

# A N N U A L R E P O R T

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The objective  
of the  
FNFA  
is to  
ensure  
continuous  
access to  
affordable  
financing  
for  
first nation  
governments



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FIRST NATIONS  
FINANCE AUTHORITY

# BOARD OF DIRECTORS



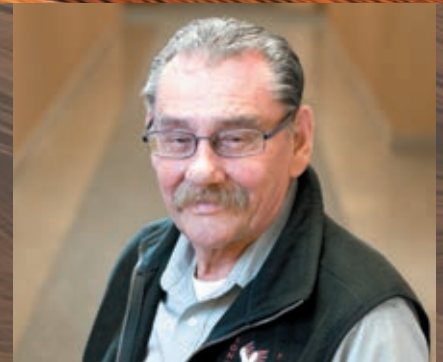
**CHIEF TERRANCE PAUL,**  
*Chair*

Terry Paul is the Chief of Membertou First Nation, a position he has held for the past 29 consecutive years. During that time, Chief Paul has guided his community and administration into one of the most open and efficient native communities in the country. Chief Paul has served on numerous boards, task forces and is one of the original founders of the National Capital Corporation Association (NACCA), which started out with seven aboriginal corporations and has grown to 50 aboriginal financial institutions across the country. Chief Paul started his career with the Boston Indian Council where he received his background training in Finance and Management. He began as a Job Placement Officer and was quickly promoted to Director of Finance and then to the President of the Boston Indian Council. Returning home to Membertou, he worked for the Mic Mac News in Sales and Advertising, and then filled the role of Economic Development Officer for the Membertou Band Council. He was later promoted to Band Manager before he was elected as Chief. He has achieved many accomplishments in his role as Chief, including doubling the land base for the Membertou Reserve. He also assisted Donald Marshall Jr. in his successful Supreme Court defense of the Mi'kmaq Treaty Rights to fish, which resulted in approximately \$600 million in benefits for the Mi'kmaq people.



**JODY WILSON-RAYBOULD,**  
*Deputy Chair*

Jody Wilson-Raybould is an Elected Member of Council in her home community of the We Wai Kai Nation and lives with her husband, Dr. Tim Raybould, at Cape Mudge Village, Quadra Island, BC. After completing a Bachelor of Arts degree in Political Science and History at the University of Victoria, she went on to earn a law degree from the University of British Columbia. As a former board member for Minerva Foundation for BC Women, Jody was instrumental in the development of the "Combining Our Strength Initiative" – a partnership of Aboriginal and non-Aboriginal women and was awarded a Minerva Foundation for BC Women Alumni Award and in 2012 a Distinguished Alumni Award from the University of Victoria. Jody was first elected Regional Chief of the BC Assembly of First Nations in 2009 by the 203 BC First Nations. Currently she is a board member of the National First Nations Lands Advisory Board, and the Deputy Chair of the First Nations Finance Authority. Jody has travelled extensively to work on Indigenous Peoples' rights and leadership issues, including to the Philippines, Taiwan and Israel.



**GARRY ALBANY,**  
*Director*

Garry Albany has been dedicated to serving his community for two decades. He has been an Elected Member of the Songhees Council since 1993, serving as Chief for a term in 2001- 2002. His father Chief John Albany was the longest serving elected Chief in Canada spanning 35 years. Garry has a working background in the fields of logging and trucking. He brings his strong work ethic to advocating for aboriginal rights and title. He represents Songhees as Negotiator with the Te'mexw Treaty Association. He exercises his Douglas Treaty rights as an avid hunter and fisherman. He served on the Greater Victoria Harbour Authority Board of Directors. Garry currently serves as a Director for the First Nations Finance Authority. His leadership on Council contributed to Songhees' success as the first First Nation in Canada to pass a Financial Administration Law and to receive a Financial Performance Certificate under the *First Nations Fiscal Management Act, 2005*.



**CHIEF WILLIE CHARLIE,**  
*Director*

Willie served as Chief of the Sts ailes First Nation and as CEO of its administration and development company for 3 two year terms ending March 2013. Chief Willie served on the FNFA Board of Directors from September 28, 2012 until March 17, 2013. Willie was Vice President of the Union of BC Indian Chiefs and was a member representative of the Fraser Canyon area on the First Nations Health Council. In February 2013 Chief Willie Charlie was presented with the Queen Elizabeth II Diamond Jubilee Medal for his years of contributions to his community and country.



**CATHY HALL,**  
*Director*

Cathy is an Elected Member of Council for Tzeachten First Nation. She is the daughter of Leonard and Lena Hall, her grandparents are John and Nellie Hall. Cathy is a descendent of T'ixwélatsa of the Ts'élxweyeqw Tribe. In 1990 she was given the name 'Salacy' from Elder Rena Bolton of the Skowkale First Nation. Cathy has always participated in Tzeachten activities, and before becoming a Councilor in 2011, she was a member of the Tzeachten Advisory Committee since its original inception as a Housing Committee. She has co-ordinated many events for Tzeachten over the last 20+ years including the Christmas Party and the Student Awards. Cathy is a member of the Education and Scholarship committees and also co-founded the Tzeachten Diamond Girlz Club. As a Councilor Cathy holds the Finance and Taxation portfolio and sits on the Tzeachten Finance & Audit Committee. She also participated in the development of the Tzeachten Land Code as a member of the Land Code Committee and now sits on the Tzeachten Lands Management and Advisory Committee as an ex-officio member. She is a new board member of the FNFA. Cathy's goal is to work with the Council and staff in keeping Tzeachten moving forward in a positive direction towards sustainable self-reliance.



**VERONICA MCGINNIS,**  
*Director*

Veronica McGinnis is an Elected Member of Council for the Osoyoos Indian Band. Veronica has been with her husband Joseph McGinnis (Similkameen Band) for 29 years, together they have 2 daughters and 3 sons, and 8 beautiful grandchildren. Veronica takes pride in the fact "she is Auntie to many." Veronica is employed by the Osoyoos Indian Band as the Social Development Worker, and has been in that capacity for 24 years. As an active member of the Health and Social Service Team, their goal is to stabilize the physical, emotional and mental well-being of all community members, with priority on prevention methods. Veronica was first elected to council in 1985 and has since served 7, two year terms. Her previous experience on Council has been an asset, and has challenged her to work with many different personalities and self-educate herself on various current issues. Veronica is an assertive advocate for transparency and accountability to her membership, and looks forward to serving her community for the next 2 years.

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

# MESSAGE FROM THE CHAIR

Dear Members;

I am very pleased to report that two significant milestones were achieved in the 2012-2013 fiscal year. Firstly, the Authority began issuing loans to its borrowing members with the first loan to my community of Membertou; secondly, the inaugural board of the Authority was replaced by a 6 person board elected from amongst the membership on September 28, 2012. The Authority is now operational and working to fulfill its mandate of issuing long term loans to its borrowing membership.

After unanimous approval of Membertou's borrowing law request by the Authority's board on May 23, 2012, the Authority issued its first loan in the amount of \$10.5 million on June 29, 2012. Membertou, then, became the inaugural First Nation community in Canada to access, through the Authority, a loan directly from the capital markets at a rate below that of bank prime. This loan achieved an interest rate of 2.50%. Further loans were issued to the communities of Tzeachten First Nation and Osoyoos Indian Band. These loans were also at 2.50%.

At the time of writing of this message, the Authority's board has unanimously accepted 18 First Nations as borrowing members. There are 105 First Nations that are scheduled to the *First Nations Fiscal Management Act*, approximately 40 are now working with our sister organization, the First Nations Financial Management Board, to achieve certification status which will enable them to request borrowing membership in the Authority.

The Authority's board ensured all investor safeguards were enacted prior to the loans being issued (see Investor Safeguards section on page 7).

The Board of Directors of the Authority currently include:

Chair	Chief Terry Paul	Membertou
Deputy Chair	Councillor Jody Wilson-Raybould	We Wai Kai
Director	Councillor Garry Albany	Songhees
Director	Chief Willie Charlie (Sept. 28, 2012 – March 17, 2013)	Sts'ailes
Director	Councillor Catherine Hall	Tzeachten
Director	Councillor Veronica McGinnis	Osoyoos

I would like to extend a sincere thank you to the directors for their hard work and due diligence in reading and reviewing reports on new applications for both borrowing membership and loan requests.

This year saw some changes at the staff level. Our former president and CEO, Ms. Deanna Hamilton, retired in June 2012 after years of much determination and perseverance in not only spearheading the *Act* through the halls in Ottawa, but also in building a team to accomplish the Authority's mandates. Please see a tribute to Deanna on page 8.

Succeeding Deanna as President & CEO is Mr. Ernie Daniels. Ernie brings a wealth of First Nations experience with him. Prior to arriving Ernie was the President/COO of the Aboriginal Financial Officers Association, and previously was the Director of Assessment and Finance Operations for the Aboriginal Healing Foundation.

Looking forward to 2013/14, the Authority will continue issuing interim loans to its borrowing membership. Once these loans build to a sufficient size, the Authority will

## 18 APPROVED FNFA BORROWING MEMBERS

Kitselas  
Mashteuiaitsh  
Membertou  
Metlakatla  
Moricietown  
Osoyoos  
Shxwhá:y Village  
Songhees  
Splatsin  
St. Mary's  
Sts'ailes  
Taku River Tlingit  
Tk'emlúps te Secwépemc  
Tsawout  
Tsleil-Waututh  
Tzeachten  
Wasauksing  
We Wai Kai

CHIEF TERRANCE PAUL, FNFA CHAIR



complete its work with the rating agencies and look to issue its inaugural debenture. With the issuance of this collective First Nations debenture, the capital markets will be forever changed, as will the future economic possibilities for First Nation communities. No longer will ready, predictable access to government-rate loans with long repayment terms be only a desire. It will be a reality.

With this inaugural debenture, First Nations chiefs and councils, staff and business partners, will find their job is to plan for the future of their communities, not worry about how and where to get cost-effective funding. That will be FNFA's job.

In closing, I would like to acknowledge the outgoing Board of Directors – the Authority's Inaugural Board: Grand Chief Joe Hall, Chair; Deanna Hamilton, Deputy Chair; Sophie Pierre, Director; and Chief Robert Sam, Director.

We were all very saddened to hear of Chief Robert Sam's passing on July 9, 2012. He will not be forgotten.

