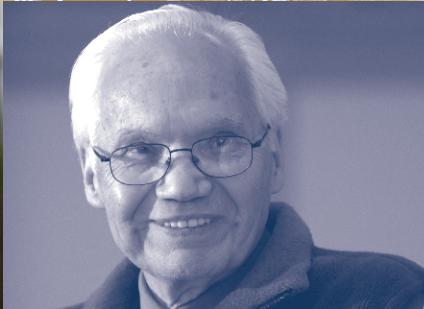




2022-2023 Annual Report

Financing Your Future





Our Mission

Helping First Nation communities build
their own futures on their own terms.

Credits

Project Management:

Naomi Mison,
Communications Manager, FNFA
Westbank, BC

Photography:

Cattroll Photo Associates
Tyler Meers Photography
Michael Hintringer

Brandon Hoffman

Jeremy Scott

Jeremy Neault

Kiera Elise Photography

Naomi Mison

Shutterstock

Unsplash

iStock

Design and Layout:

Diana Bartel - West Kelowna, BC

Table of Contents

Message from the Chair	4
Message from the President and CEO	6
Board of Directors	9
What We Do.	12
ESG and SDG: FNFA Financed Projects	13
Member Feature Projects	14
Member and Investment Protection	24
Issuance Highlights and Ratings	26
Meet Our Team	27
Events, Community Engagement and Achievements	29
Audited Financial Statements	33
Glossary	51

Message from the Chair

Stronger Together

As I write my sixth Message from the Chair, I can't help but think back to the main objectives that I established for myself and the Board in 2017 when I became the Chair.

In 2017-18, during my first year as Board Chair, there were 203 First Nations scheduled to the *First Nations Fiscal Management Act (the "Act")*, with 57 First Nations completing the borrowing membership processes. Fast forward to 2023, and I am happy to report that there are now 342 First Nations scheduled to our Act (over 50 per cent of all communities in Canada), of which, 153 are now FNFA borrowing members. This demonstrates that more-and-more Nations understand the advantages of working in conjunction with FNFA.

The amendments to our Act that were tabled and approved in 2023 will provide Modern Treaty and Self-Governing Nations, non-profit authorities, and Tribal Councils with an opportunity to access FNFA's services. With this change, it brings me very close to achieving the objectives I outlined in 2017, except for welcoming Metis and Inuit communities into the Act. This series of proposed amendments to the Act is slated to begin in late 2023 or early 2024.

In 2016, the Canadian Council for Public-Private Partnerships conducted a study to better understand the infrastructure gap that exists in First Nations communities compared to non-First Nations communities. The results identified a \$30 billion gap. In 2023, the Assembly of First Nations released a report that shows the infrastructure gap has ballooned to \$349.2 billion.

The infrastructure disparity is the result of two main causes. Firstly, Canada continues to use a cash-method of paying for infrastructure on First Nations lands. This approach builds what the annual budget of Indigenous Services Canada (ISC) can afford each year, not what the needs are in any given year. Secondly, the population growth on First Nations lands exceeds the growth in the ISC budget. Therefore, the gap widens each year.

FNFA's Board of Directors, staff, and several Chiefs and Councillors from Nations across Canada attended a government relations week in Ottawa from March 20-24, 2023. The focus was to bring attention to the widening infrastructure gap, the impacts it is having on the people in First Nation communities, and to outline a solutions-based approach for Canada to consider adopting.

This approach is called Monetization: build infrastructure projects now at today's costs with debenture financing from FNFA, with Canada using federal transfers to pay the debenture servicing over a chosen term.



Chief Warren Tabobondung
Wasauksing First Nation, ON

2023

S&P gave FNFA a "Positive Outlook" on its credit rating

FNFA won the internationally renowned Finance for the Future award

2022

9th Debenture issued: \$354 million
\$1.65 billion loan portfolio

2021

Initial Commercial Paper Credit Rating from DBRS (R-1 Middle, Stable trend)

Launch of Commercial Paper Program

2020

Credit Rating Upgrade: Moody's (Aa3, Stable)

2018

Governor General Innovation Award recipient: Innovation in Finance

2015

Credit Rating Upgrades: Moody's (A2, Stable) and S&P (A+, Stable)

2014

Initial Credit Rating from Moody's (A3, Stable) and S&P (A-, Stable);
1st Debenture issued: \$90 million

2011

Financing Secured by Other Revenues Regulation legislated

2005

FNFMA Received Royal Assent



\$1,832M TOTAL FINANCING

19,443 TOTAL JOBS CREATED

We recommended that Canada consider amending its cash-method approach and continue to advocate for Monetization adoption. During the government relations week in Ottawa, we presented Monetization to Members of Parliament from the Liberals, Conservatives, NDP and the Bloc Québécois. We will continue our efforts to show Canada that Monetization will support efforts to meaningfully close the infrastructure gap by 2030, a goal the current government has publicly declared.

In recent years, capital market investors have increasingly been asking for the purpose of each loan, testimonials on how the project will impact the community, and whether the loan is environmental or social or governance related (ESG tags). This information "tells the story" of each loan and illustrates the relationships between FNFA and its membership. We truly are stronger together, and working as a group has allowed FNFA to lend to its members at interest rates enjoyed by provinces and large Canadian municipalities.

During 2022-23, the Board of Directors accepted 12 First Nations as new members, approved 8 new Borrowing Laws totaling \$215.8 million, and approved \$185.2 million in loan requests. Another busy and successful year. I would like to thank each Board Director for their time, hard work, and dedication to our membership.

Although FNFA no longer has need for operational funding, I would like to thank Minister Marc Miller, Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) for his continued support with amendments to our Act, and for special project funding provided. This support allows FNFA to continue to meet its mandates to its membership.

I would like to congratulate FNFA's President and CEO, Ernie Daniels, for his appointment to the Board of the Bank of Canada in January 2023, becoming the first First Nations person to sit as a Director.

I would also like to thank our growing staff who manage the day-to-day operations of this unique organization. I am pleased to see the benefits of being an FNFA member are being realized by an ever-expanding number of First Nations each year, and I know this is in large part due to the FNFA staff.

Last thing I want to leave you with is an announcement that our services are now supplied in both official languages, and FNFA has satellite offices now in each regional area of Canada. This ensures our expanding member base has a representative right in their geographical backyard.

