whether the 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 our 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, we consider internal control relevant to the entity'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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the FNFA as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Kelowna, Canada
May 20, 2011

Statement of Financial Position

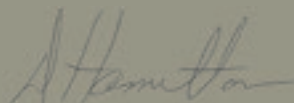
FIRST NATIONS FINANCE AUTHORITY

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 689,704	\$ 558,887
Credit Enhancement Fund contribution receivable (note 3)	10,000,000	–
Accounts receivable	120,050	81,075
Prepaid expenses	11,135	75,560
	10,820,889	715,522
Capital assets (note 2)	114,500	128,040
	\$ 10,935,389	\$ 843,562
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 194,994	\$ 154,299
Deferred capital contributions	10,406	25,681
Net assets:		
Credit Enhancement Fund (note 3)	10,000,000	–
Investment in capital assets	104,094	102,359
Unrestricted (note 4)	625,895	561,223
	10,729,989	663,582
Subsequent event (note 3)		
Commitments (note 7)		
	\$ 10,935,389	\$ 843,562

See accompanying notes to financial statements.

On behalf of the Board



Director



Statement of Operations

FIRST NATIONS FINANCE AUTHORITY

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue		
Grants and contributions (note 5)	\$ 1,681,525	\$ 1,299,000
Management fees (note 6)	8,310	4,853
Interest	6,025	3,648
Amortization of deferred capital contributions	15,275	8,012
	1,711,135	1,315,513
Expenses		
Professional fees	297,087	326,696
Travel and workshops	294,262	227,574
Salaries and benefits	590,664	585,855
Operation and management	284,776	290,699
Technology	125,535	84,496
Amortization of capital assets	40,505	38,809
	1,632,829	1,554,129
Excess (deficiency) before the undernoted	78,306	(238,616)
Writedown of capital assets	(11,899)	–
Excess (deficiency) of revenue over expenses	\$ 66,407	\$ (238,616)

See accompanying notes to financial statements.



Statement of Changes in Net Assets

FIRST NATIONS FINANCE AUTHORITY

Year ended March 31, 2011, with comparative figures for 2010

	Credit Enhancement Fund (note 3)	Operating Fund		2011 Total	2010 Total
		Investment in capital assets	Unrestricted		
Balance, beginning of year	\$ –	\$ 102,359	\$ 561,223	\$ 663,582	\$ 902,198
Excess (deficiency) of revenue over expenses	–	(37,129)	103,536	66,407	(238,616)
Credit enhancement fund contribution	10,000,000	–	–	10,000,000	–
Investment in capital assets	–	38,864	(38,864)	–	–
Balance, end of year	\$10,000,000	\$ 104,094	\$ 625,895	\$10,729,989	\$ 663,582

See accompanying notes to financial statements.



Statement of Cash Flows

FIRST NATIONS FINANCE AUTHORITY

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ 66,407	\$ (238,616)
Amortization of capital assets	40,505	38,809
Writedown of capital assets	11,899	–
Amortization of deferred capital contributions	(15,275)	(8,012)
Net change in noncash operating working capital:		
Accounts receivable	(38,975)	36,275
Prepaid expenses	64,425	(63,447)
Accounts payable and accrued liabilities	40,695	(53,091)
Cash provided by (used in) operating activities	169,681	(288,082)
Investing:		
Purchase of capital assets	(38,864)	(43,583)
Increase (decrease) in cash and short term investments	130,817	(331,665)
Cash and short term investments, beginning of year	558,887	890,552
Cash and short term investments, end of year	\$ 689,704	\$ 558,887

See accompanying notes to financial statements.



Year ended March 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES:**(a) Basis of presentation:**

First Nations Finance Authority (FNFA) was announced April 1, 2006 as a result of Bill C20 and operates under the *First Nations Fiscal and Statistical Management Act (Act)* as a not for profit corporation without share capital to develop borrowing capacity for First Nations governments and to provide investment pooling arrangements for its Investing Members. The FNFA, through an agreement with the Municipal Finance Authority of British Columbia (MFA), acts as a nonassignable corporate investment vehicle contracting with the MFA for the provision of investment services for FNFA unitholders.

The financial statements of the FNFA have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The FNFA applies fund accounting as follows:

Operating Fund:

The FNFA has established an Operating Fund to meet the annual operating budget. In addition to funds received from grants and interest, the Operating Fund receives management fees from the Pooled Investment Funds and pays the cost of their operations.