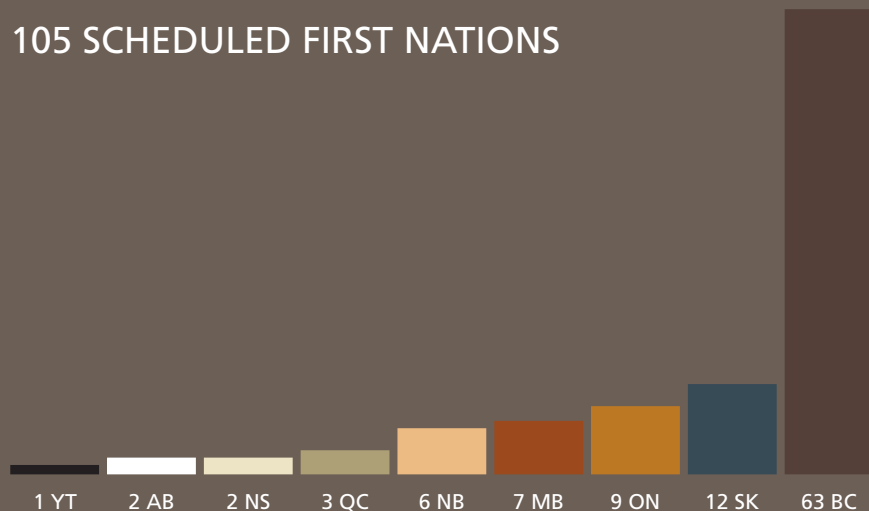
I am very pleased to carry on the tradition of hard work, dedication, and leadership shown by my respected colleagues. They have made their mark in this monumental step for all Aboriginal communities across Canada and are now stepping aside.

Our continuation into another monumental year of 2013-14 will see many more First Nation communities feel the independence and success that emanates with these loans. Opportunity is inevitable, be it economic or community development. The possibility to build a better future for our communities and our people is on the horizon. It was just beyond our reach, now it is a reality.

Sincerely,

Chief Terrance Paul, Chair

105 SCHEDULED FIRST NATIONS



# F N F A at a glance

## HOW WE OPERATE

### Legal Authority

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

### Representation

The Authority 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 Authority's Board as a Borrowing Member. Investing Members are First Nations that have invested in the Authority's Pooled Investment Funds. The Authority is managed by a Board of Directors, consisting of 5 to 11 Directors, including a Chair and Deputy Chair. These Directors are elected by the Borrowing Members.

### Mandated Areas

The purposes of the Authority 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; or
  - (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 Authority's mandate allows 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.



### Interim Financing Loans

The Authority offers all First Nations that become Borrowing Members access to Interim Financing. The current Authority's Interim loan rate is 2.50% (bank prime for comparison is currently 3.00%). Interim Financing is temporary financing and has two functions:

#### To Cover Costs During Construction:

Borrowing Members may request Interim loans, to a maximum of 5 years, to cover the immediate construction costs of a project, greatly reducing or eliminating delays due to financing. Upon project completion these Interim loans, which float, are converted into fixed-rate long-term debentures. This provides certainty around budgeting and debt service requirements.

#### Bridge Financing Until the Authority Issues its Next Debenture:

Or, where the Authority does not plan to issue a debenture for a few months, but the Borrowing Member wants financing now to start a project, the Authority will lend monies from its Interim loan program. When the debenture is issued, the Borrowing Member will have their Interim loan rolled into a fixed-rate long-term debenture loan.

The size of the Interim loans a community may request is determined by the type and size and stability of the revenue stream that will be used to service the debt. All Borrowing Member communities receive the same rates.







## INVESTOR SAFEGUARDS – DETAILS

The Authority has implemented two types of safeguard processes: firstly, there is a vetting process that a First Nation must complete to request Authority borrowing membership; and secondly, if accepted as a Borrowing Member, the Authority implements multiple safeguards to ensure full repayment of all loan obligations.

### Vetting Process

To become a Borrowing Member of the Authority, each First Nation must be in receipt of a Certificate from the FMB. To receive a Certificate, each First Nation must create a FAL (Financial Administration Law) that dictates how the First Nation functions, and must also pass financial ratio tests. A FAL details the internal workings of the First Nation, its financial policies, and requires the First Nation to establish committees (audit, finance, and budgeting, and the appointment of personnel to each), and the duties of staff and of Council. The financial ratio tests parallel the scrutiny performed by the banks' credit departments. The FMB can decline awarding a Certificate if the tests are not passed. Once a Certificate is received by a First Nation it can apply to the Authority for Borrowing Membership. Approval of each membership application must be by unanimous vote of the Authority's Directors.

### Revenue Interception

Prior to the Directors approving a new Borrowing Member, the staff of the Authority works with the First Nation to gather the documents supporting their revenue streams. This gathering of contracts, agreements, et al, provides details on stability of the revenue streams, the payor, their duration, roll-over covenants, etc. From this review, staff calculates the First Nation's potential borrowing capacity that their revenues can support. A report to the Authority's Directors is provided.

Once a Borrowing Member has requested a loan, and the request receives unanimous Director approval, the staff of the Authority implements an irrevocable intercept mechanism on the First Nation's revenue stream(s) that will support their loan. This mechanism is called a Secured Revenues Trust Account (SRTA) and is managed by a third party called Computershare Trust Company of Canada who only takes direction from the Authority. The SRTA account pays firstly monies to the Authority to cover the debt service, and secondly pays the balance to the First Nation. In this manner, the Authority has eliminated the risk of collection from the First Nation, and focuses on the revenue streams.

Each SRTA is established and functioning prior to the Authority issuing the approved loan request, and all SRTA accounts intercept enough revenues to retain a minimum DCR (debt coverage ratio) for each revenue stream (i.e. more revenue than needed to service the loan). This DCR provides a comfort zone for temporary drops in revenue interception.

The Authority collects into the SRTA as often as the payor's obligation to the First Nation. Most revenue streams are due monthly. In this manner, the Authority, which invoices its Borrowing Members under a Sinking Fund method, collects both interest and principal loan service payments in advance of its obligations to the bondholders. Safeguards, if required by an insufficient SRTA collection, can be implemented months prior to the Authority's obligation to the bondholders. Principal collections are transferred to a separate bank account set up for Sinking Fund purposes.

## REVENUE DESCRIPTION

## DEBT COVERAGE

Federal or Provincial Transfer		1.23
Municipal Transfer		1.30
Independent Power Projects		1.25
Provincial Gaming Revenues		1.60
Land Benefit Agreements		2.25
Contracts & Leases	1.75 low risk	4.00 high risk
Band Business	1.75 low risk	4.00 high risk

### Other Safeguards

If the revenue(s) amount intercepted experiences a shortfall other than temporary, and material enough that it falls below the loan service requirements, the Authority has developed other safeguards. Under legislation the Authority has the power to impose intervention either in the form of co-management or third-party management upon the Borrowing Member. This function is performed by the FMB who has the mandate under the Act to take over treasury functions of the Borrowing Member, and then has access to all the revenue streams of the Borrowing Member not just the revenue stream(s) intercepted into the SRTA. This arrangement can continue until FMB recovers the missed payment or until FMB determines it to be no longer necessary.

If intervention does not prove successful in a timely manner, the Authority will draw funds from its Debt Reserve Fund (DRF). The Authority withholds 5% of each loan request and deposits these monies into a DRF account. All 5% withholdings in the DRF are available to make payments to bondholders, not just the 5% contributed by the defaulting member. In this manner, the DRF monies should cover any material revenue intercept problems. Should the DRF be accessed, the Authority through working with the defaulting Borrowing Member, or through FMB intervention, will work to recover the missed loan service payment. Should the amount not be recovered from the defaulting Borrowing Member, the Authority can implement the DRF Replenishment provisions whereby all Borrowing Members are required to replenish the DRF without limit. The Authority also has a secondary reserve fund called the Credit Enhancement Fund (CEF), cash value of \$10 million invested in money market instruments, and its purpose is to transfer monies, as needed, into the DRF to ensure full loan service payments to the bondholders. If the CEF is accessed to support the DRF, the Authority must repay the CEF within 18 months either through collecting from the defaulting Borrowing Member, FMB intervention, or enacting the DRF replenishment provisions.

## OUR POOLED INVESTMENT FUNDS PROGRAM

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

# FIRST NATIONS FINANCE AUTHORITY



In 2012 Deanna Hamilton, the visionary behind the FNFA and one of the Authority's founding directors retired as President and CEO. The Board of Directors, staff and members of the FNFA wish to express their heartfelt thanks and gratitude for her service and her tireless commitment and dedication to the cause of creating the first public financing vehicle for First Nations not only in Canada but for indigenous peoples globally. What became more than simply a 'job' has been Deanna's passion and mission for over twenty years. In recognition of her remarkable service a small retirement party with close friends, family and colleagues was held in her honour on September 27, 2012 in Kelowna, BC.

In 1990, Deanna returned to her home community of Westbank First Nation to retire with her long-time husband Barrie. This was not to be and she was soon asked by Westbank to help set up one of the first property taxation regimes on-reserve in Canada. In the process of setting up the system Deanna quickly realized that First Nations did not have the same tools as other governments to access the capital markets and raise funds for much needed public infrastructure. At the time Westbank was looking to build water infrastructure and watched as the adjacent local governments could easily borrow with certainty and at affordable rates and over longer periods than Westbank could. Working with her colleagues she looked to find solutions. It quickly became evident that the model of public financing used in BC through the BC Municipal Finance Authority could be adapted to a First Nations' context. The idea gelled and with the support of Westbank, FNFA Inc. was incorporated on February 13, 1995 and the work began in earnest to develop the broader legal framework to make debenture financing through pooled borrowing a reality.

What Deanna thought would only take a few short years to turn concept into reality became a labour of love stretching over two decades of navigating the currents of federal and First Nation politics and addressing the many challenges of moving beyond the Indian Act. There was never any doubt for Deanna, however, that the vision would be realized. For those who know Deanna,

she is hard working and always the consummate professional, approachable, sincere and passionate – qualities essential in leadership during this transition period for First Nation governments. Qualities in part derived from growing up in humble and difficult conditions and overcoming obstacles living and working both on and off-reserve.

Deanna is one of seven children. At an early age her mother hid her from government officials wanting to take her and her siblings to residential school. Consequently Deanna was one of the first children from Westbank to go to public school where she was told she would make a good "domestic." After finishing high school Deanna went on to study at UBC and for a time lived in the United States. She eventually settled in Cranbrook with Barrie where they raised a family and enjoyed successful careers in business and banking.

In recognition of her achievements in financial management, Deanna was the recipient of the national AFOA-Xerox Excellence in Leadership Award for 2010.

In retirement Deanna remains active in her home community and will always have a special place in the FNFA family. More importantly, Deanna and Barrie are now taking some much deserved time to travel and to do things perhaps put on hold since their 'first' retirement. We wish Deanna and her family all the best and good health.