Miigwetch, Miigwetch, Miigwetch, Miigwetch

Message from the President and CEO

As I reflect on this past year, I am proud to say that we have completed our second year of operational self-sufficiency and have seen many growth opportunities for FNFA, including the establishment of an Investment Program for our members. This was one of our mandate areas under the *First Nations Fiscal Management Act* (FNFMA or the "Act").

Self-sufficiency has also allowed FNFA's Board of Directors to direct staff to pursue initiatives that will provide material benefits to our members and Indigenous communities in general, including conducting studies involving bonding insurance and asset insurance, and Act amendments to broaden membership eligibility. We are also increasing staffing levels as we continue to grow.



Ernie Daniels
Salt River First Nation, NWT

Insurance Studies

The infrastructure gap continues to widen and is now estimated at \$349.2 billion according to the AFNs most recent report¹. In last year's message, I outlined the idea of Monetization – FNFA's proposed concept to the close of the infrastructure gap in First Nation communities.

Monetization is the leveraging of new federal transfers into debentures. The monies raised from these debentures would be utilized by Chiefs and Councillors to build their identified community priorities. The Government of Canada (Canada) would cover the annual debenture servicing costs over a specified term.

When Monetization occurs, the question arises "who would build the infrastructure?". To date, First Nation contractors located on-reserve face significant impediments due to Section 89 of the *Indian Act* to accessing bonding insurance (i.e., surety insurance) at equitable cost allowing for Request for Proposal bidding on federal and other projects.

With Canada mandating that a five per cent procurement target of federal projects should be allocated to Indigenous contractors, FNFA is utilizing its resources to study how fairly-priced bonding insurance could become a game changer for economic growth. This study will continue into the next fiscal cycle.

FNFA is also conducting a feasibility study regarding a cooperative model that would provide fairly-priced asset insurance. If the study's conclusion is that a pooled insurance model would provide adequate asset insurance at reduced costs and better terms, FNFA will investigate the prospect of creating a separate stand-alone organization governed and managed by participating First Nations. This study will continue into the next fiscal year.

¹Closing the Infrastructure Gap by 2030 - A Collaborative and Comprehensive Cost Estimate Identifying the Infrastructure Investment Needs of First Nations in Canada, March 2023



153
MEMBERS



19,443
JOBS CREATED



9
DEBENTURES



\$3,990M
ECONOMIC OUTPUT

Investment Program

One of our mandates under the *Act*, was the creation of an investment program that takes advantage of our pooling model and looks to provide our members with higher rates of return on their monies.

This fiscal year, FNFA launched two investment options for members: a zero fee, high interest daily savings account where investment monies are redeemable each day without penalty, as well as a zero-fee investment account that locks in the monies for a chosen timeline, but provides higher returns. Both complement each other by allowing communities to strengthen their cash management planning.

At the end of fiscal 2023, the monies invested by our members into FNFA's new Investment Program totalled \$63 million.

FNFMA Amendments

In March 2023, the Federal Government formally introduced the requested amendments to our *Act*, one of which focuses on the expansion of FNFA's potential membership base beyond First Nations under the *Indian Act*. Additionally, federally funded non-profit authorities that provide services to communities will be eligible for FNFA membership. Also, the new amendments would allow Tribal Councils to apply for membership.

These *Act* amendments will not only allow our debentures to fund a greater breadth of community priorities and services, but will also expand FNFA's

loan portfolio. FNFA anticipates no change in due diligence nor investor safeguards with the proposed amendments.

Due Diligence & Investor Safeguard

As FNFA's membership has grown to 153 First Nations across nine of 10 provinces plus the Northwest Territories, the need for due diligence remains critical, including unanimous Board approval for all loan requests.

FNFA's loan portfolio is supported by First Nations existing own source revenues (OSR), which are intercepted from the payor source and deposited into a dedicated trust account. This account pays the loan service first, and the balance is returned to the member within 48 hours.

At year end, the Board's projected intercepted revenues were \$212 million versus an interest obligation to bondholders of \$57 million, accounting for a budgeted revenue intercept/interest obligation coverage ratio of 3.71 times. Actual revenues intercepted totaled \$236 million, resulting in an actual interest coverage ratio of 4.14 times higher than originally projected.

It is worthy to note that FNFA only intercepts community pledged revenue streams, not all, to keep a healthy coverage ratio. Audited statements from our membership reveal that potential additional intercepted revenues total \$1.79 billion.

These revenues can support future loan requests should the community need.

Since our first loan issuance in 2012, FNFA has not experienced any late loan payments, nor any defaults on its loan portfolio.

Commercial Paper Program

FNFA's Commercial Paper (C.P.) Program issues \$400 million each month. To ensure our members receive rates preferential to those offered by chartered banks, the mandated Board policy states that "FNFA's relending rate remains at Chartered Bank prime rates **less** 0.70 per cent." During the

fiscal year, the C.P. Program contributed one-third of FNFA's operating surplus.

The Year in Review

I would like to thank our First Nation members for their continued support during the last fiscal year. Raising monies in the capital markets has become a team approach.

The information, pictures, and testimonials regarding the usage of their loan proceeds enables FNFA staff to tell the story behind each loan, and how the project ties to the ESG and the U.N. sustainable development tags.

Province	Scheduled	Pending	FNFA Members	FNFA Members Loans	Total Borrowed (\$M)	National Eco. Output (\$M)	Jobs Created
British Columbia	137	0	64	28	\$233.9	\$497.4	2,372
Alberta	17	1	5	3	\$389.1	\$861.2	3,171
Saskatchewan	43	1	16	9	\$170.8	\$351.3	1,509
Manitoba	35	0	17	13	\$250.8	\$612.5	3,133
Ontario	56	0	24	16	\$261.8	\$543.0	2,800
Quebec	18	1	9	3	\$73.3	\$162.5	864
New Brunswick	11	0	2	2	\$20.0	\$42.7	200
Nova Scotia	12	0	11	9	\$395.8	\$844.0	5,086
Prince Edward Island	2	0	0	0	\$0.0	\$0.0	-
Newfoundland & Labrador	4	0	4	1	\$18.8	\$40.2	188
Northwest Territories	7	0	1	1	\$17.3	\$35.1	119
TOTALS	342	3	153	85	\$1,831.6	\$3,989.9	19,443

Board of Directors



Chair, Chief
Warren Tabobondung
Wasausking First Nation, ON

Chief Warren Tabobondung is serving his fifth consecutive two-year term as Chief of Wasauksing First Nation. Throughout his tenure, Chief Tabobondung has held portfolios in finance, governance, housing and membership and brings his financial prowess, business acumen and diplomacy to the Board. He was inspired to join FNFA's Board after experiencing firsthand what the institution stands for and how it supports First Nations from coast to coast. Chief Tabobondung wants other First Nations to know that they can achieve their community's dreams with the support of FNFA.