Credit Enhancement Fund:

Under the *Act* the FNFA is required to establish a Credit Enhancement Fund (note 3) (CEF) for the enhancement of the FNFA's credit rating. The funds of the CEF may be invested only in securities, investments or deposits specified under the *Act*. Investment income from the CEF may be used to temporarily offset shortfalls in DRF, to defray the FNFA's costs of operation, and for any other purpose prescribed by regulation.

The Operating Fund and the Credit Enhancement Fund were the only Funds being utilized at March 31, 2011. Other funds include the following:

Sinking Fund:

Under the *Act*, the FNFA is required to establish a Sinking Fund to fulfil its repayment obligations to the holders of each security issued by the FNFA. Clients sharing in proceeds of a securities issue will make semi-annual principal repayments on money borrowed. These repayments will be invested and the earnings on the investments will accumulate together with the principal repayments to repay off the applicable security at maturity.

Debt Reserve Fund:

Under the *Act* the FNFA is required to establish a Debt Reserve Fund (DRF). Each Borrowing Member sharing in the proceeds of a securities issue with a term to maturity of five years or more, as a condition of participating contributes an amount up to 5% of the total amount borrowed into the DRF. This amount is payable to the FNFA at the time of issue and is returned, with net interest, to the Borrowing Member at maturity of the Bond. If at any time the FNFA lacks sufficient funds to meet the principal, interest or sinking fund payments due on its obligations because of a default in payment by a Borrowing Member it can utilize the DRF to satisfy these obligations.

(b) Revenue recognition:

The FNFA receives management fees with respect to investment services provided to unitholders related to short term investments held with the MFA (note 6). These fees are recognized over the related service period.

The FNFA follows the deferral method of accounting for grants and other contributions. Operating grant revenue is recognized in the period to which the grant relates. When a portion of the grant relates to a future period, it is deferred and recognized in that subsequent period. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Endowment contributions, which are not available to fund the FNFA's service delivery activities, are recorded as direct increases in net assets. Contributions of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

(c) Short term investments:

Short term investments consist of investments in highly liquid investments, which are recorded at market values.

(d) Capital assets:

Capital assets are reported at cost, net of accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. When management determines that a capital asset no longer contributes to the FNFA's operations, the capital asset's net book value is written down. Amortization is provided on a declining balance basis over the assets' estimated useful life at the following rates:

Asset	Basis	Rate
Furniture and equipment	Declining balance	20 - 30%
Computer equipment	Declining balance	45%
Leasehold improvements	Straightline	20%

The FNFA recognizes a liability at its fair value for any legal obligations associated with the retirement of leased premises and equipment when those obligations result from the acquisition or normal operation of assets. A corresponding asset retirement cost is required to be added to the carrying amount of the related asset and amortized to expense on the same basis as the related asset.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. The majority of the FNFA's assets and liabilities are recorded at amounts which, by their nature, do not require significant management estimates or assumptions.

(f) Financial instruments:

Held for trading assets (cash and short term investments) are measured at fair value and changes in fair value are recognized in the statement of operations. Accounts and other amounts receivable and accounts payable are classified as other loans and receivables and other liabilities respectively and are recorded at amortized cost.

(g) New accounting pronouncements issued but not yet effective:

In December 2010 the Canadian Institute of Chartered Accountants (CICA) issued Part III of the CICA Handbook – Accounting Standards for Not-For-Profit Organizations. The standards provide nonprofit organizations the choice of applying accounting standards for private enterprises supplemented by the Part III standards unique to nonprofit organizations, or International Financial Reporting Standards (IFRS). IFRS is applicable to publicly accountable entities for fiscal years beginning on or after January 1, 2011 whereas Part III standards for nonprofit organizations are applicable for fiscal years beginning on or after January 1, 2012.

The FNFA is assessing the applicability and potential impact of these standards on its financial statements. The impact of the new accounting frameworks on the FNFA's financial statements has not yet been fully determined.

2. CAPITAL ASSETS:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 70,731	\$ 24,933	\$ 45,798	\$ 31,224
Computer equipment	59,609	42,021	17,588	22,970
Leasehold improvements	115,709	64,595	51,114	73,846
	\$ 246,049	\$ 131,549	\$ 114,500	\$ 128,040

3. CREDIT ENHANCEMENT FUND:

The FNFA entered into an agreement with the Department of Indian Affairs and Northern Development (DIAND) on March 24, 2011 to transfer funds to FNFA for deposit into the Credit Enhancement Fund (CEF) (note 1(a)). The agreement provides that the \$10.0 million contribution was to occur no later than March 31, 2011. However, the funds were received in April 2011. Accordingly, the FNFA recorded a contribution receivable as at March 31, 2011.