# CONSOLIDATED FINANCIAL STATEMENTS

FIRST NATIONS  
FINANCE AUTHORITY



YEAR ENDED  
MARCH 31, 2013



KPMG LLP  
Chartered Accountants  
300-1674 Bertram Street  
Kelowna BC V1Y 9G4  
Canada

Telephone 250.979.7150  
Fax 250.763.0044  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## INDEPENDENT AUDITORS' REPORT

### To the Members of the First Nations Finance Authority

We have audited the accompanying consolidated financial statements of First Nations Finance Authority which comprise the consolidated statements of financial position as at March 31, 2013, the consolidated statements of operations, changes in net financial assets and cash flows for the year ended March 31, 2013 and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 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 an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of First Nations Finance Authority as at March 31, 2013 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

May 22, 2013

Kelowna, Canada

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FIRST NATIONS  
FINANCE AUTHORITY



YEAR ENDED  
MARCH 31, 2013

March 31, 2013 with comparative figures for 2012

	2013	2012
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 363,554	\$ 385,348
Credit Enhancement Fund assets (note 2)	10,503,810	10,928,540
Accounts receivable	2,358	2,083
Investments (note 3(a))	1,046,056	–
Interim financing loans to members (note 4(a))	20,777,505	–
Restricted cash and cash equivalents (note 6(b))	324,035	324,035
	<b>33,017,318</b>	<b>11,640,006</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	149,833	160,767
Due to members (note 3(b))	1,046,056	–
Interim financing (note 4(b))	20,776,000	–
	<b>21,971,889</b>	<b>160,767</b>
<b>Net Financial Assets</b>	<b>11,045,429</b>	<b>11,479,239</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (note 5)	54,338	87,442
Prepaid expenses	18,483	20,978
	<b>72,821</b>	<b>108,420</b>
Commitments and contingencies (note 6(b) and 10)		
Subsequent events (note 4(d))		
<b>Accumulated surplus (note 6)</b>	<b>\$ 11,118,250</b>	<b>\$ 11,587,659</b>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Jody Wilson-Raybould  
Director

Ernie Daniels  
Chief Executive Officer

# CONSOLIDATED STATEMENT OF OPERATIONS

FIRST NATIONS  
FINANCE AUTHORITY



YEAR ENDED  
MARCH 31, 2013

Year ended March 31, 2013 with comparative figures for 2012

	2013 Budget (note 1(h))	2013	2012
<b>REVENUES</b>			
Grants and contributions (note 7)	\$ 1,112,460	\$ 1,112,460	\$ 1,547,600
Interest from members (note 4(c))	–	298,900	–
Investment income (note 8)	189,100	137,104	939,890
Management fees (note 9)	8,000	9,707	8,518
	<b>1,309,560</b>	<b>1,558,171</b>	<b>2,496,008</b>
<b>Expenses (note 1(i))</b>			
Interest on interim financing (note 4(c))	–	276,115	–
Professional fees	416,300	340,807	291,334
Travel and workshops	241,000	219,649	201,626
Salaries and benefits	884,500	704,786	659,240
Operation and management	444,760	441,544	449,036
Amortization of tangible capital assets (note 5)	–	44,679	47,508
	<b>1,986,560</b>	<b>2,027,580</b>	<b>1,648,744</b>
<b>Surplus (deficit) (note 1(h) and 6)</b>	<b>(677,000)</b>	<b>(469,409)</b>	<b>847,264</b>
<b>Accumulated surplus, beginning of year</b>	<b>11,587,659</b>	<b>11,587,659</b>	<b>10,740,395</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 10,910,659</b>	<b>\$ 11,118,250</b>	<b>\$ 11,587,659</b>

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

FIRST NATIONS  
FINANCE AUTHORITY



YEAR ENDED  
MARCH 31, 2013

Year ended March 31, 2013 with comparative figures for 2012

	2013 Budget (note 1(h))	2013	2012
<b>SURPLUS</b> (deficit)	\$ (677,000)	\$ (469,409)	\$ 847,264
<b>Changes to non-financial assets</b>			
Acquisition of tangible capital assets (note 5)	–	(11,575)	(20,450)
Amortization of tangible capital assets (note 5)	–	44,679	47,508
	–	<b>33,104</b>	<b>27,058</b>
Net change in prepaid expenses	–	2,495	(9,842)
	–	<b>35,599</b>	<b>17,216</b>
<b>Increase (decrease) in net financial assets</b>	(677,000)	(433,810)	864,480
<b>Net financial assets, beginning of year</b>	11,479,239	11,479,239	10,614,759
<b>Net financial assets, end of year</b>	<b>\$ 10,802,239</b>	<b>\$ 11,045,429</b>	<b>\$ 11,479,239</b>

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FIRST NATIONS  
FINANCE AUTHORITY



YEAR ENDED  
MARCH 31, 2013

March 31, 2013 with comparative figures for 2012

	2013	2012
<b>Cash provided by (used in):</b>		
<b>Operating transactions:</b>		
Surplus (deficit)	\$ (469,409)	\$ 847,264
Amortization of tangible capital assets	44,679	47,508
Credit Enhancement Fund contribution receivable	–	10,000,000
Net change in non-cash assets and liabilities:		
Accounts receivable	(275)	117,967
Prepaid expenses	2,495	(9,842)
Accounts payable and accrued liabilities	(10,934)	(34,228)
	<b>(433,444)</b>	<b>10,968,669</b>
<b>Investing transactions:</b>		
Interim financing loans to members	(20,777,505)	–
Net decrease (increase) in Credit Enhancement Fund assets	424,730	(10,928,540)
Acquisition of investments	(1,046,056)	–
	<b>(21,398,831)</b>	<b>(10,928,540)</b>
<b>Capital transactions:</b>		
Purchase of tangible capital assets	(11,575)	(20,450)
<b>Financing transactions:</b>		
Proceeds from interim financing	20,776,000	–
Due to members	1,046,056	–
	<b>21,822,056</b>	<b>–</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(21,794)</b>	<b>19,679</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>385,348</b>	<b>365,669</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 363,554</b>	<b>\$ 385,348</b>

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FIRST NATIONS  
FINANCE AUTHORITY



YEAR ENDED  
MARCH 31, 2013

March 31, 2013 with comparative figures for 2012

First Nations Finance Authority ("FNFA") was announced April 1, 2006 as a result of Bill C20 and operates under the *First Nations Fiscal Management Act (the "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. FNFA, through an agreement with the Municipal Finance Authority of British Columbia ("MFA"), acts as a non assignable corporate investment vehicle contracting with MFA for the provision of investment services for FNFA unit holders.

## 1. Significant accounting policies:

The consolidated financial statements of FNFA have been prepared by management in accordance with Canadian Public Sector Accounting Standards, applying the following significant accounting policies.

### (a) Basis of consolidation:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of FNFA's reporting entity, which is comprised of all of FNFA's funding, including its Operating, Credit Enhancement, Sinking and Debt Reserve funds. As at and for the year ended March 31, 2013, the Operating, Credit Enhancement and a Debt Reserve Fund were utilized. All transactions and balances between the funds have been eliminated upon consolidation. Descriptions of FNFA's funds are as follows:

#### Operating Fund:

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, FNFA is required to establish a Credit Enhancement Fund ("CEF") for the enhancement of FNFA's credit rating (note 2).

#### Sinking Fund:

Under the Act, FNFA is required to establish a Sinking Fund to fulfill its repayment obligations to the holders of each debenture security issued by FNFA. No debenture security was outstanding as at March 31, 2013. A Sinking Fund is not required for interim financing loans to members.

#### Debt Reserve Funds:

Under the Act FNFA is required to establish one or more Debt Reserve Funds. If at any time 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 Debt Reserve Funds to satisfy these obligations.

### (b) Basis of accounting:

FNFA follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable (note 1(c)). Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

### (c) Revenue recognition:

Transfers from governments in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Transfers which include stipulations that give rise to an obligation are recognized as revenue in the period the stipulations giving rise to the obligation, have been met.

FNFA receives management fees with respect to investment services provided to unit holders related to short term investments held with MFA (note 9). These fees are recognized over the related service period.

Interest on loans to members is recorded as revenue in the period in accordance with FNFA's loan agreements with members. Investment income is recorded as revenue in the period earned.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 with comparative figures for 2012

## 1. Significant accounting policies: (continued)

### (d) Cash and cash equivalents:

Cash and cash equivalents includes cash and investments in highly liquid money market funds, with a term to maturity of 90 days or less and are readily convertible to cash.

### (e) Financial instruments:

Financial instruments are initially classified upon initial recognition as a fair value or an amortized cost instrument. The fair value category includes investments in equity instruments that are quoted in an active market, and any other items elected by FNFA to be recorded at fair value. All other financial instruments are recorded at amortized cost. Transaction costs directly attributable to the acquisition or issue of a financial instrument are added to the amortized cost or expensed if related to instruments recorded on a fair value basis. The effective interest rate method is used to measure interest for financial instruments recorded at amortized cost.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

As at March 31, 2013, FNFA does not have any financial instruments that required or were elected to be recorded at fair value. Accordingly a statement of remeasurement gain (loss) has not been provided.

### (f) Tangible capital assets:

Tangible capital assets are reported at cost, net of accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution and are also recorded as revenue. When management determines that a tangible capital asset no longer contributes to FNFA's operations, the tangible 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%
Computer equipment	Declining balance	30 – 45%
Leasehold improvements	Straightline	lesser of lease term and 20%

### (g) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. Significant areas requiring management estimates include the fair value and any impairment of financial assets and the fair value of financial liabilities on issuance. Actual amounts can differ from these estimates.

### (h) Budget data:

The budget data presented in these consolidated financial statements have been derived from the budget approved by the Board of Directors on September 28, 2012. The approved budget projected a deficit for the year of \$677,000, to be funded from previous years surplus in the Credit Enhancement Fund.

### (i) Segmented disclosure:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. FNFA has determined that it had only one operating segment for the year ended March 31, 2013. Accordingly, segmented disclosures have not been presented in these consolidated financial statements.

## 2. Credit Enhancement Fund assets:

FNFA entered into an agreement with Aboriginal Affairs and Northern Development Canada ("AANDC"), previously Indian and Northern Affairs Canada, on March 24, 2011 to transfer funds to FNFA for deposit into the Credit Enhancement Fund ("CEF") (note 1(a)).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 with comparative figures for 2012

## 2. Credit Enhancement Fund assets: (continued)

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 the Debt Reserve Funds, to defray FNFA's costs of operation, and for any other purpose prescribed by regulation. The capital of the CEF may be used to temporarily offset shortfalls in the Debt Reserve Funds and for any other purpose prescribed by regulation.

The funding agreement includes provisions pursuant to which FNFA may be required to repay all or a portion of the \$10.0 million contribution. The original agreement was amended on March 29, 2012 and again on November 15, 2012 to include the following amended provisions:

- i) If FNFA does not issue a bond in accordance with the Act by March 31, 2014, FNFA could be required to repay the contribution by May 1, 2014. The Agreement may be further amended by written request of FNFA to AANDC.
- ii) The Minister of AANDC has the right to require the Authority to return the transferred funds if, in the Minister's opinion, FNFA does not make adequate progress towards its first bond issue. The Minister has not, to the date of these financial statements, given any indication that, in their opinion, FNFA has not made adequate progress.
- iii) If the FNFA does not issue bonds that, in aggregate, are equal to or greater than \$40.0 million at any time up to and including March 31, 2014, the FNFA may be required to repay all or a portion of the contribution.