Director, Councillor
Patrick Courtois
Première Nation des
Pekuakamiulnuatsh, QC

Councillor Patrick Courtois is serving his third consecutive three-year term for la Première Nation des Pekuakamiulnuatsh (Mashteuiatsh). He currently holds education, rights and land protection, governance, and constitution draft advisory commission portfolios, and prides himself on his bridge-building skills to unify nations. He was motivated to join the Board because he wants to play a part in paving the future for First Nations throughout Canada. Councillor Courtois wants other First Nations to know that FNFA is the best tool that they can use to finance projects and achieve their goals.



Deputy Chair,
Chief Derek Epp
Tzacheten First Nation, BC

Chief Derek Epp is serving his second consecutive three-year term as Chief of Tzacheten First Nation. His key areas of focus are social and preventative services, rights and title, and economic development. With a background in social work, Chief Epp balances sound financial oversight and desire for growth. He was inspired to join FNFA's Board after witnessing its progressive approach to meeting the capital and infrastructure needs of First Nation communities. Chief Epp wants other First Nations to know that FNFA works with members to provide competitive financing and build capacity to ensure the long-term success of projects.





Director, Councillor
Christianne
Jerome-Bernard
Micmacs of Gesgapegiag
Band, QC

Councillor Christianne Jerome-Bernard serves as Councillor of Micmacs of Gesgapegiag Band. She holds portfolios in natural resources and economic development. She uses her experience in business administration, project management and marketing to advocate for equitable and inclusive opportunities for Canada's Indigenous people. Councillor Jerome-Bernard wants other First Nations to know that FNFA can be instrumental in financing larger scale economic projects because our interest rates are comparable to provincial rates.



Director, Councillor
Ryan Littlejohn
O'Chiese First Nation, AB

Councillor Ryan Littlejohn is serving his first four-year term as a Councillor for O'Chiese First Nation. He contributes his background in finance as an accountant technician, an elected land settlement trustee, and as the Treasurer for the Board of O'Chiese's Business and Development Centre. He joined FNFA's Board to understand and participate in the financial independence of First Nations. Councillor Littlejohn wants other First Nations to know that FNFA helps and assists nations across Canada that have their own source revenue and are ready to pursue economic development initiatives.



Director, Councillor
Steven Johnston
Mistawasis Nêhiyawak, SK

Councillor Steven Johnston is serving his second consecutive four-year term as a Councillor of Mistawasis Nêhiyawak. He sits on the Finance and Audit Committee and is responsible for the economic and band development, finance, housing and child and family services portfolios. Councillor Johnston applies his working knowledge of growth and diversification tactics to every endeavour he undertakes. He was motivated to join the Board to gain a better understanding of the organization, learn about the communities FNFA supports and to provide oversight. Councillor Johnston wants other First Nations to know that FNFA provides opportunities and financing to pursue economic development and infrastructure projects that address specific needs in the community.



Director, Councillor
Veronica McGinnis
Osoyoos Indian Band, BC

Councillor Veronica McGinnis is serving her fifteenth consecutive two-year term as a Councillor for the Osoyoos Indian Band and acts as the Chair for FNFA's Application Review Committee. She is responsible for the health and social services portfolio and acts as a liaison for Osoyoos Indian Band Administration, Nk'Mip Cultural Centre and the Inkameep Vineyard. With over 25 years of experience nurturing the social fabric of the First Nations community, she prioritizes preventative measures to improve physical, emotional and mental wellbeing. Councillor McGinnis wants other First Nations to know that FNFA is a great resource to help assist communities to become self-sufficient.



Director, Councillor
Michael Paul
Acadia First Nation, NS

Councillor Michael Paul is serving as a Councillor of Acadia First Nation, which consists of six reserves, spanning 300 kms from Halifax to Yarmouth, along Nova Scotia's south shore. Elected since 2002, his portfolios include training and education, economic development, and finance. After 20 years of experience in governance, Councillor Paul understands firsthand that with education and wise financial management, communities and their members can develop, thrive and prosper. He was motivated to join FNFA's Board because he believes in its purpose and wants to be involved in its growth. Councillor Paul wants other First Nations to know that FNFA provides Bands with options for financing at rates better than commercial banks offer.



Director, Chief
Ross Perley
Tobique First Nation, NB

Chief Ross Perley is serving his fourth consecutive four-year term as Chief of Tobique (Neqotkuk) First Nation. He is committed to building safe, healthy and sustainable communities using progressive public policy, economic development and renewable energies. Chief Perley wants other First Nations to know that FNFA's long-term sustainable funding will help communities pursue greater control and autonomy.



Director, Councillor
Dawn Styran
Leq'a:mel First Nation, BC

Councillor Dawn Styran is serving her second consecutive four-year term as a Councillor for Leq'a:mel First Nation and serves as FNFA's Chair of the Audit Committee on the Board. Her current portfolios include education, and child and family services. As a registered social worker, Councillor Styran strives to offer meaningful social programming in her community. She wants members to know that FNFA is not simply in the business of lending money; they are helping empower communities to grow on their own terms and in ways that they know work best.



Director, Chief
Kyra Wilson
Long Plain First Nation, MB

Chief Kyra Wilson is serving her first four-year term as Chief of Long Plain First Nation and acts as FNFA's Chairperson for the Loans Review Committee. A therapist and former social worker, Chief Wilson she is a staunch advocate for children and their families involved with Child and Family Services. She was motivated to join FNFA's Board to improve services in her home community, including education, health care and other critical services. Chief Wilson wants other First Nations to know that FNFA provides financing and investment opportunities and support to ensure that all First Nation communities can meet their priorities.

What We Do

Our Story

Establishing equity and developing a better quality of life for First Nations people. That was the reason behind FNFA's creation in 2005 under the Act – and it's the reason we still exist today.

As a First Nations owned and operated, not-for-profit, pooled borrowing and investing institution, we provide First Nation governments with access to the same types of affordable financing that all other local and regional governments in Canada use.

But we do more than simply provide lending and investment services at preferable rates; we're here to listen to our members, offer advice and help ensure First Nations governments can finance their future for generations to come.

What does FNFA do?