The funding agreement includes provisions pursuant to which the FNFA may be required to repay all or a portion of the \$10.0 million contribution. These provisions are:

- i) If the FNFA does not issue a bond in accordance with the Act by March 31, 2012, the FNFA would be required to repay the contribution by May 1, 2012.

As management has determined it is unlikely as at March 31, 2012, based on managements current plans and status of the FNFA's capital raising activities, that the FNFA will be required to repay all or a portion of the CEF contribution, no portion of the CEF has been presented as a liability.

- ii) If the FNFA does not issue bonds that, in aggregate, are equal to or greater than \$40.0 million within three years of the agreement date (March 24, 2011), the FNFA may be required to repay all or a portion of contribution.

4. MEMBERS CAPITAL:

On April 1, 2006, assets and liabilities of the FNFA Inc., a predecessor organization which was controlled by the same Board as the FNFA, were transferred to the FNFA. The FNFA's Board of Directors has resolved by way of a bylaw that, upon dissolution of the FNFA, the total contribution to the FNFA of \$324,035, being capital assets and retained earnings of the FNFA, Inc. on April 1, 2006, shall be first distributed to the public bodies having an interest in members capital.

5. GRANTS AND CONTRIBUTIONS:

During the year, the FNFA received the following funding arrangements from the DIAND:

	2011	2010
Comprehensive Funding Arrangement 2010-2011 and 2009-2010	\$1,181,525	\$ 799,000
Grant Agreement 2010-2011 and 2009-2010	500,000	500,000
	\$1,681,525	\$1,299,000

5. GRANTS AND CONTRIBUTIONS (CONTINUED):

The DIAND provided a Comprehensive Funding Arrangement for the 2010-2011 fiscal year. The contribution is for delivery of specific programs, services and activities as set out in the arrangement. This funding agreement is reviewed annually based on the needs and the financial results of the FNFA. Should this funding not be continued or it cannot be replaced, then the FNFA would not be able to continue its operations at the current level.

Under the terms of the Grant Agreement, which is for the purpose of covering costs associated with the FNFA's core business, the FNFA is to receive an annual maximum of \$500,000. This arrangement expires on March 31, 2011. Management understands through discussions with DIAND officials that this agreement has been renewed for future years.

6. MANAGEMENT FEES:

Management fees are accrued daily at the rate of 0.04% per annum of the net assets of the FNFA's share of the MFA's Pooled Investment Funds and are receivable semi-annually on June 30th and December 31st. These management fees are paid to the FNFA through the MFA.

7. COMMITMENTS:

The FNFA entered into a lease agreement for office space. The agreement is for 60 months and expires February 2013.

The FNFA also has an agreement with the MFA to which service fees are provided by the MFA at a cost of \$1,000 per month. This agreement expires on September 30, 2013.

The FNFA entered an agreement with Acquired Intelligence Inc. to provide software maintenance and support services for a cost of \$94,500. This agreement expires on March 31, 2012.

The FNFA entered into an agreement with Moody's Canada Inc. to provide indicative rating services for the 2012 fiscal year for a cost of \$77,500.

Total estimated commitments for the next three years are as follows:

2012	\$ 259,046
2013	74,538
2014	6,000
	\$ 339,584

8. FINANCIAL INSTRUMENTS:

(a) Fair value:

The FNFA's financial instruments include cash and short term investments, accounts receivable, Credit Enhancement Fund contribution receivable and accounts payable and accrued liabilities. The carrying values of accounts receivable, Credit Enhancement Fund contribution receivable and accounts payable and accrued liabilities approximate their fair values due to the short term nature of these financial assets and liabilities. Cash and short term investments are recorded at fair values.

(b) Credit risk exposure

The maximum credit risk exposure for all financial assets is the carrying amount of that asset. Unless otherwise disclosed, the FNFA is not exposed to significant interest, currency or credit risks arising from its financial instruments.

9. CAPITAL DISCLOSURES:

The FNFA defines capital to be net assets. The FNFA receives its principal source of capital through funding received from the DIAND. The FNFA's objective when managing capital is to fund its operations, loans and investments and capital asset investments. The FNFA manages the capital structure in conjunction with the DIAND and makes adjustments based on available government funding and economic conditions. Currently, the FNFA's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding.

The FNFA is not subject to financial covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding arrangement. Non-compliance with external restrictions may result in reductions of future funding for designated purposes.

10. COMPARATIVE FIGURES:

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.