The CEF assets consist of the following:

	2013	2012
Cash and cash equivalents	\$ 10,503,810	\$ 10,928,540

## 3. Debt Reserve Fund:

### a) Investments:

Debt Reserve Fund investments consists of cash and cash equivalents held by FNFA as security for debenture payments to bond holders and interim financing providers. If, at any time, FNFA does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions will be made from the Debt Reserve Fund.

### b) Due to members:

Amount due to members in the Debt Reserve Fund will be repaid to a member when the member has satisfied all obligations related to the applicable loan agreement. The balance owing to members as at March 31, 2013 is due on demand consistent with the term of the underlying interim financing agreements.

## 4. Interim financing:

### a) Interim financing loans to members:

Interim financing loans to members as at March 31, 2013 consists of loans to three borrowing members with a total face value of \$20,777,505. The loans bear interest at 2.50% and are due on the earlier of demand or the expiry of FNFA's credit facility described in note 4(b). The interim financing loans have been issued by FNFA in anticipation of a bond issuance by FNFA. The interim financing loans will be replaced by long-term financing agreements upon on the issuance of such securities and the earlier of five years from the date of the issuance of the interim financing or the completion by the member of the purpose, as defined in their Borrowing Agreement, for the FNFA financing.

The interim financing loans require monthly interest only payments by the members, arising from member revenues as specified in the members' Borrowing Law, into a Secured Revenues Trust Account ("SRTA"), as governed by a Secured Revenues Trust Account Management Agreement between the member and FNFA. As directed by FNFA, the following amounts are withdrawn from the SRTA:

- Monthly interest payments to FNFA under the terms of the respective Borrowing Agreements; and
- The excess balance in the SRTA may be paid to the member based on the terms of their respective Borrowing Agreement.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 with comparative figures for 2012

## 4. Interim financing: (continued)

FNFA conducts periodic evaluations of its loans to members to determine if the loans are impaired. No impairment provision has been recorded to March 31, 2013. A reduction in the carrying value of a loan may be recovered by a transfer from the applicable Debt Reserve Fund and, ultimately, intervention with First Nations Management Board on eligible revenue streams if it is believed that payments under the loan agreements may not be recovered within a reasonable period of time.

### b) Interim financing:

Interim financing consists of a non-revolving credit facility, due on demand, of up to \$26,275,790 as of March 31, 2013. The interim financing bears interest at the lender's 30 to 60 day bankers' acceptance rate plus a stamping fee of 1.00% on issuance, with interest only payments on a monthly basis and the full balance due on or before March 31, 2014. As at March 31, 2013, \$20,776,000 had been received by FNFA from this loan facility at a combined average interest rate and stamping fee of 2.27%.

The interim financing is secured by a general security agreement, registered in a first prior position, a general assignment of book debts, bankers acceptance agreements, a pledge of negotiable collateral (covering debt reserve funds assets and all other accounts, other than Credit Enhancement Fund and general operating bank account), guarantees from borrowing members equal to the face value of their interim financing loans and an irrevocable direction to pay signed by FNFA. Also working within the rules and guidelines in the Act and the Credit Enhancement Fund Agreement, the FNFA will transfer some or all of the Credit Enhancement Fund assets to a Debt Reserve Fund to cover a shortfall against the interim financing if repayment of the interim financing is demanded. Once accessed, the Credit Enhancement Fund will be replenished as per the Credit Enhancement Fund Agreement.

### c) Net interest on interim financing:

Interest received from members for the year-ended March 31, 2013 was \$298,900 (2012 \$nil). Interest expense on interim financing for the year-ended March 31, 2013 was \$276,115 (2012 \$nil).

### d) Subsequent events:

Subsequent to March 31, 2013, FNFA received loan drawdown requests and issued additional interim financing loans in the amount of \$5,037,863 to approved borrowing members.

## 5. Tangible capital assets:

March 31, 2013	Furniture and equipment	Computer equipment	Leasehold improvements	Total
<b>Costs:</b>				
Balance, beginning of year	\$ 44,575	\$ 101,096	\$ 115,709	\$ 261,380
Additions	–	11,575	–	11,575
Write-downs/disposals	(1,346)	(3,502)	–	(4,848)
<b>Balance, end of year</b>	<b>43,229</b>	<b>109,169</b>	<b>115,709</b>	<b>268,107</b>
<b>Accumulated amortization:</b>				
Balance, beginning of year	25,642	55,551	92,745	173,938
Amortization	4,072	17,643	22,964	44,679
Write-downs/disposals	(1,346)	(3,502)	–	(4,848)
<b>Balance, end of year</b>	<b>28,368</b>	<b>69,692</b>	<b>115,709</b>	<b>213,769</b>
<b>Net book value, end of year</b>	<b>\$ 14,861</b>	<b>\$ 39,477</b>	<b>\$ –</b>	<b>\$ 54,338</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 with comparative figures for 2012

## 5. Tangible capital assets: (continued)

March 31, 2012	Furniture and equipment	Computer equipment	Leasehold improvements	Total
<b>Costs:</b>				
Balance, beginning of year	\$ 40,928	\$ 89,412	\$ 115,709	\$ 246,049
Additions	4,502	15,948	–	20,450
Write-downs/disposals	(855)	(4,264)	–	(5,119)
<b>Balance, end of year</b>	<b>44,575</b>	<b>101,096</b>	<b>115,709</b>	<b>261,380</b>
<b>Accumulated amortization:</b>				
Balance, beginning of year	22,325	44,629	64,595	131,549
Amortization	4,172	15,186	28,150	47,508
Write-downs/disposals	(855)	(4,264)	–	(5,119)
<b>Balance, end of year</b>	<b>25,642</b>	<b>55,551</b>	<b>92,745</b>	<b>173,938</b>
<b>Net book value, end of year</b>	<b>\$ 18,933</b>	<b>\$ 45,545</b>	<b>\$ 22,964</b>	<b>\$ 87,442</b>

## 6. Accumulated surplus:

a) Accumulated surplus consists of the individual fund surpluses and reserves as follows:

	2013	2012
<b>Accumulated surplus:</b>		
Credit Enhancement Fund	\$ 10,503,810	\$ 10,928,540
<b>Operating Fund:</b>		
Invested in tangible capital assets	54,338	87,442
Unrestricted	560,102	571,677
	<b>\$ 11,118,250</b>	<b>\$ 11,587,659</b>

The accumulated surplus in FNFA's Debt Reserve Funds as at March 31, 2013 was \$nil (2012 \$nil).

## b) 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 tangible 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. The members' capital has been recorded as restricted cash and cash equivalent.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 with comparative figures for 2012

## 6. Accumulated surplus: (continued)

c) Change in accumulated surplus is calculated as follows:

	Credit Enhancement Fund (note 2)	Operating Fund		Total
		Invested in tangible capital assets	Unrestricted	
Balance, March 31, 2011	\$ 10,000,000	\$ 114,500	\$ 625,895	\$ 10,740,395
Surplus (deficit)	928,540	(47,508)	(33,768)	847,264
Acquisition of tangible capital assets	–	20,450	(20,450)	–
<b>Balance, March 31, 2012</b>	<b>10,928,540</b>	<b>87,442</b>	<b>571,677</b>	<b>11,587,659</b>
Surplus (deficit)	120,215	(44,679)	(544,945)	(469,409)
Acquisition of tangible capital assets	–	11,575	(11,575)	–
Transfers	(544,945)	–	544,945	–
<b>Balance, March 31, 2013</b>	<b>\$ 10,503,810</b>	<b>\$ 54,338</b>	<b>\$ 560,102</b>	<b>\$ 11,118,250</b>

## 7. Grants and contributions:

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

	2013	2012
Comprehensive Funding Arrangement	\$ 612,460	\$ 1,047,600
Grant Agreements	500,000	500,000
	<b>\$ 1,112,460</b>	<b>\$ 1,547,600</b>

The AANDC provided a Comprehensive Funding Arrangement for the 2012-2013 fiscal years. 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.

Under the terms of the Grant Agreements, 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, 2013 and has been renewed. Management anticipates that this agreement will be renewed for future years.

## 8. Investment income:

	2013	2012
<b>Credit Enhancement Fund:</b>		
Investment income	\$ 129,351	\$ 173,345
Realized gain on cash equivalents	–	763,854
Transaction and bank charges	(9,136)	(8,659)
	<b>120,215</b>	<b>928,540</b>
Other interest income	16,889	11,350
	<b>\$ 137,104</b>	<b>\$ 939,890</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 with comparative figures for 2012

## 9. 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.

## 10. Commitments:

### (a) Operating lease commitments:

The FNFA entered into a lease agreement for office space. The agreement is for 60 months and expires February 2018.

### (b) Other commitments:

The FNFA 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 into an agreement with Moody's Canada Inc. to provide indicative rating services for a cost of \$ 84,000, of which \$35,000 has been included as a current liability within accounts payable and accrued liabilities for in the year ended March 31, 2013 for work performed to date.

Total estimated operating lease and other commitments for the next five years are as follows:

2014	\$	123,546
2015		75,046
2016		75,046
2017		75,046
2018		62,538
	\$	<u>411,222</u>

## 11. Financial instruments:

### (a) Fair value:

Fair value represents the estimated consideration that would be agreed upon in a current transaction between knowledgeable and willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments measured at fair value are remeasured based on the available information. As at March 31, 2013 and 2012, FNFA did not have any financial instruments that were required or elected to be recorded at fair value. Accordingly, no disclosure regarding the information used in determining fair value measurements has been provided.

### (b) Credit risk:

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in a financial loss. FNFA holds its cash and cash equivalents, Credit Enhancement Fund assets and investments with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, FNFA's cash accounts are insured up to \$300,000.

FNFA's investment policies for its Credit Enhancement Fund, Debt Reserve Funds, and Sinking Funds are governed by the Act, which specifies eligible investments. FNFA's investment policy for other cash and investments is monitored by management and the Board, consistent with its mandate.

### (c) Liquidity risk:

Liquidity risk is the risk that FNFA will not be able to meet its financial obligations as they become due. For the year ended March 31, 2013, each interim financing loan to members was funded through interim financing with the same term. FNFA monitors the maturity of its financial liabilities and assesses whether it has sufficient cash to settle these financial obligations when due.