FNFA has three main operational areas:

1. Raising long-term, low-cost capital in the financial markets on behalf of Borrowing Member First Nation governments for their infrastructure, economic and social development financing needs;
2. Providing First Nation governments and their organizations with flexible, low-risk, high yield, investment management services; and
3. Offering First Nations capital planning support and advice.

Simply put, FNFA provides loans, investment options, and advice.

Who is eligible to access loans from the FNFA?

All First Nations across Canada who are listed in the *Indian Act* can voluntarily complete due process to become a FNFA borrowing member. Loans occur at the request of Chief and Council.

Why should you choose FNFA to help you with your project?

Our structure is sound; FNFA is modeled after tried and tested pooled government borrowing authorities, and we have three investment-grade credit ratings. We raise monies by issuing debentures and short-term borrowings in the financial markets (see page 26 for information on FNFA's financing and ratings). All FNFA loans are supported by qualified existing revenue streams.

As witnessed in the stories to follow, FNFA strives to ensure our member Nations are building their own futures on their own terms at the best rates. Fiscal prudence and responsibility are what we're known and recognized for.

Moreover, our loan programs work well together to best meet our members' financing needs. The Interim Financing Loan Program offers members immediate financing at a floating rate for short-term needs (current rate* 6.00%), while the Debenture Financing Loan Program offers fixed rate long-term financing (current rate* 4.25%).

*Rates are subject to change. Please visit fnfa.ca for the most up-to-date rates.

STEPS TO BECOME A BORROWING MEMBER



What is ESG and SDG?

The business community is beginning to recognize the importance of Sustainable Development Goals (SDGs) and Environmental, Social, and Corporate Governance (ESG). Investors are now insisting that a portion of their investment portfolio is held in securities that represent these goals.

ESG is a framework that helps stakeholders understand how an organization is managing risks and opportunities related to environmental, social, and governance criteria (commonly referred to as ESG factors). In the finance world, ESG is the umbrella that these types of investments fit under.

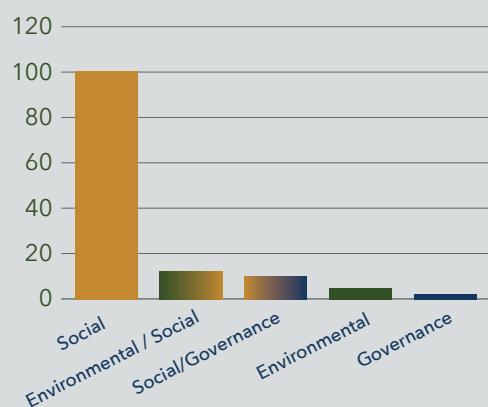
The **SDGs**, also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

FNFA has seen an increase in requests from investors for more information on projects financed to determine if the type of project meets investment policies. Excitingly, FNFA's bonds completely align with SDG and ESG categories as members' projects focus on communities (social), green energy projects financing (environmental) and administrative (governance).

"...all projects financed by FNFA are tagged with ESG and SDG labels..."

To meet investors' policies, all projects financed by FNFA are tagged with ESG and SDG labels and we report the findings to investors for their analysis and consideration prior to our bond issuance. This includes collecting testimonials from our borrowing members to demonstrate how every loan tells a story of the positive impact in First Nation communities.

Loans by ESG



Standard & Poor's (S&P's) awarded FNFA with a **"Positive Outlook"**, which indicates that there is a high probability that they will raise FNFA's current rating.

To learn more about Sustainable Development Goals (SDG) go to sdgs.un.org/goals



ESG

E Environmental **S** Social **G** Governance

SDG

 **SUSTAINABLE DEVELOPMENT GOALS**



Feature Project

Tzeachten Housing Project: Realization of a community vision

Location: British Columbia

Nation: Tzeachten First Ch'iyaqtel Nation

Started: May, 2021 **Completed:** June, 2022



Tzeachten First Nation is nestled in the mountains approximately 105 kilometers east of the City of Vancouver, within the boundaries of the City of Chilliwack, in British Columbia.

Tzeachten First Nation's traditional language is Halq'eméylem. In Halq'eméylem, Tzeachten (Ch'iyaqtel) means 'the place of the fish weir'. As of 2020, Tzeachten First Nation has a total membership of 695, of which approximately 50 per cent live on reserve.

The need for on-reserve, affordable housing has been a consistent priority in the minds of Chief Derek Epp, Council and members of the community for years. To bring the idea of a 23-unit rental housing development project on reserve to fruition, Tzeachten First Nation established a uniquely collaborative partnership between the Nation, B.C. Housing, Indigenous Services Canada, and First Nations Finance Authority (FNFA).



ESG

E

Environmental

SDG





Tzeachten Elder, Madeline Roberts



Tzeachten First Nation contributed and purchased the land for the development as well as \$1.5 million in capital; the Province provided approximately \$2.5 million to the project through the Building BC: Community Housing Fund; and FNFA provided about \$5.5 million in low-cost construction financing. An additional provincial grant of approximately \$300,000 was provided through the Investment in Housing Innovation Fund. First residents moved in, and the project was officially opened in June 2022.

"The housing complex is a realization of a community vision," said Chief Derek Epp. "It really is a beautiful setting for 23-units, a strategic mix of unit sizes from one to three bedrooms, with some outfitted specifically for elders, so they are wheelchair accessible."

The development features high standards for energy efficiency and landscaping, as well as a common building that is accessible to all residents. For community members, access to safe, affordable housing has changed their lives.

For community resident Devyn Joe, it means a new life for him, his fiancée and their children. Their home allows them to get out on their own two feet.

"It is a big improvement because where we were staying before was very very overcrowded," said Joe. "It was only a five-bedroom house and there were at least 18 of us in the house."

Tzeachten Elder Madeline Roberts was able to move back on reserve after 52 years.

"I'm glad that I moved because it's closer to my family, and closer to this longhouse. I missed out on a lot of gatherings, because I lived in Deroche, but it feels like I'm home," said Roberts. "It feels good to be home. It makes me feel warm and cozy."

Fred Jackson, a Tzeachten Artist, states, "It is more spacious for my art, and I am allowed to have a pet now."

FNFA provided trusted advice and financing tailored to Tzeachten's specific project needs.

"When we brought in the First Nations Finance Authority, we knew we could trust them," explains Chief Epp. "Bringing in that instant capacity FNFA provides will really enable other communities to go to government and negotiate in good faith and work through these processes because you know that someone has your back."