Pooled Investments
Statement of Net Assets

FIRST NATIONS FINANCE AUTHORITY

December 31, 2010, with comparative figures for 2009

	Money Market Fund		Intermediate Fund		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Cash	\$ 38	\$ 164	\$ 1,043	\$ 179	\$ 1,081	\$ 343
Receivable for investments sold	–	–	1,136,354	17,556	1,136,354	17,556
Unitholder receivable	4,868	5,746	–	–	4,868	5,746
Investments (note 3)	9,129,863	10,002,938	11,303,105	6,828,973	20,432,968	16,831,911
	\$ 9,134,769	\$ 10,008,848	\$ 12,440,502	\$ 6,846,708	\$ 21,575,271	\$ 16,855,556
Liabilities						
Accrued management fees	\$ 1,378	\$ 1,387	\$ 2,268	\$ 1,137	\$ 3,646	\$ 2,523
Securities purchase	–	–	1,120,770	17,291	1,120,770	17,291
Unitholder payable	–	736	–	–	–	737
	1,378	2,123	1,123,038	18,428	1,124,416	20,551
Net assets and unitholders' equity	9,133,391	10,006,725	11,317,464	6,828,280	20,450,855	16,835,005
	\$ 9,134,769	\$ 10,008,848	\$ 12,440,502	\$ 6,846,708	\$ 21,575,271	\$ 16,855,556

See accompanying notes to financial statements.

On behalf of the Board



Director



Pooled Investments

FIRST NATIONS FINANCE AUTHORITY

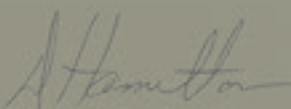
Statement of Earnings and Unitholders' Equity

Year ended December 31, 2010, with comparative figures for 2009

	Money Market Fund		Intermediate Fund		Total	
	2010	2009	2010	2009	2010	2009
Investment income:						
Interest income	\$ 71,863	\$ 84,533	\$ 438,334	\$ 241,973	\$ 510,197	\$ 326,506
Less management fees	14,877	10,638	21,974	11,696	36,851	22,334
	56,986	73,895	416,360	230,277	473,346	304,172
Gain (loss) on investments:						
Net realized gain (loss)	–	244	(282,146)	43,827	(282,146)	44,071
Net unrealized gain	–	–	(23,030)	(90,872)	(23,030)	(90,872)
Net gain (loss) on investments	–	244	(305,176)	(47,045)	(305,176)	(46,801)
Net earnings distributed	\$ 56,986	\$ 74,139	\$ 111,184	\$ 183,232	\$ 168,170	\$ 257,371
Net assets and unitholders' equity:						
Units outstanding, beginning of the year	\$ 10,006,725	\$ 6,729,802	\$ 6,828,280	\$ 3,688,708	\$ 16,835,005	\$ 10,418,510
Units subscribed	5,781,185	7,758,282	4,490,000	5,764,669	10,271,185	13,522,951
Distributions reinvested	56,986	74,139	111,184	183,232	168,170	257,371
Units redeemed	(6,711,505)	(4,555,498)	(112,000)	(2,808,329)	(6,823,505)	(7,363,827)
Units outstanding, end of the year	\$ 9,133,391	\$ 10,006,725	\$ 11,317,464	\$ 6,828,280	\$ 20,450,855	\$ 16,835,005

See accompanying notes to financial statements.

On behalf of the Board



Director



Pooled Investments

Notes to Financial Statements

FIRST NATIONS FINANCE AUTHORITY

Year ended December 31, 2010

First Nations Finance Authority (FNFA) was announced April 1, 2006 as a result of Bill C-20 and operates under the *First Nations Fiscal and Statistical Management Act (Act)* as a non-profit corporation without share capital to provide investment pooling arrangements and to develop borrowing capacity for First Nations governments. The FNFA, through an agreement with the Municipal Finance Authority of British Columbia (MFA), acts as a non-assignable corporate investment vehicle contracting with the MFA for the provision of investment services for FNFA unitholders. This contracting service was assumed from First Nations Finance Authority Inc. which administered the funds on the same basis as the FNFA.

Under the *Act* the FNFA may establish short term pooled investment funds. Funds in FNFA short-term pooled investment funds may be invested only in:

- (a) securities issued or guaranteed by Canada, a province or the United States;
- (b) fixed-term deposits, notes, certificates or other short-term paper of, or guaranteed by, a bank, trust company or credit union, including swaps in United States currency;
- (c) securities issued by the MFA or by a local, municipal or regional government in Canada;
- (d) commercial paper issued by a Canadian company that is rated in the highest category by at least two recognized security-rating institutions;
- (e) any class of investments permitted under an *Act* of a province relating to trustees; or
- (f) any other investments or class of investments prescribed by regulation.