FNFA is subject to non-financial covenants and restrictions in relation to its interim financing and Credit Enhancement Fund (note 2). As at March 31, 2013, FNFA was in compliance with these covenants and restrictions.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 with comparative figures for 2012

The following tables summarize the contractual maturities of FNFA's financial assets and liabilities:

In thousands of dollars	March 31, 2013			
	On demand	Within 6 months	6 months to 1 year	Total
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 364	\$ –	\$ –	\$ 364
Credit Enhancement Fund assets	10,504	–	–	10,504
Accounts receivable	–	2	–	2
Debt Reserve Fund	1,046	–	–	1,046
Interim financing loans to members	20,777	–	–	20,777
Restricted cash and cash equivalents	324	–	–	324
	<b>33,015</b>	<b>2</b>	<b>–</b>	<b>33,017</b>
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	150	–	–	150
Debt Reserve Fund	1,046	–	–	1,046
Interim financing	20,776	–	–	29,776
	<b>21,972</b>	<b>–</b>	<b>–</b>	<b>21,972</b>
<b>Net Financial Assets</b>	<b>\$ 11,043</b>	<b>\$ 2</b>	<b>\$ –</b>	<b>\$ 11,045</b>

In thousands of dollars	March 31, 2012			
	On demand	Within 6 months	6 months to 1 year	Total
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 385	–	–	\$ 385
Credit Enhancement Fund assets	10,929	–	–	10,929
Accounts receivable	–	2	–	2
Restricted cash and cash equivalents	324	–	–	324
	<b>11,638</b>	<b>2</b>	<b>–</b>	<b>11,640</b>
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	161	–	–	161
	<b>161</b>	<b>–</b>	<b>–</b>	<b>161</b>
<b>Net Financial Assets</b>	<b>\$ 11,477</b>	<b>\$ 2</b>	<b>\$ –</b>	<b>\$ 11,479</b>

**(d) Interest rate risk:**

Interest rate risk relates to the impact of changes in interest rates on FNFA's future cash inflows from its investments and loans to members and future cash outflows on its interim financing. FNFA's cash and cash equivalents, Credit Enhancement Fund assets and investments are held in cash or short term money market instruments, accordingly, FNFA is not subject to significant interest rate risk in regards to these financial assets.

FNFA is subject to interest rate risk with respect to its interim financing, which bears interest at variable rates based on the lenders' 30-60 bankers' acceptance rate. For the year ended March 31, 2013, FNFA's interest on its interim financing loans to members were not subject to significant interest rate risk in relation to its interim financing for the year ended March 31, 2013.

**12. Comparative figures:**

Certain 2012 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

# POOLED INVESTMENTS

Year ended December 31, 2012

## Pooled Investments Statement of Net Assets - (unaudited)

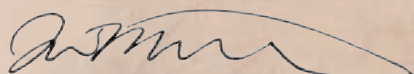
FIRST NATIONS FINANCE AUTHORITY

December 31, 2012, with comparative information for 2011

	Money Market Fund		Intermediate Fund		Bond Fund		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>Assets</b>								
Cash	\$ 979	(16,154)	1,316	416	50	28	\$ 2,345	\$ (15,710)
Receivable for investments sold	–	–	2,354	154	897	2,362	3,251	2,516
Unitholder receivable	267,449	–	–	236,981	–	–	267,449	236,981
Investments (note 3)	13,993,144	12,104,580	8,456,776	10,787,830	1,118,916	408,271	23,568,836	23,300,681
	<b>\$ 14,261,572</b>	<b>12,088,426</b>	<b>8,460,446</b>	<b>11,025,381</b>	<b>1,119,863</b>	<b>410,661</b>	<b>\$ 23,841,881</b>	<b>\$ 23,524,468</b>
<b>Liabilities</b>								
Accrued management fees	\$ 2,080	1,833	1,566	2,092	200	78	\$ 3,846	\$ 4,003
Securities purchase	–	–	–	68,153	–	–	–	68,153
Unitholder payable	42,215	25,985	–	88,867	–	1,800	42,215	116,652
	<b>44,295</b>	<b>27,818</b>	<b>1,566</b>	<b>159,112</b>	<b>200</b>	<b>1,878</b>	<b>46,061</b>	<b>188,808</b>
<b>Net assets and unitholders' equity</b>	<b>14,217,277</b>	<b>12,060,608</b>	<b>8,458,880</b>	<b>10,866,269</b>	<b>1,119,663</b>	<b>408,783</b>	<b>23,795,820</b>	<b>23,335,660</b>
	<b>\$ 14,261,572</b>	<b>12,088,426</b>	<b>8,460,446</b>	<b>11,025,381</b>	<b>1,119,863</b>	<b>410,661</b>	<b>\$ 23,841,881</b>	<b>\$ 23,524,468</b>

See accompanying notes to financial statements.

On behalf of the Board



Director





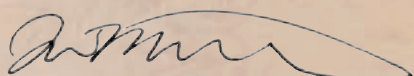
**Pooled Investments**  
**Statement of Earnings and Unitholders' Equity - (unaudited)**

FIRST NATIONS FINANCE AUTHORITY

December 31, 2012, with comparative information for 2011

	Money Market Fund		Intermediate Fund		Bond Fund		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>Investment income:</b>								
Interest income	\$ 153,578	122,806	384,497	372,159	36,367	1,039	\$ 574,442	\$ 496,004
Less management fees	20,110	16,720	21,678	23,783	2,470	62	44,258	40,565
	<b>133,468</b>	<b>106,086</b>	<b>362,819</b>	<b>348,376</b>	<b>33,897</b>	<b>977</b>	<b>530,184</b>	<b>455,439</b>
<b>Gain (loss) on investments:</b>								
Net realized gain (loss)	17	–	(164,731)	(225,416)	(4,021)	34	(168,735)	(225,382)
Net unrealized gain	–	–	(59,961)	60,845	(2,739)	50	(62,700)	60,895
Net gain on investments	17	–	(224,692)	(164,571)	(6,760)	84	(231,435)	(164,487)
<b>Net earnings distributed</b>	<b>\$ 133,485</b>	<b>106,086</b>	<b>138,127</b>	<b>183,805</b>	<b>27,137</b>	<b>1,061</b>	<b>\$ 298,749</b>	<b>\$ 290,952</b>
<b>Net assets and unitholders' equity:</b>								
Units outstanding, beginning of the year	\$ 12,060,608	9,133,391	10,866,269	11,317,464	408,783	–	\$ 23,335,660	\$ 20,450,855
Units subscribed	4,554,598	4,953,901	–	–	729,966	416,442	5,284,564	5,370,343
Distributions reinvested	133,485	106,086	138,127	183,805	27,137	1,061	298,749	290,952
Units redeemed	(2,531,414)	(2,132,770)	(2,545,516)	(635,000)	(46,223)	(8,720)	(5,123,153)	(2,776,490)
<b>Units outstanding, end of the year</b>	<b>\$ 14,217,277</b>	<b>12,060,608</b>	<b>8,458,880</b>	<b>10,866,269</b>	<b>1,119,663</b>	<b>408,783</b>	<b>\$ 23,795,820</b>	<b>\$ 23,335,660</b>

See accompanying notes to financial statements.



On behalf of the Board

Director



# Pooled Investments

## Notes to Financial Statements - (unaudited)

FIRST NATIONS FINANCE AUTHORITY

Year ended December 31, 2012

First Nations Finance Authority (the "FNFA") was announced April 1, 2006 as a result of Bill C-20 and operates under the *First Nations Fiscal Management Act* (the "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 (the "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-termed 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 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, 2012 the duration of the funds was 77 days for Money Market Fund, 219 days for the Intermediate Fund and 2.3 years for the Bond 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, 2012.

### 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, Intermediate Fund and Bond Fund administered by the MFA's Pooled Investment Funds.

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

	2012			2011		
	Money Market Fund	Intermediate Fund	Bond Fund	Money Market Fund	Intermediate Fund	Bond Fund
Bankers' acceptance	6.97%	–	–	4.33%	–	–
Corporate bonds	7.69%	72.24%	54.52%	–	–	85.03%
Treasury bills and term deposits	7.60%	12.75%	20.92%	11.45%	12.91%	–
Commercial paper	77.74%	11.58%	4.88%	78.87%	16.97%	11.88%
Government of Canada federal bonds	–	–	7.54%	5.35%	70.12%	1.40%
Provincial bonds	–	3.43%	5.63%	–	–	–
Mortgages	–	–	6.51%	–	–	1.69%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The investments of the FNFA unit holders represent approximately 1.24% (2011 - 1.18%) of the Money Market Fund, 2.74% (2011 - 3.71%) of the Intermediate Fund and 0.18% (2011 - 0.08%) of the Bond 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 \$9,432 (2011 - \$8,332) were paid to the FNFA general operating fund through the MFA.