At the unveiling of the development, Ernie Daniels, FNFA's President and CEO, exclaimed, "Housing in our nations across Canada is in a crisis, and we need more innovative groundbreaking ways of financing that housing like this project."

The housing will be operated by the Property and Public Works department of Tzeachten First Nation, which has 18 years of experience managing housing and commercial buildings for the community. The cost of rent is based on market price, income and subsidy.

"This project can absolutely help address affordability, sustainability, and quality housing on reserve," said Chief Epp.

Tzeachten First Nation remains the keepers of traditional territories, this responsibility being passed on by our ancestors and exercised through sound cultural, environmental, and socio-economic stewardship.

Member Project

O'Chiese First Nation: Transforming challenges into future prosperity

Location: Alberta

Nation: O'Chiese First Nation

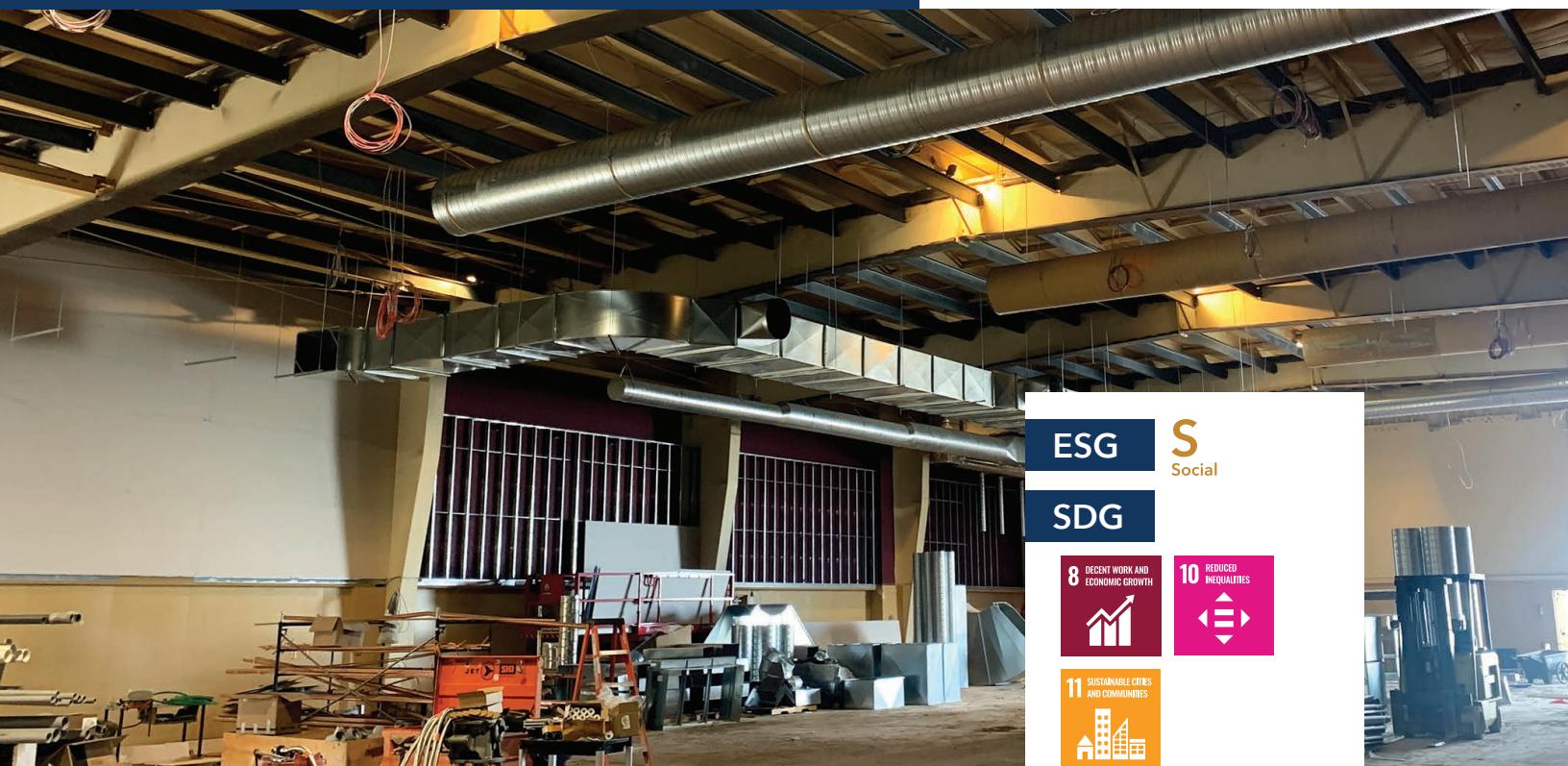
Started: January, 2023 **Completed:** August, 2023
(expected)



The O'Chiese First Nation is a vibrant community of Saulteaux and Cree language and culture. Located in the western foothills of Alberta, the O'Chiese First Nation is a signatory to Treaty 6 Territory. Culture is important to the O'Chiese people and is practiced regularly.

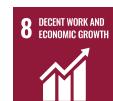
In 2009, O'Chiese First Nation established the O'Chiese Business and Investment Centre with a vision of economic self-reliance and self-sufficiency, and to ensure employment opportunities are available for members. The overarching goal is to provide prosperity with a higher standard of living for the future generations.

The O'Chiese Business and Investment Centre manages a variety of business and limited partnerships, including the Jackpot Casino purchased on November 1st, 2017, and the Red Deer Resort and Casino, formerly known as the Cambridge hotel, which



ESG
Social

SDG



was purchased three years apart to the day on November 1st, 2020.

The Jackpot Casino has faced various challenges at its current location including but not limited to parking lot availability, safety concerns for customers, public access, and rising costs of maintaining an aging building. The limited capacity of the building has also prevented expansion efforts. Therefore, the vision of relocating the Casino to O'Chiese's existing hotel was very vital to future success.

According to CEO, Georges Yammie, community and economic development are crucial for the Nation, which "will create value, elevate potential, lift people and generate prosperity in O'Chiese. The casino and hotel industries will always be around, but we knew we needed a bigger market share than what we currently have."

Financing for the casino relocation and hotel was provided by First Nations Finance Authority (FNFA), a process that Georges Yammie attests was "easy."

"We applied to other commercial banks and the rates were high, plus there was a significant and costly application fee. But FNFA's financing model fits every Nation's needs if cash flow resources are available. Not to mention the organization is Indigenous run and they understand First Nations."