In accordance with the Pooled Investment Regulation made under the *First Nations Fiscal and Statistical Management Act*, the FNFA has, by contract, arranged to continue to participate in the short to intermediate term investment pools established by the MFA. These funds are the Money Market Fund, the Intermediate Fund and the Bond Fund.

1. SIGNIFICANT ACCOUNTING POLICIES:

Monies received from unitholders are invested in three pooled investment funds administered by the MFA:

- Money Market Fund;
- Intermediate Fund; and
- Bond Fund.

These funds are authorized to issue an unlimited number of units, each of which represents an equal undivided interest in the net assets of the respective funds, pro rata, with all other units from time to time issued and outstanding. Units are issued or redeemed at \$1,000 per unit. Under Section 149(1)(c) of the *Income Tax Act*, the funds are exempt from income taxes.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies used in the preparation of the financial statements.

(a) Money Market Fund:

- (i) Investments are carried at market value.
- (ii) Interest income is recognized as earned.
- (iii) Management fees are accrued daily at the rate of 0.15% per annum of the net assets of the fund and are paid monthly to the MFA.
- (iv) Net earnings from operations are distributed to unitholders daily as additional units of the fund.

(b) Intermediate Fund and Bond Fund:

- (i) Investments are carried at market value.
- (ii) Investment transactions are accounted for on the trade date and gains/losses from such transactions are calculated on an average cost basis.
- (iii) Interest income is recognized as earned.
- (iv) Management fees are accrued weekly and at month end at the rate of 0.20% per annum of the net assets of the fund and are paid monthly to the MFA.
- (v) Net earnings from operations are distributed to unitholders weekly and at month end as additional units of the fund.
- (vi) Accretion of discounts and premiums are amortized on an effective rate basis over the term of the investment.

2. FINANCIAL INSTRUMENTS:

All unitholder receivables, receivables for investments sold, accrued management fees and unitholder payables have been classified as loans and receivables or other liabilities and are recorded at amortized cost using the effective yield basis.

Transaction costs are expensed and included in the statement of earnings and unitholders' equity in the period incurred.

Investments are designated as held for trading and recorded at market value measured at mid-market prices which approximate bid values.

2. FINANCIAL INSTRUMENTS (CONTINUED):

a. Risk management

Risk management is achieved through segregation of duties whereby the investment management decisions are undertaken by a professional fund manager (Phillips Hager North Investment Management Ltd.), custody of the assets and accounting functions undertaken by a professional custodian (CIBC Mellon Trust Company), and overall governance of the funds monitored by the Investment Advisory Committee comprised of Trustees of the MFA.

The Investment Advisory Committee establishes the investing guidelines and reviews the fund manager's compliance and assesses performance in comparison to the DEX 91-Day Treasury Bill Index, the DEX 365-Day Treasury Bill Index, and the DEX Short Term Index.

b. Liquidity risk

Liquidity risk arises from the risk that a portfolio may not be able to settle or meet its obligation on time or at a reasonable price.

Each portfolio is exposed to daily and weekly cash redemptions of units at the current Net Assets Value per unit at the option of the unitholder. The funds invest the majority of their assets in investment that are traded in an active market and can be readily disposed of. In addition each Fund retains sufficient cash and cash equivalent positions to maintain liquidity.

As of December 31, 2010 the duration of the funds was 58 days for Money Market Fund and 255 days for the Intermediate Fund.

c. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

The funds invest primarily in interest bearing securities and are therefore susceptible to market rate fluctuations. The short duration of the investments lessens the affect of changes in interest rates.

d. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligation or commitment.

The fund manager moderates risk through a conservative selection of securities and diversification within the parameters of the investment policy.

The investment portfolio is carried at fair value and represents the maximum credit risk exposure as at December 31, 2010.

e. Currency risk

The funds are not subject to currency risk. The functional currency is the Canadian dollar and all transactions are denominated in Canadian dollars.

3. Investments:

The investments held by the FNFA represent their unitholders proportionate share of securities invested in the Money Market Fund and Intermediate Fund administered by the MFA's Pooled Investment Funds.

As at December 31 the Money Market Fund and Intermediate Fund of the MFA held the following securities:

	2010		2009	
	Money Market Fund	Intermediate Fund	Money Market Fund	Intermediate Fund
Bankers' acceptance	–	–	6.34%	–
Corporate paper	74.80%	59.80%	68.45%	56.83%
Treasury bills and term deposits	–	0.60%	25.21%	4.95%
Provincial paper	19.80%	25.20%	–	11.50%
Government of Canada federal bonds	5.40%	14.40%	–	26.72%
	100%	100%	100%	100%

The investments of the FNFA unitholders represent approximately 0.84% (2009 - 0.77%) of the Money Market Fund and 4.56% (2009 – 1.85%) of the Intermediate Fund administered by the MFA's Pooled Investment Funds.