# MFA MONEY MARKET FUND

# FIRST NATIONS FINANCE AUTHORITY

as of December 31, 2012

	COUPON RATE	MATURITY DATE	PAR	MARKET VALUE	% OF TOTAL
<b>SHORT TERM NOTES</b>					
<b>PROVINCIAL</b>					
FINANCEMENT QUE	PDN DISCNT	JAN 18 13	10,000,000	9,982,400	0.89
FINANCEMENT QUE	PDN DISCNT	FEB 08 13	35,000,000	34,835,500	3.10
FINANCEMENT QUE	PDN DISCNT	FEB 27 13	97,400,000	96,900,069	8.62
FINANCEMENT QUE	PDN DISCNT	APR 03 13	10,000,000	9,943,600	0.88
NEW BRUNS PROV	PTB DISCNT	JAN 24 13	7,000,000	6,988,660	0.62
NEW BRUNS PROV	PTB DISCNT	FEB 26 13	11,475,000	11,448,493	1.02
ONTARIO PROV	PTB DISCNT	JAN 23 13	10,720,000	10,692,450	0.95
ONTARIO PROV	PTB DISCNT	FEB 13 13	7,000,000	6,982,220	0.62
ONTARIO PROV	PTB DISCNT	FEB 20 13	4,200,000	4,190,970	0.37
ONTARIO PROV	PTB DISCNT	MAR 13 13	41,940,000	41,838,505	3.72
ONTARIO PROV	PTB DISCNT	MAY 01 13	3,500,000	3,480,400	0.31
<b>CORPORATE</b>					
BANK OF N.S.	BDN DISCNT	FEB 12 13	25,000,000	24,846,750	2.21
BANK OF N.S.	BDN DISCNT	FEB 27 13	22,500,000	22,359,825	1.99
BMO FIRST BANK	BDN DISCNT	FEB 05 13	7,500,000	7,453,800	0.66
BMO FIRST BANK	BDN DISCNT	FEB 12 13	12,445,000	12,368,712	1.10
BMO FIRST BANK	BDN DISCNT	MAR 04 13	68,275,000	67,837,357	6.03
BMO FIRST BANK	BDN DISCNT	MAR 07 13	15,500,000	15,400,180	1.37
C.I.B.C.	B/A DISCNT	FEB 26 13	8,250,000	8,198,190	0.73
C.I.B.C.	B/A DISCNT	MAR 01 13	55,000,000	54,651,850	4.86
CDN MASTER TRUST	D/N DISCNT	JAN 25 13	20,000,000	19,897,600	1.77
CDN MASTER TRUST	D/N DISCNT	FEB 12 13	1,570,000	1,563,673	0.14
CDN MASTER TRUST	D/N DISCNT	FEB 25 13	14,000,000	13,925,660	1.24
CDN MASTER TRUST	D/N DISCNT	MAR 20 13	5,400,000	5,363,874	0.48
CDN MASTER TRUST	D/N DISCNT	JUN 19 13	15,000,000	14,902,800	1.33
CLARITY TRUST	D/N DISCNT	MAR 07 13	10,000,000	9,970,300	0.89
CLARITY TRUST	D/N DISCNT	JUN 05 13	32,000,000	31,796,160	2.83
CLARITY TRUST	D/N DISCNT	JUN 17 13	12,500,000	12,420,375	1.10
DARWIN REC TR	D/N DISCNT	FEB 25 13	4,000,000	3,973,840	0.35
DARWIN REC TR	D/N DISCNT	APR 08 13	15,000,000	14,903,850	1.33
DARWIN REC TR	D/N DISCNT	APR 09 13	3,500,000	3,479,770	0.31
DARWIN REC TR	D/N DISCNT	APR 22 13	10,500,000	10,433,115	0.93
DARWIN REC TR	D/N DISCNT	MAY 01 13	9,375,000	9,314,250	0.83
DARWIN REC TR	D/N DISCNT	MAY 16 13	5,500,000	5,465,295	0.49
DARWIN REC TR	D/N DISCNT	MAY 22 13	5,000,000	4,969,200	0.44
DARWIN REC TR	D/N DISCNT	JUN 03 13	2,500,000	2,484,075	0.22
FUSION TRUST	D/N DISCNT	JAN 10 13	5,500,000	5,483,390	0.49
FUSION TRUST	D/N DISCNT	JAN 17 13	3,250,000	3,240,185	0.29
FUSION TRUST	D/N DISCNT	FEB 26 13	3,000,000	2,990,970	0.27
FUSION TRUST	D/N DISCNT	MAY 02 13	29,000,000	28,810,340	2.56
FUSION TRUST	D/N DISCNT	MAY 10 13	3,325,000	3,303,255	0.29
HSBC SECURITIES	B/A DISCNT	MAR 01 13	14,000,000	13,924,400	1.24
HSBC SECURITIES	B/A DISCNT	MAR 05 13	1,500,000	1,495,650	0.13
HSBC SECURITIES	BDN DISCNT	MAR 01 13	8,000,000	7,976,240	0.71
HSBC SECURITIES	BDN DISCNT	MAR 18 13	27,000,000	26,824,770	2.39
INTER PPL COR	D/N DISCNT	JAN 04 13	10,000,000	9,965,300	0.89
INTER PPL COR	D/N DISCNT	JAN 07 13	8,000,000	7,974,240	0.71
INTER PPL COR	D/N DISCNT	JAN 08 13	5,500,000	5,482,895	0.49
INTER PPL COR	D/N DISCNT	JAN 22 13	6,000,000	5,981,280	0.53
MERIT TRUST	D/N DISCNT	FEB 13 13	11,675,000	11,600,163	1.03

## CORPORATE (continued)

	COUPON RATE	MATURITY DATE	PAR	MARKET VALUE	% OF TOTAL
MERIT TRUST	D/N DISCNT	APR 02 13	15,000,000	14,903,850	1.33
MERIT TRUST	D/N DISCNT	APR 04 13	2,850,000	2,831,646	0.25
MERIT TRUST	D/N DISCNT	APR 22 13	10,500,000	10,433,115	0.93
MERIT TRUST	D/N DISCNT	MAY 24 13	8,250,000	8,196,870	0.73
MERIT TRUST	D/N DISCNT	MAY 27 13	2,000,000	1,987,260	0.18
MERIT TRUST	D/N DISCNT	MAY 29 13	3,000,000	2,980,770	0.27
MERIT TRUST	D/N DISCNT	JUN 03 13	2,500,000	2,484,075	0.22
PRIME TRUST	D/N DISCNT	APR 03 13	23,250,000	23,099,340	2.05
PRIME TRUST	D/N DISCNT	MAY 01 13	6,000,000	5,961,120	0.53
PRIME TRUST	D/N DISCNT	MAY 13 13	18,500,000	18,381,415	1.64
PRIME TRUST	D/N DISCNT	MAY 27 13	2,000,000	1,987,260	0.18
PRIME TRUST	D/N DISCNT	MAY 29 13	3,600,000	3,576,924	0.32
PRIME TRUST	D/N DISCNT	JUN 03 13	2,500,000	2,484,075	0.22
RELIANT TRUST	D/N DISCNT	JAN 07 13	5,695,000	5,677,606	0.51
RELIANT TRUST	D/N DISCNT	FEB 28 13	6,000,000	5,970,240	0.53
RELIANT TRUST	D/N DISCNT	MAR 05 13	8,140,000	8,091,811	0.72
RELIANT TRUST	D/N DISCNT	APR 02 13	10,000,000	9,935,900	0.88
RELIANT TRUST	D/N DISCNT	APR 12 13	8,000,000	7,952,880	0.71
RELIANT TRUST	D/N DISCNT	APR 15 13	12,000,000	11,923,080	1.06
RELIANT TRUST	D/N DISCNT	JUN 03 13	3,500,000	3,477,705	0.31
RIDGE TRUST	D/N DISCNT	JAN 25 13	1,500,000	1,492,320	0.13
RIDGE TRUST	D/N DISCNT	FEB 12 13	18,000,000	17,928,720	1.59
RIDGE TRUST	D/N DISCNT	FEB 19 13	4,875,000	4,865,006	0.43
RIDGE TRUST	D/N DISCNT	MAY 14 13	13,000,000	12,917,190	1.15
RIDGE TRUST	D/N DISCNT	JUN 19 13	16,200,000	16,096,158	1.43
TRANSCANADA PIPE	D/N DISCNT	MAR 04 13	18,450,000	18,397,602	1.64
TRANSCANADA PIPE	D/N DISCNT	MAR 20 13	7,600,000	7,577,960	0.67
ZEUS REC TRUST	D/N DISCNT	JAN 09 13	975,000	972,143	0.09
ZEUS REC TRUST	D/N DISCNT	FEB 25 13	11,000,000	10,928,060	0.97
ZEUS REC TRUST	D/N DISCNT	APR 03 13	10,000,000	9,935,200	0.88
ZEUS REC TRUST	D/N DISCNT	APR 08 13	10,400,000	10,333,336	0.92
ZEUS REC TRUST	D/N DISCNT	APR 15 13	15,000,000	14,903,850	1.33
ZEUS REC TRUST	D/N DISCNT	MAY 01 13	4,000,000	3,974,080	0.35
ZEUS REC TRUST	D/N DISCNT	MAY 27 13	2,000,000	1,987,260	0.18
ZEUS REC TRUST	D/N DISCNT	JUN 03 13	2,500,000	2,484,075	0.22

**BONDS****FEDERAL**

CANADA HOUSING TRUST	3.600	JUN 15 13	26,800,000	27,103,594	2.41
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**PROVINCIAL**

FINANCEMENT QUEBEC	FLTG	SEP 16 13	13,750,000	13,754,675	1.22
MANITOBA PROV	FRN FLTG	OCT 31 13	14,525,000	14,529,939	1.29

**CORPORATE**

BANK OF MONTREAL	FRN FLTG	OCT 15 13	8,500,000	8,519,125	0.76
BANK OF N.S.	FRN FLTG	NOV 08 13	8,000,000	8,001,188	0.71
CIBC	FRN FLTG	NOV 28 13	7,700,000	7,709,779	0.69
ROYAL BANK CDA	FRN FLTG	SEPT 19 13	7,000,000	7,005,460	0.62

as of December 31, 2012

	COUPON RATE	MATURITY DATE	PAR	MARKET VALUE	% OF TOTAL
<b>SHORT TERM NOTES</b>					
<b>PROVINCIAL</b>					
FINANCEMENT QUE	PDN DISCNT	FEB 27 13	3,235,000	3,215,914	1.05
FINANCEMENT QUE	PDN DISCNT	MAY 28 13	30,000,000	29,834,100	9.71
ONTARIO PROV	PTB DISCNT	MAR 13 13	835,000	832,979	0.27
ONTARIO PROV	PTB DISCNT	MAY 01 13	12,511,000	12,440,938	4.05
ONTARIO PROV	PTB DISCNT	OCT 23 13	26,345,000	26,069,958	8.49
<b>CORPORATE</b>					
FUSION TRUST	D/N DISCNT	MAY 02 13	1,450,000	1,440,517	0.47
RELIANT TRUST	D/N DISCNT	JUN 04 13	1,000,000	993,630	0.32
RIDGE TRUST	D/N DISCNT	MAY 14 13	250,000	248,408	0.08
<b>BONDS</b>					
<b>FEDERAL</b>					
CANADA HOUSING TRUST	3.950	JUN 15 13	42,780,000	43,331,323	14.11
<b>PROVINCIAL</b>					
ONTARIO PROV	5.000	MAR 08 14	10,000,000	10,439,992	3.40
<b>CORPORATE</b>					
AMERICAN EXPRESS CDA	5.900	APR 02 13	9,000,000	9,103,612	2.96
BANK OF MONTREAL	4.650	MAR 14 13	975,000	981,371	0.32
BANK OF MONTREAL	5.050	SEP 03 13	13,630,000	13,963,792	4.55
BANK OF N.S.	F/F 6.000	OCT 03 13 18	14,525,000	14,989,418	4.88
CARDS II TRUST	3.048	MAY 15 13	15,050,000	15,144,376	4.93
CATERPILLAR FIN SERV	5.200	JUN 03 13	13,500,000	13,715,952	4.47
CIBC	F/F 5.150	JUN 06 13/18	14,885,000	15,107,988	4.92
GOLDEN CREDIT CARD	5.421	APR 15 13	11,775,000	11,913,206	3.88
HYDRO ONE	5.000	NOV 12 13	14,600,000	15,043,451	4.90
MASTER CDT CARD	5.237	MAY 21 13	11,670,000	11,846,396	3.86
ROYAL BANK CDA	F/F 5.000	JUN 06 13/18	13,885,000	14,083,871	4.59
ROYAL BANK CDA	F/F 5.450	NOV 04 13/18	1,000,000	1,031,242	0.34
TORONTO HYDRO CORP	6.110	MAY 06 13	14,020,000	14,248,669	4.64
TRANSCANADA PIPELINE	5.050	AUG 20 13	11,800,000	12,067,932	3.93
WELLS FARGO FIN CDA	3.970	NOV 03 14	14,500,000	15,079,302	4.91