He adds that thanks to FNFA, O'Chiese's loan payment is now less than what was being paid before the financial consolidation. The Red Deer Resort and Casino, slated to open in summer 2023, will

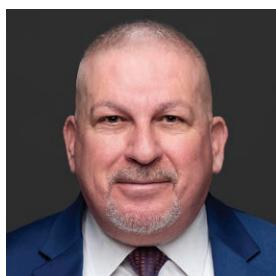
bring numerous benefits—not only for the members of O'Chiese First Nation, but for the community of Red Deer.

The new location offers more parking spots and an increased level of safety for customers. Significant construction spending benefits the local economy, creates new employment opportunities for the community, and potential revenue increases from the larger location will be directed to charities.

Additionally, the Red Deer Resort and Casino will now have the ability to attract new group conventions, tournaments and tourism business to Red Deer, thereby supporting local businesses like restaurants, retail stores, and gas stations.

"Over 90 per cent of our community supported this project," says Yammie. "I can't tell you how many times people ask me, 'When are you moving the casino?' or 'we're really looking forward to the new location.' It's more than just O'Chiese members who are excited; the whole city of Red Deer and the outlying communities are looking forward to this too, because it can positively impact everyone who lives here."

Yammie points to the partnership with FNFA as a perfect illustration of what's possible when groups work together towards a common goal. "FNFA truly wants to see First Nations' dreams come to fruition, and they were able to help us succeed through their support."



Bernadine, Doug, Georges and Ryan



Member Project

Williams Lake First Nation: Members together under one roof

Location: British Columbia

Nation: Williams Lake First Nation

Started: April, 2020 **Completed:** August, 2021



Imagine being on a team and trying to get work accomplished while scattered across multiple offices and city locations. Worse yet, imagine needing to access these staff members and not knowing which office to visit.

Until 2021, that was the reality for members and staff of Williams Lake First Nation (WLFN), located in the Secwépemc traditional territory of central interior British Columbia. With staff spread between T'excelc (WLFN's main community, also known as Sugar Cane), and downtown Williams Lake – a 12 km drive – considerable logistical challenges ensued.

"We knew we needed one large, central building to ensure our staff were more accessible to members," explains Chief Sellars. "This would increase efficiency, maximize opportunities for communication and collaboration, and perhaps most importantly, increase organizational morale."

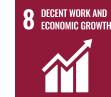
A thriving Secwépemc community of over 850 members—approximately



ESG

S Social G Governance

SDG



8 DECENT WORK AND
ECONOMIC GROWTH



11 SUSTAINABLE CITIES
AND COMMUNITIES



CAO, Kourtney Cook (*Photo by Brandon Hoffman*)

235 of which live on reserve—WLFN's mission is to become a healthy and prosperous Nation.

To that end, the Nation has been an economic opportunity driver in the Central Cariboo region since the mid-1990s; some of the major enterprises owned and operated by WLFN include UNITY Cannabis, Sugar Cane Cannabis (a popular destination tourism spot), Sugar Cane Petroleum Products, and Coyote Rock Golf Course.

The businesses not only serve WLFN's on- and off-reserve members, but also the general public and tourists passing through. Dozens of jobs have been created for community members, while revenues from these operations are returned to the community to support programs, services and infrastructure.

The idea for a new administration facility was first posed by former Chief and current WLFN councillor Ann Louie in 2016/17. With help from First Nations Finance Authority (FNFA), WLFN borrowed over \$5 million to construct the building, which opened in summer 2021.

As with most significant capital projects, WLFN faced challenges accessing capital. However, WLFN's Director of Legal and Corporate Services, Kirk Dressler, (who provides oversight for WLFN's Economic Development Department) says that working collaboratively with FNFA allowed the Nation to leverage existing revenue streams while also receiving funding under favourable terms.

"This meant we could avoid exhausting our financial resources, which has been truly transformative for our Nation's governance and economy," he says. "Working in tandem with First Nations Finance Authority has helped us achieve some of our goals as

a community. As an Indigenous-run organization, they understand our needs and challenges, and provided ample support along the way."

Now situated in a single, main location, nestled amid picturesque rolling mountains and overlooking the stunning Williams Lake, the \$9 million, 18,000 square-foot administration building houses WLFN's elected leadership, council chambers, a digitally integrated board room, cultural exhibit spaces, and office space for the majority of WLFN staff, across departments. In 2022, the building won a Re-thinking the Future Award in architecture.

For WLFN's Chief Administrative Officer, Kourtney Cook, it's a fitting addition to the community. "It's truly a visual presence in the region, and expresses the strength and pride of the Nation."



Senior Manager of Member Services, Lisa Camille, and Community Cultural Coordinator, David Archie (*Photos by Kiera Elise Photography*)

Member Project

Mistawasis Nêhiyawak: Creating independence in their community

Location: Saskatchewan

Nation: Mistawasis Nêhiyawak

Started: June, 2022 **Completed:** September, 2022



A photograph of three men standing behind a booth at a trade show. The man on the left is Kelly Yaganiski, Senior Project Manager; the man in the middle is Brennan Miller, COO HCC; and the man on the right is Jeff Lendvay, Corporate Health and Safety Manager. They are all wearing lanyards with name tags. The booth features a large sign for "HCC MINING & CONSTRUCTION INC." with a bison logo, and various informational displays and awards on the table.

Left to Right: Kelly Yaganiski - Senior Project Manager, Brennan Miller - COO HCC, Jeff Lendvay - Corporate Health and Safety Manager.



Economic development has been at the heart of Mistawasis Nêhiyawak for centuries. In the past, the landscape was used for agriculture, fishing, fur trapping and silviculture, as well as logging, herbs and craft materials.

Today, Mistawasis Nêhiyawak—located 120 kilometres north of Saskatoon, Saskatchewan—has greatly diversified its economy to provide financial stability and work opportunities for the Nation. With a population of over 2900 members, approximately half of which live on-reserve, the Cree First Nation is now involved in businesses ranging from petroleum and property management to concrete and engineering through its economic development arm, Misty Ventures Incorporated.

"Since the creation of Misty Ventures in 2011, unemployment in Mistawasis has decreased dramatically," explains Robert Daniels, President and CEO of Misty Ventures. "The corporation continues to look for opportunities to create independence, employment and wealth generation for the community—not just in Mistawasis, but across the province."