4. Management fees:

A portion of management fees paid to the MFA is attributable and paid to the FNFA general operating fund by the MFA. Management fees of \$7,588 (2009 - \$4,728) were paid to the FNFA general operating fund through the MFA.

MONEY MARKET FUND

Schedule of Investments

FIRST NATIONS FINANCE AUTHORITY

December 31, 2010
(unaudited)

Short-term Notes

	MATURITY DATE	PAR	MARKET VALUE	% OF TOTAL
Federal				
Government of Canada	February 3, 2011	\$ 14,600,000	\$ 14,538,388	1.3 %
Government of Canada	March 3, 2011	45,000,000	44,773,200	4.1 %
		\$ 59,600,000	\$ 59,311,588	5.4%

Provincial

Alta Cap Fin	April 14, 2011	\$ 30,000,000	\$ 29,898,300	2.7 %
Province of BC	April 11, 2011	7,800,000	7,766,070	0.7 %
Province of BC	May 11, 2011	4,250,000	4,226,583	0.4 %
Province of Ontario	January 26, 2011	20,000,000	19,955,000	1.8 %
Province of Ontario	February 9, 2011	22,500,000	22,401,525	2.1 %
Province of Ontario	February 23, 2011	62,570,000	62,410,121	5.7 %
Province of Ontario	March 2, 2011	17,800,000	17,720,675	1.6 %
Province of Ontario	March 9, 2011	20,000,000	19,946,200	1.8 %
Province of Ontario	March 16, 2011	3,300,000	3,280,464	0.3 %
Province of Ontario	March 23, 2011	8,000,000	7,978,960	0.7 %
Province of Ontario	May 18, 2011	20,686,000	20,567,056	1.9 %
		\$ 216,906,000	\$ 216,150,953	19.8 %

Corporate

Bank of Nova Scotia	January 4, 2011	\$ 7,300,000	\$ 7,278,319	0.7 %
Bank of Nova Scotia	January 5, 2011	2,000,000	1,994,060	0.2 %
Bank of Nova Scotia	January 6, 2011	15,400,000	15,353,954	1.4 %
Bank of Nova Scotia	January 7, 2011	18,500,000	18,444,130	1.7 %
Bank of Nova Scotia	January 19, 2011	5,000,000	4,985,150	0.5 %
Bank of Nova Scotia	February 3, 2011	10,500,000	10,468,815	1.0 %
Bank of Nova Scotia	February 15, 2011	4,025,000	4,013,046	0.4 %
Bank of Nova Scotia	March 11, 2011	3,000,000	2,991,090	0.3 %
Bank of Nova Scotia	March 31, 2011	16,350,000	16,302,258	1.5 %
BRKFLD Asset MG	January 28, 2011	9,500,000	9,490,025	0.9 %
C.I.B.C.	March 28, 2011	28,500,000	28,317,755	2.6 %
C.I.B.C.	April 18, 2011	20,000,000	19,876,800	1.8 %
C.I.B.C.	June 10, 2011	30,000,000	29,803,800	2.7 %
Central 1 CU	January 12, 2011	1,075,000	1,071,904	0.1 %
Central 1 CU	March 16, 2011	385,000	383,837	0.0 %
Central 1 CU	March 16, 2011	25,000,000	24,926,750	2.3 %
Darwin REC TR	January 12, 2011	10,000,000	9,970,900	0.9 %
Darwin REC TR	February 16, 2011	4,800,000	4,786,176	0.4 %
Darwin REC TR	February 22, 2011	15,000,000	14,957,850	1.4 %
Darwin REC TR	March 9, 2011	8,650,000	8,625,088	0.8 %
Diversified TR	March 22, 2011	36,000,000	35,895,240	3.3 %
Enbridge Inc	January 21, 2011	10,000,000	9,992,100	0.9 %
Enbridge Inc	January 24, 2011	17,500,000	17,479,525	1.6 %
Fusion Trust	January 18, 2011	36,500,000	36,392,690	3.3 %
HSBC Securities	February 1, 2011	50,250,000	50,104,377	4.6 %
HSBC Securities	March 4, 2011	4,100,000	4,087,823	0.4 %
Inter PPL COR	January 4, 2011	2,000,000	1,993,360	0.2 %
Inter PPL COR	January 5, 2011	2,815,000	2,810,862	0.3 %
Inter PPL COR	January 19, 2011	15,000,000	14,949,150	1.4 %
Inter PPL COR	March 3, 2011	8,500,000	8,471,355	0.8 %
Inter PPL COR	March 4, 2011	2,000,000	1,993,260	0.2 %
Inter PPL COR	March 22, 2011	2,000,000	1,993,220	0.2 %