# MFA BOND FUND

# FIRST NATIONS FINANCE AUTHORITY

as of December 31, 2012

	COUPON RATE	MATURITY DATE	PAR	MARKET VALUE	% OF TOTAL
<b>SHORT TERM NOTES</b>					
<b>FEDERAL</b>					
CANADA GOVT	T/B DISCNT	JAN 14 13	4,750,000	4,746,991	0.76
CANADA GOVT	T/B DISCNT	JAN 17 13	5,500,000	5,492,135	0.88
CANADA GOVT	T/B DISCNT	JAN 31 13	29,975,000	29,914,938	4.82
CANADA GOVT	T/B DISCNT	FEB 14 13	27,625,000	27,561,424	4.44
CANADA GOVT	T/B DISCNT	FEB 28 13	37,375,000	37,286,487	6.01
CANADA GOVT	T/B DISCNT	MAR 14 13	25,425,000	25,360,421	4.09
<b>CORPORATE</b>					
CATERPILLAR	D/N DISCNT	JAN 28 13	5,125,000	5,120,131	0.82
INTER PPL COR	D/N DISCNT	JAN 04 13	3,500,000	3,487,855	0.56
INTER PPL COR	D/N DISCNT	JAN 11 13	2,300,000	2,292,847	0.37
MERIT TRUST	D/N DISCNT	JAN 03 13	5,825,000	5,807,176	0.94
MERIT TRUST	D/N DISCNT	JAN 11 13	5,000,000	4,997,850	0.81
RELIANT TRUST	D/N DISCNT	JAN 02 13	525,000	523,362	0.08
TELUS CORP	D/N DISCNT	JAN 11 13	6,000,000	5,997,420	0.97
UNION GAS LTD	D/N DISCNT	JAN 04 13	1,625,000	1,624,610	0.26
ZEUS REC TRUST	D/N DISCNT	JAN 09 13	525,000	523,462	0.08
<b>BONDS</b>					
<b>FEDERAL</b>					
CANADA GOVT	2.250	AUG 01 14	35,708,000	36,332,056	5.85
CANADA GOVT	1.500	SEP 01 17	10,226,000	10,281,874	1.66
CANADA HOUSING TRUST	2.700	DEC 15 13	23,339,000	23,685,171	3.82
CANADA HOUSING TRUST	2.750	SEP 15 14	27,052,000	27,755,940	4.47
CANADA HOUSING TRUST	1.700	DEC 15 17	15,284,000	15,288,676	2.46
CANADA HOUSING TRUST	4.100	DEC 15 18	2,741,000	3,090,506	0.50
NHA MBS 97547608	2.150	OCT 01 14	7,080,000	4,574,759	0.74
NHA MBS 97549976	2.300	DEC 01 14	8,850,000	6,146,751	0.99
NHA MBS 97555494	2.500	JUN 01 15	5,215,000	3,972,033	0.64
NHA MBS 97558746	2.170	SEP 01 15	2,450,000	1,952,192	0.31
NHA MBS 97558902	1.950	SEP 01 15	3,880,000	3,049,856	0.49
NHA MBS 97560841	2.750	NOV 01 15	1,865,000	1,492,137	0.24
NHA MBS 97572770	4.022	SEP 01 16	1,900,000	1,623,725	0.26
NHA MBS 97591051	1.700	AUG 01 17	4,065,000	3,941,220	0.63
NHA MBS 97592331	1.950	SEP 01 17	2,060,000	2,028,110	0.33
NHA MBS 97592513	1.850	DEC 01 17	2,170,000	2,160,148	0.35
NHA MBS 99009888	2.250	JAN 01 15	4,960,000	4,517,140	0.73
<b>PROVINCIAL</b>					
CADILLAC FAIRVIEW	3.240	JAN 25 16	8,506,000	8,860,879	1.43
ONTARIO PROV	4.750	JUN 02 13	499,000	506,470	0.08
ONTARIO PROV	1.900	SEP 08 17	18,708,000	18,737,756	3.02
ONTARIO PROV	4.200	MAR 08 18	8,837,000	9,804,524	1.58
QUEBEC PROV	4.500	DEC 01 18	5,143,000	5,808,006	0.94
<b>CORPORATE</b>					
ALTAGAS INCOME TRUST	7.420	APR 29 14	1,585,000	1,689,792	0.27
ALTALINK INV LP	3.674	JUN 05 19	981,000	990,128	0.16
BANK OF AMERICA	F/F 4.810	JUN 01 11/16	5,216,000	4,981,280	0.80
BANK OF MONTREAL	1.890	OCT 05 15	4,059,000	4,065,163	0.65

**BONDS (continued)**

	<b>COUPON RATE</b>	<b>MATURITY DATE</b>	<b>PAR</b>	<b>MARKET VALUE</b>	<b>% OF TOTAL</b>
BANK OF MONTREAL	3.103	MAR 10 16	205,000	212,159	0.03
BANK OF MONTREAL	3.490	JUN 10 16	3,865,000	4,049,794	0.65
BANK OF MONTREAL	2.960	AUG 02 16	3,832,000	3,948,431	0.64
BANK OF MONTREAL	2.240	DEC 11 17	3,005,000	2,999,203	0.48
BANK OF MONTREAL	F/F 4.870	APR 22 15/20	2,580,000	2,749,652	0.44
BANK OF MONTREAL	F/F 5.100	APR 21 16/21	1,020,000	1,114,445	0.18
BANK OF MONTREAL	F/F 6.170	MAR 28 18/23	856,000	1,007,399	0.16
BANK OF N.S.	F/F 5.300	JAN 31 13/18	800,000	802,077	0.13
BANK OF N.S.	F/F 4.990	MAR 27 13/18	4,924,000	4,963,084	0.80
BANK OF N.S.	F/F 6.000	OCT 03 13/18	3,290,000	3,395,194	0.55
BANK OF N.S.	F/F 4.940	APR 15 14/19	4,570,000	4,751,457	0.77
BANK OF NOVA SCOTIA	3.610	FEB 22 16	4,659,000	4,890,520	0.79
BANK OF NOVA SCOTIA	2.740	DEC 01 16	2,220,000	2,271,363	0.37
BANK OF NOVA SCOTIA	4.100	JUN 08 17	5,898,000	6,360,440	1.02
BELL ALIANT COMM	6.290	FEB 17 15	1,550,000	1,677,564	0.27
BELL CANADA	4.400	MAR 16 18	2,780,000	3,030,213	0.49
BELL CANADA	3.350	JUN 18 19	1,885,000	1,948,041	0.31
BMO SUB NOTE TR	F/F 5.750	SEP 26 17/22	3,520,000	4,037,174	0.65
BROOKFIELD ASSET	8.950	JUN 02 14	307,000	333,784	0.05
BROOKFIELD ASSET MGT	3.950	APR 09 19	2,580,000	2,655,481	0.43
BROOKFIELD INFRSTRTR	3.455	OCT 10 17	1,270,000	1,283,841	0.21
CAISSE CENT DESJARD	3.502	OCT 05 17	1,223,000	1,287,206	0.21
CANADA SAFEWAY LTD	3.000	MAR 31 14	1,069,000	1,076,854	0.17
CATERPILLAR FIN SERV	5.200	JUN 03 13	2,275,000	2,311,392	0.37
CATERPILLAR FIN SERV	2.630	JUN 01 17	109,000	110,686	0.02
CENTRAL 1 CU	4.000	OCT 09 14	600,000	610,250	0.10
CIBC	3.050	JUN 03 13	2,110,000	2,125,976	0.34
CIBC	4.750	DEC 22 14	300,000	317,788	0.05
CIBC	2.200	MAY 22 15	1,487,000	1,502,648	0.24
CIBC	2.650	NOV 08 16	7,721,000	7,870,908	1.27
CIBC	2.350	OCT 18 17	3,707,000	3,718,410	0.60
CIBC	F/F 5.150	JUN 06 13/18	2,467,000	2,503,957	0.40
CIBC	F/F 4.110	APR 30 15/20	9,554,000	10,036,708	1.62
CITIGROUP FIN CANADA	5.500	MAY 21 13	1,315,000	1,334,442	0.21
ENBRIDGE GAS DIS	5.160	DEC 04 17	1,530,000	1,746,158	0.28
ENBRIDGE GAS DIS INC	5.160	SEP 24 14	623,000	661,078	0.11
ENBRIDGE INC	5.170	MAY 19 16	680,000	748,596	0.12
ENBRIDGE INC	5.000	AUG 09 16	2,319,000	2,547,712	0.41
ENBRIDGE INCOME FUND	2.920	DEC 14 17	615,000	615,554	0.10
ENCANA CORPORATION	5.800	JAN 18 18	285,000	323,841	0.05
EPCOR UTILITIES	6.750	MAR 22 16	40,000	45,573	0.01
FINNING INTL INC	6.020	JUN 01 18	212,000	247,506	0.04
GAZ METROPOLITAIN	5.40	APR 15 13	500,000	505,602	0.08
GOLDEN CREDIT CARD	3.824	MAY 15 15	873,000	915,753	0.15
GOLDEN CREDIT CARD	3.510	MAY 15 16	2,586,000	2,715,400	0.44
GREATER TOR AIRPORT	4.700	FEB 15 16	1,515,000	1,646,398	0.27
GREATER TOR AIRPORT	5.260	APR 17 18	2,525,000	2,906,046	0.47
HSBC BANK CANADA	2.572	NOV 23 15	2,775,000	2,824,112	0.45
HSBC BANK CANADA	2.901	JAN 13 17	6,935,000	7,115,227	1.15
HSBC BANK CANADA	3.558	OCT 04 17	390,000	411,409	0.07
HYDRO ONE	5.000	NOV 12 13	833,000	858,301	0.14
HYDRO ONE	5.180	OCT 18 17	1,175,000	1,340,392	0.22
JOHN DEERE CRED INC	3.900	JUL 29 13	655,000	669,410	0.11
JP MORGAN CHASE & CO	2.920	SEPT 19 17	1,914,000	1,930,253	0.31
LOWER MATTAGAMI ENGY	2.228	OCT 23 17	755,000	758,212	0.12
MAN TELECOM SVS INC	4.590	OCT 01 18	466,000	505,792	0.08
MANULIFE	4.896	JUN 02 14	1,445,000	1,504,715	0.24
MANULIFE	5.161	JUN 26 15	975,000	1,043,781	0.17
MOLSON COORS CAP FIN	5.000	SEP 22 15	1,978,000	2,124,492	0.34
MOLSON COORS INTL LP	3.950	OCT 06 17	3,300,000	3,482,913	0.56