In June 2017, First Nations Finance Authority (FNFA) issued a borrowing law to Mistawasis Nêhiyawak to buy Xtreme Mining and Demolition, which was rebranded to HCC Group. The company specializes in contract mining and maintenance, drilling and blasting, and underground construction, among other services. Since acquiring the business, at any

one time, HCC has up to 180 employees, 34 per cent (61 employees)—who are Indigenous members from Canada.

Then, in June 2022, Mistawasis borrowed funds to purchase RST Maintenance Inc., which focuses on gravel hauling, topsoil, mulch, dirt work, acreage mowing, equipment hauling, and commercial snow removal.

While there are obvious economic benefits to the Nation and its members thanks to the purchase, FNFA's contribution has also helped in other ways.

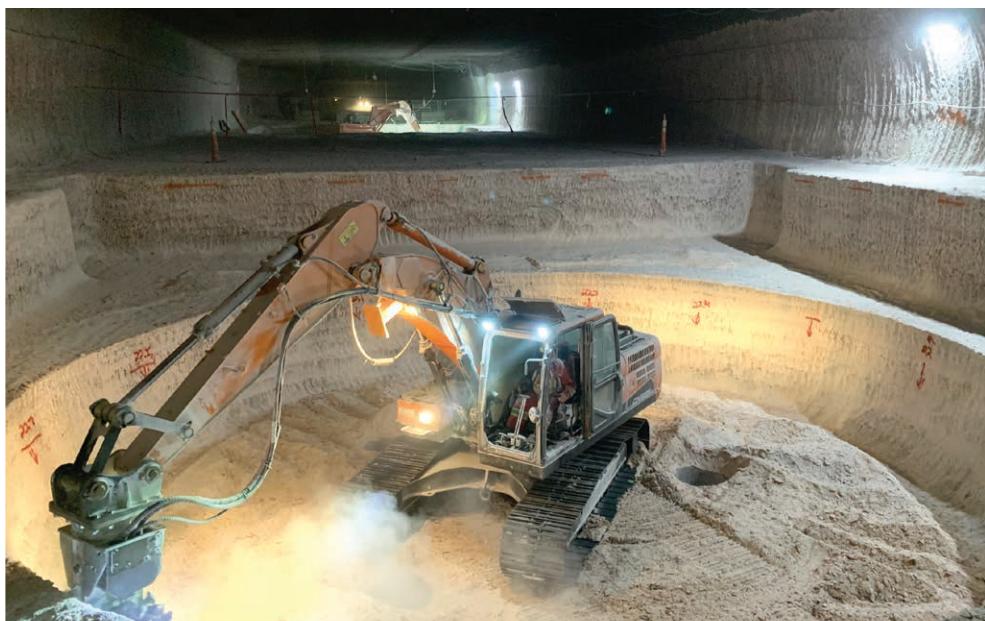
"First Nations Finance Authority has provided us with advisory services, and our Nation has actually turned down several deals based on the advice we received," says Daniels. "Their model focuses on security, so we know that working with FNFA will ensure we aren't over-stretching our limits or spreading ourselves too thin."

"Mistawasis Nêhiyawak has benefited by obtaining loans with FNFA to add much needed resources towards our path to financial independence" says Chief Daryl Watson.

Daniels adds that support for the project is high in the community, as it will create generational wealth that will be passed down to future generations. "That's what we're in the business for. It's to take economic development to the next level to support our community."



Left to Right: Robert (Bobby) Daniels - President/CEO Misty Ventures, Rylan Colwell - CFO HCC, Brennan Miller, Kelly Yaganiski, Dave Hales HCC Project Manager



Member Project

We'koqma'q First Nation: Ensuring success for future generations

Location: Nova Scotia

Nation: We'koqma'q First Nation

Started: Spring, 2021 **Completed:** Fall, 2022



With a retention rate of 90 per cent for community members, We'koqma'q First Nation is a community on the rise.

Located 115 kilometres south of Industrial Cape Breton in Nova Scotia and nestled between Bras D'or Lake and Skye Mountain, over 1,000 people call the picturesque First Nation home. But, as the Mi'kmaw community continues to grow and prosper, prioritizing community, economic and social development has become of key importance for Chief Annie Bernard-Daisley and We'koqma'q Council.

"We need to invest in future generations by creating self-generated revenue, and ensuring the community can sustain itself both economically and socially for years to come," explains Chief Bernard-Daisley. "As we drive revenue, we also realize we will need to support opportunities for our members to not only work, but live in their community."

To that end, We'koqma'q First Nation partnered with First Nations Finance



Levi Nicholas is loading head-off gutted fish on to the Baader fillet machine.

ESG
Social

SDG

1 NO POVERTY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES



Authority (FNFA) to secure a \$23 million loan to finance two key projects in the community.

Seventeen million dollars was directed to purchasing snow crab licenses, which have created self-generated income and employment opportunities in We'koqma'q. The licenses—which permit catching in area 12F off the coast of Cheticamp, Nova Scotia—enable community members to harvest approximately 300,000 pounds of snow crab. The revenues from the sale of these crabs are then reinvested into the local community.

"Funds are used to support social programming for members like housing developments, land purchases, employment and training, and additional social programming offered by the Band," says Chief Bernard-Daisley. "It's a positive feeling to know that we're able to provide long-term revenue for We'koqma'q while also employing our members in the local area."

The additional \$6 million from FNFA was used to purchase housing lots that have so far resulted in the construction of 40 affordable housing units in We'koqma'q. A partnership between the We'koqma'q Housing Department, Chief and Council, and community-based contracting companies, the new homes are ensuring members can not only live, but thrive in We'koqma'q.

"Members are already witnessing the growth in the community and are pleased about it," says Chief Bernard-Daisley. "They're excited for the possibilities that the future holds."

She adds that FNFA has been a major player in the First Nation's ability to make headway towards its five-year strategic plan, which focuses on five key

priorities: supporting youth, well-being, Elders and the local economy, as well as nurturing mutually-beneficial strategic partnerships.

"Having an organization like FNFA gives We'koqma'q hope there are financiers and partners out there willing to work with First Nation communities to help make their dreams become a reality. In addition to sharing capital dollars, FNFA have skilled, friendly staff who have guided us through this process."

"We know that FNFA trusts in the larger vision First Nation communities have for themselves. We believe that through collaboration and the sharing of skills and experiences that we can work to improve our Nation for future generations."



Guy Marshall and supervisor, Kelly Bright are cleaning trout after it comes from the heading and gutting machine.