Corporate (continued)

	MATURITY DATE	PAR	MARKET VALUE	% OF TOTAL
Mattagami Energy	March 15, 2011	11,350,000	11,317,880	1.0 %
Merit Trust	February 9, 2011	5,000,000	4,985,400	0.5 %
Merit Trust	February 15, 2011	22,000,000	21,943,020	2.0 %
Merit Trust	March 9, 2011	10,000,000	9,971,200	0.9 %
Merit Trust	March 29, 2011	17,500,000	17,383,800	1.6 %
Plaza Trust	January 5, 2011	10,000,000	9,968,100	0.9 %
Prime Trust	February 15, 2011	9,900,000	9,874,359	0.9 %
Prime Trust	February 16, 2011	5,000,000	4,985,600	0.5 %
Prime Trust	March 1, 2011	4,400,000	4,387,196	0.4 %
Prime Trust	March 8, 2011	4,400,000	4,387,328	0.4 %
Prime Trust	March 9, 2011	15,000,000	14,956,800	1.4 %
Prime Trust	March 31, 2011	15,000,000	14,955,450	1.4 %
Reliant Trust	February 22, 2011	5,800,000	5,783,702	0.5 %
Ridge Trust	March 21, 2011	31,700,000	31,607,753	2.9 %
Safe Trust S96	January 4, 2011	6,000,000	5,982,540	0.5 %
Safe Trust S96	March 9, 2011	2,500,000	2,492,800	0.2 %
Sound Trust	January 4, 2011	28,250,000	28,167,793	2.6 %
Sound Trust	February 9, 2011	8,000,000	7,976,640	0.7 %
Sound Trust	March 2, 2011	2,925,000	2,916,576	0.3 %
Summit Trust	March 22, 2011	24,000,000	23,930,160	2.2 %
Suncor Energy	January 20, 2011	10,000,000	9,968,900	0.9 %
Suncor Energy	February 3, 2011	3,000,000	2,993,790	0.3 %
Suncor Energy	March 23, 2011	7,000,000	6,977,880	0.6 %
Suncor Energy	April 14, 2011	12,500,000	12,443,750	1.1 %
TransCanada Pip	January 6, 2011	5,650,000	5,633,220	0.5 %
TransCanada Pip	January 12, 2011	4,600,000	4,586,522	0.4 %
Vancity Cr Union	February 1, 2011	1,000,000	996,990	0.1 %
Vancity Cr Union	March 24, 2011	12,000,000	11,961,960	1.1 %
Vancity Cr Union	April 4, 2011	6,000,000	5,958,420	0.5 %
Vancity Cr Union	April 5, 2011	13,500,000	13,407,390	1.2 %
Yellow Media	January 13, 2011	8,665,000	8,658,531	0.8 %
Yellow Media	January 18, 2011	8,125,000	8,117,281	0.7 %
Yellow Media	January 20, 2011	3,320,000	3,316,182	0.3 %
Yellow Media	January 25, 2011	4,500,000	4,492,530	0.4 %
Yellow Media	January 31, 2011	7,500,000	7,476,225	0.7 %
Zeus Rec Trust	January 18, 2011	13,000,000	12,979,330	1.2 %
Zeus Rec Trust	February 9, 2011	24,600,000	24,528,168	2.2 %
Zeus Rec Trust	March 28, 2011	13,000,000	12,913,680	1.2 %
		\$ 818,335,000	\$ 815,589,514	74.8%
Cash				
Cash		\$ 4,594	\$ 4,594	0.0%
		\$ 4,594	\$ 4,594	0.0%
Total Investment Portfolio (Note #3)		\$1,094,845,594	\$ 1,091,056,649	100%

INTERMEDIATE FUND

Schedule of Investments

FIRST NATIONS FINANCE AUTHORITY

December 31, 2010
(unaudited)

Short-term Notes

	MATURITY DATE	PAR	MARKET VALUE	% OF TOTAL
Federal				
Government of Canada	January 6, 2011	\$ 1,600,000	\$ 1,593,430	0.6 %
		\$ 1,600,000	\$ 1,593,430	0.6 %