**BONDS (continued)**

	<b>COUPON RATE</b>	<b>MATURITY DATE</b>	<b>PAR</b>	<b>MARKET VALUE</b>	<b>% OF TOTAL</b>
NATIONAL BK CDA	4.030	MAY 26 15	1,570,000	1,652,033	0.27
NATIONAL BK CDA	4.700	NOV 02 15	1,110,000	1,188,755	0.19
NATIONAL BK CDA	2.689	AUG 21 17	1,428,000	1,452,105	0.23
NATL GRID ELECT TRAN	2.730	SEP 20 17	1,831,000	1,846,161	0.30
NATL GRID ELECT TRAN	2.900	NOV 26 19	7,925,000	7,881,809	1.27
NOVA GAS TRANS LTD	11.200	JUN 01 14	555,000	618,350	0.10
NOVA GAS TRANS LTD	12.200	FEB 28 16	1,031,000	1,332,269	0.21
PLENARY HEALTH	3.157	DEC 13 13	1,050,000	1,062,273	0.17
PLENARY PROPERTIES	3.801	AUG 18 14	3,450,000	3,536,124	0.57
ROGERS COMMUNICATION	5.800	MAY 26 16	3,355,000	3,737,902	0.60
ROGERS COMMUNICATION	3.000	JUN 06 17	1,193,000	1,219,737	0.20
ROYAL BANK CDA	3.360	JAN 11 16	2,670,000	2,779,891	0.45
ROYAL BANK CDA	3.030	JUL 26 16	678,000	700,412	0.11
ROYAL BANK CDA	2.580	APR 13 17	6,257,000	6,353,463	1.02
ROYAL BANK CDA	F/F 4.840	MAR 11 13/18	5,143,000	5,177,047	0.83
ROYAL BANK CDA	F/F 5.000	JUN 06 13/18	2,231,000	2,262,954	0.36
ROYAL BANK CDA	F/F 5.450	NOV 04 13/18	1,149,000	1,184,897	0.19
ROYAL BANK OF CANADA	2.680	DEC 08 16	7,115,000	7,262,927	1.17
SHAW COMMUNICATIONS	7.500	NOV 20 13	2,765,000	2,904,190	0.47
SHAW COMMUNICATIONS	5.700	MAR 02 17	1,213,000	1,348,680	0.22
SUN LIFE FIN INC	F/F 5.120	JUN 26 13/18	3,475,000	3,529,234	0.57
TD BANK	2.948	AUG 02 16	745,000	770,824	0.12
TELUS	11.90	NOV 22 15	1,695,000	2,149,061	0.35
TELUS CORP	4.950	MAR 15 17	2,423,000	2,679,564	0.43
TERANET HOLDINGS LP	3.531	DEC 16 15	4,595,000	4,765,031	0.77
TORONTO DOMINION BK	4.854	FEB 13 13	2,620,000	2,629,966	0.42
TORONTO DOMINION	F/F 5.480	APR 02 15/20	3,976,000	4,290,235	0.69
TORONTO-DOMINION	F/F 5.690	JAN 03 13/18	9,112,000	9,266,492	1.49
TORONTO HYDRO CORP	6.110	MAY 06 13	710,000	721,580	0.12
TORONTO HYDRO CORP	6.110	MAY 07 13	800,000	813,046	0.13
TORONTO HYDRO CORP	5.150	NOV 14 17	7,65,000	872,561	0.14
TRANSALTA CORP	6.450	MAY 29 14	360,000	377,111	0.06
TRANSCANADA PIPELINE	5.050	AUG 20 13	1,463,000	1,496,219	0.24
TRANSCANADA PIPELINE	11.100	JUN 20 14	533,000	600,788	0.10
TRANSCANADA PIPELINE	4.650	OCT 03 16	4,500,000	4,924,570	0.79
UNION GAS LTD	7.900	FEB 24 14	1,031,000	1,103,727	0.18
UNION GAS LTD	4.640	JUN 30 16	530,000	577,163	0.09
VERESEN INC	3.950	MAR 14 17	601,000	621,473	0.10
VERESEN INC	4.000	NOV 22 18	699,000	720,973	0.12
WELLS FARGO CANADA	2.944	JUL 25 19	3,930,000	3,976,001	0.64
WELLS FARGO FIN CDA	3.970	NOV 03 14	1,735,000	1,804,316	0.29
WELLS FARGO FIN CDA	4.380	JUN 30 15	460,000	487,346	0.08
WELLS FARGO FIN CDA	2.774	FEB 09 17	2,536,000	2,584,619	0.42
WESTCOAST ENERGY	8.300	DEC 30 13	349,000	371,304	0.06
WESTCOAST ENERGY	8.500	NOV 23 15	807,000	946,461	0.15
WESTCOAST ENERGY	3.280	JAN 15 16	570,000	591,121	0.10
WESTON GEORGE LTD	5.050	MAR 10 14	1,984,000	2,056,993	0.33
bCIMC REALTY CORP	2.650	JUN 29 17	1,861,000	1,888,770	0.30

**MORTGAGES**

CMHC 1346915 AB LTD	4.200	JAN 01 14	964,342	983,435	0.16
CMHC 642942 BC LTD	4.530	JAN 01 14	197,659	202,594	0.03
CMHC 79229 MANITOBA	4.530	JAN 01 17	1,539,752	1,661,605	0.27
CMHC CDA N CONS TECH	4.930	JAN 01 15	132,815	139,464	0.02
CMHC CYPRESS GLEN	4.420	JUN 01 17	872,282	944,153	0.15
CMHC HORIZON HOUSING	4.200	JUN 05 15	271,649	283,212	0.05
CMHC JAY INDUSTRIES	3.920	JAN 01 15	974,844	1,008,086	0.16
CMHC PIPESTONE PROP	3.750	FEB 01 15	834,905	861,622	0.14

# Management Team



**Ernie Daniels,**  
President/CEO

As President/CEO Ernie has been delegated authority by the Board of Directors to manage the business affairs of the FNFA. Ernie

is a Certified General Accountant and a Certified Aboriginal Financial Manager.

Ernie moved from Ottawa to Kelowna in fall 2011 to work with the FNFA as Director of Finance and was appointed President/CEO in June 2012. Prior to coming to the FNFA, Ernie was President/COO of the Aboriginal Financial Officers Association of Canada for 7 years and the Director of Assessment and Finance Operations at the Aboriginal Healing Foundation for 5 years. He has worked at a number of Aboriginal non-profit organizations in leadership and management positions. He was a member of the CICA Research Study Group looking at financial reporting by First Nations and has served as Chair of the NWT Legislative Assembly Society, Chair of the NWT Development Corporation and is a former Board member of the First Nations Financial Management Board (FMB).



**Steve Berna,** Chief Operating Officer

As COO, Steve is responsible for operating the loan programs of the FNFA, as well as managing the rating agency and banking

syndicate relationships that lead to debenture issuances. Steve also manages FNFA's internal investment portfolios.

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 is a Chartered Accountant and has successfully completed the Canadian Securities Course with honours.



**Pam Severson,**  
Finance Officer  
/Corporate Clerk

As Finance Officer, Pam is responsible for all finance and accounting operations, payroll, management of the capital financ-

ing program, interim financing program, coordinating the information systems, and debenture software development. As Corporate Clerk, Pam is responsible to the Board of Directors, Committees and Senior Management for organizing and managing activities and records.

Pam has been with the FNFA since it started in the mid 1990's. Throughout the early development phase the FNFA was supported by the Westbank First Nation for which Pam was employed for 10 years as manager and accountant of the property tax department.



**Shannon Jenner,**  
Administrative Assistant

Shannon is the voice you hear when you call, and the smile you see when you visit the FNFA. In addition to answering phones

and greeting visitors, Shannon is responsible for staff travel arrangements, various office management functions, incoming and outgoing mail, assisting in conference organization, monitoring the FNFA website and assisting administrative personnel with overflow projects.

Shannon is a member of the Westbank First Nation (WFN) and prior to working with the FNFA she worked 15 years for the WFN in several administrative positions.



**Jo-Ann Derrickson,**  
Client Services Coordinator

As Client Services Coordinator, Jo-Ann works very closely with the First Nations to assist them through the FNFA Membership

and Borrowing processes. Her knowledge and experience in the area of First Nations business administration and governance provides an extensive skill set in leadership, managing both people and systems with a strong focus on organizational excellence.

Jo-Ann is a member of the Westbank First Nation (WFN) and contributed to her community through her various roles over the past twenty years as Health Care

Administrator, Director of Operations, Residential Care Facility Administrator and Manager of Community Services.

**Debbie Williams,**  
Assistant Finance Officer

Debbie works closely with the Finance Officer and assists in the monthly accounting process for the Operating Fund, Debt Reserve Fund, Interim Financing, Pooled Investments and client reporting.

Debbie is a member of the Kawacatoose First Nation and brings with her 25 years of accounting and finance experience. With more than 8 years in finance with the Credit Union system coupled with corporate finance experience in technology, industry, and service Debbie has a range of skills that support the goals of her position as Assistant Finance Officer.

**Frank Busch,**  
Director of Information and Marketing

As Director of Information and Marketing, Frank is responsible for building and maintaining relationships with First Nations and providing information to First Nation Councils, Finance Staff and Members that increases awareness of the FNFA Financing, Investment and Advisory Services.

Frank is a member of the Nisichawayasihk Cree Nation and grew up in Northern Manitoba. He was educated at the University of Manitoba and has spent his professional life in the Finance Sector. In addition to working with large corporations in Canada, he also has previous experience with First Nations business, non-profits and government at the band, regional tribal council, provincial, national and international levels.

# Contact Information

## FIRST NATIONS FINANCE AUTHORITY

202-3500 Carrington Road  
Westbank, British Columbia V4T 3C1

## OFFICE HOURS

8:00 am – 4:30pm  
Monday to Friday

**Telephone** 250.768.5253  
**Fax** 250.768.5258  
**Toll Free** 866.575.3632  
**Website** [www.fnfa.ca](http://www.fnfa.ca)

## EMAIL CONTACTS

### Senior Management

Ernie Daniels, *President/CEO*  
[edaniels@fnfa.ca](mailto:edaniels@fnfa.ca)

Steve Berna, *COO*  
[sberna@fnfa.ca](mailto:sberna@fnfa.ca)

## GENERAL INQUIRIES

[info@fnfa.ca](mailto:info@fnfa.ca)

## INDEPENDENT AUDITORS

KPMG LLP, Kelowna, BC

## GENERAL LEGAL COUNSEL

Micha Menczer  
Barrister & Solicitor  
Victoria, BC

## BOND COUNSEL

Farris, Vaughan, Wills & Murphy LLP  
Vancouver, BC

## SENIOR POLICY ADVISOR

Dr. Tim Raybould,  
Quathiaski Cove, BC





FIRST NATIONS FINANCE AUTHORITY

202 - 3500 Carrington Road, Westbank, BC V4T 3C1

Telephone 250.768.5253

Toll Free 866.575.3632

Fax 250.768.5258

Website [www.fnfa.ca](http://www.fnfa.ca)

Email [info@fnfa.ca](mailto:info@fnfa.ca)