Provincial				
Province of BC	June 17, 2011	\$ 9,000,000	\$ 8,950,140	3.6 %
Province of Ontario	February 16, 2011	38,250,000	38,155,542	15.5 %
Province of Ontario	April 6, 2011	5,850,000	5,823,734	2.4 %
Province of Ontario	June 29, 2011	9,150,000	9,093,362	3.7 %
		\$ 62,250,000	\$ 62,022,777	25.2 %

Bonds				
Federal				
Canada Housing	March 15, 2011	\$ 35,200,000	\$ 35,405,695	14.4 %
		\$ 35,200,000	\$ 35,405,695	14.4 %

Corporate				
407 INTL INC	January 20, 2012	\$ 10,900,000	\$ 11,223,022	4.6 %
Bank of Montreal	June 21, 2011/12	11,775,000	12,284,281	5.0 %
Bank of Nova Scotia	June 4, 2012	12,100,000	12,288,097	5.0 %
CDN Credit Card	April 24, 2012	11,825,000	12,206,845	5.0 %
C.I.B.C.	March 28, 2011/12	9,475,000	9,544,881	3.9 %
C.I.B.C.	November 1, 2011	2,500,000	2,558,369	1.0 %
CU INC	June 1, 2011	3,000,000	3,066,278	1.2 %
Golden Credit Card	April 15, 2011	12,050,000	12,171,146	4.9 %
Greater Toronto Air	January 30, 2012	11,450,000	11,992,005	4.9 %
John Deere Cred INC	March 30, 2011	3,500,000	3,523,220	1.4 %
Master Credit Card	August 21, 2012	11,500,000	12,088,598	4.9 %
Merrill Lynch & Co INC	January 30, 2012	3,000,000	3,044,490	1.2 %
NAV Canada	February 24, 2011	4,744,000	4,765,320	1.9 %
RBC SUB NOTE TR	April 30, 2011/12	11,825,000	12,206,192	5.0 %
Toronto Dominion	November 1, 2012	11,550,000	12,184,894	4.9 %
Wells Fargo Fin	September 13, 2011	11,925,000	12,145,599	4.9 %
		\$ 143,119,000	\$ 147,293,234	59.8 %

Cash				
Cash		\$ 40,766	\$ 40,766	0.0 %
		\$ 40,766	\$ 40,766	0.0 %

Total Investment Portfolio (Note #3)		\$ 239,209,766	\$ 246,255,901	100 %
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Staff



Deanna Hamilton

President/CEO

Deanna Hamilton has been involved with the FNFA as President/CEO since its inception in the mid 1990's. Deanna holds delegated powers to manage the business and affairs of the Authority. Deanna's key responsibility is to align the company, internally and externally, with their strategic vision.

Deanna also serves as the Deputy Chair on the FNFA's Board of Directors.



Pamela Severson

Financial Officer/Corporate Clerk

As Corporate Clerk, Pam is responsible to the Board of Directors, Committee and Senior Management for organizing and managing activities and records. As Financial Officer, Pam is responsible for payroll, and has signing authority for FNFA financial transactions, review of contracts, agreements and coordinating the legislative evaluation requisite.



Steve Berna, CA

Chief Operating Officer

Steve spent 17 years, 7 as CEO, developing the cooperative borrowing/investing model used in British Columbia, where all 210 local governments, regardless of size, received the benefits of a "AAA" credit rating (Municipal Finance Authority of BC). Debenture issuance was international in scope, and included complex Public Private Partnerships in Metro Vancouver area.

Steve's responsibilities as COO of FNFA consists of overseeing operations and establishing programs for First Nations across Canada and include: short and long term financing loans, investment services, and advice on capital projects.



Dan McIntosh

Director of Communications and Client Relations

Dan is in charge of managing corporate and client communications, marketing FNFA products and programs and maintaining the FNFA Investment Funds Program. Dan works directly with First Nations councils, Band employees and National Aboriginal Organizations to generate understanding and build membership of the FNFA. Call Dan and the FNFA today to schedule a community visit or plan a presentation and information session.



Shannon Jenner

Administrative Assistant

Shannon is the voice and smile you hear when you call the FNFA. In addition to answering phones and greeting visitors Shannon is responsible for staff travel arrangements, incoming and outgoing mail, assisting in conference organization, monitoring the FNFA website and assisting administrative personnel with overflow projects.



Contact Information

FIRST NATIONS FINANCE AUTHORITY

202-3500 Carrington Road
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OFFICE HOURS

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Monday to Friday

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Dr. Tim Raybould,
Quathiaski Cove, B.C.





MISSION STATEMENT

Helping Aboriginal Communities

build their own futures,

on their own terms





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