Member and Investor Protection

Borrowing Pool Credit Quality

- Revenue streams pledged by borrowing members flow directly from the source (77% federal/provincial contracts) to FNFA
- Pledged revenues cover over 2.14x annual loan principal and interest payments (DCR) and 4.14x interest payments (ICR); ICR has exceeded 4x since 2014 (year of first debenture)
- Unanimous Board approval required for each member loan request
- Minimum DCR are set and used to calculate borrowing capacity
- Annual review of each borrowing member as to debt coverage ratio, and continuing strength of their revenue streams.

Substitution of a non-performing revenue stream

- A member must substitute a performing revenue stream for a non-performing stream
- FNFA intercepts approximately \$236 million out of \$1.9 billion of our members' revenues available for loan service. This intercept level retains our desired debt coverage ratio.

Capital of FNFA to Support Loan Obligations

- Debt Reserve Fund (DRF): FNFA withholds 5% on every loan for member default protection
 - The DRF balance can service interest payments for 21 months
 - This 5% plus earnings is returned to the member after the final loan repayment
- Credit Enhancement Fund (CEF) is secondary capital support for the DRF of \$53.2 Million deposited with FNFA under agreement with the Federal government. FNFA has experienced continued support from the Federal

government through increasing the balance of the CEF as FNFA's loan portfolio grows.

- Contingency Fund (CF) of \$33.7 Million was established in 2021/22 under agreement with the Federal government. The purpose is to support current borrowing members loan payments in the event of widespread economic shock (i.e. pandemic or other government mandated closures), protecting debenture holders.
- Sinking Funds (SF) are established for each debenture issuance. The monthly principal payments made by members' in the portfolio are held in the sinking fund until debenture maturity. The Sinking Fund is \$160.3 Million at March 31, 2023.

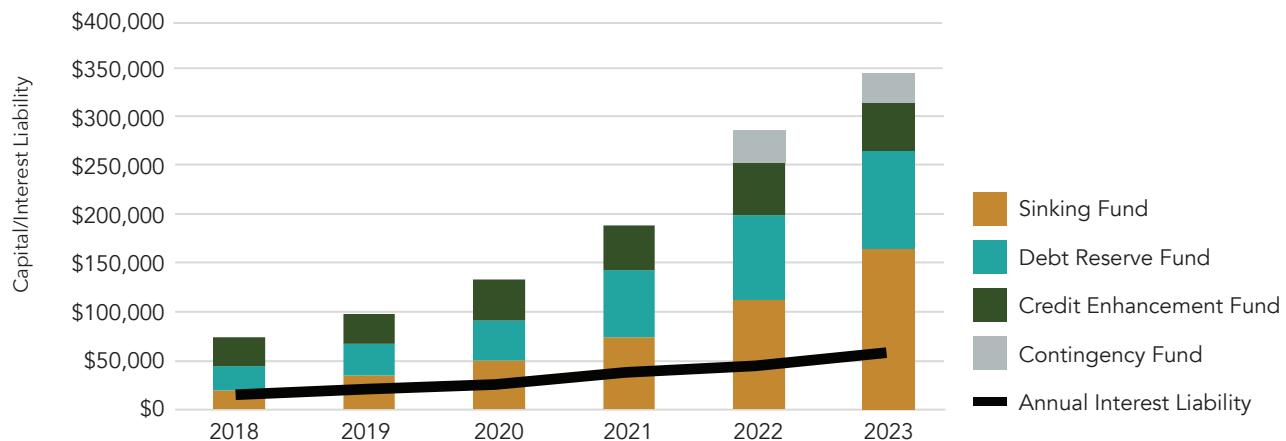
Legislative Protection

- First Nations must be certified by FMB prior to becoming borrowing members
- Intervention powers to take over the financial functions of Chief and Council in the event of loan default or imminent default of a borrowing member, leading to full access to the \$1.9 billion in own source revenues.
- DRF and SF must be established as described above

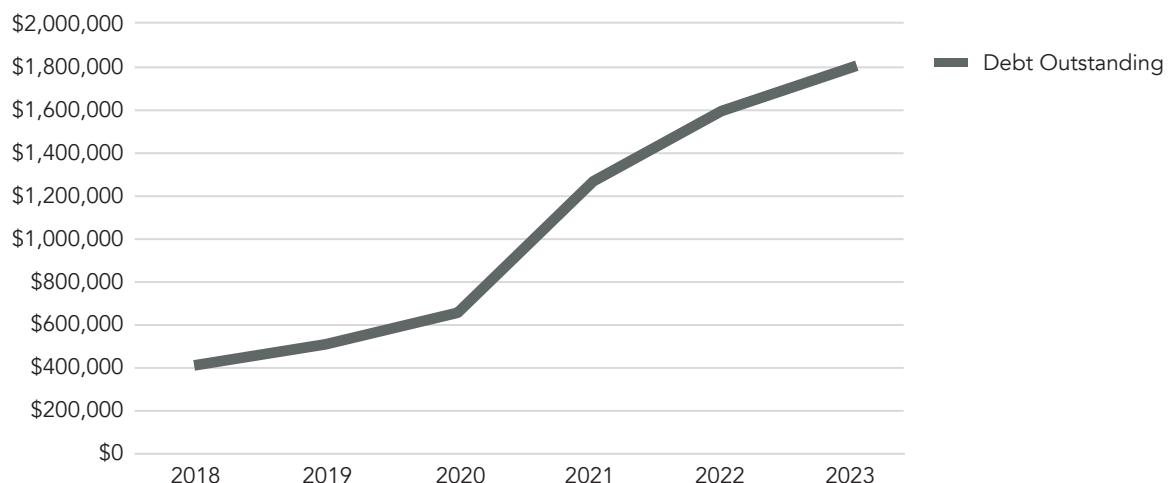
FNFA has never had a member default on a loan or needed to enact any of the funds or powers noted.



5-Year Recap: Liquidity (in 000's)



5-Year Recap: Debt Outstanding (in 000's)



Issuance Highlights and Ratings

Bonds

9 NUMBER OF
BONDS ISSUED
(FIRST IN 2014)

\$1,626M TOTAL DOLLAR
VALUE OF ALL
BONDS ISSUED

\$354M LARGEST
SINGLE
ISSUANCE

2.85% LAST COUPON
RATE (MARCH 2022)

Aa3 (Stable) Moody's

A+ (Positive) S&P

Commercial Paper

\$400M PROGRAM
SIZE

September 2021
PROGRAM LAUNCH

Backstopped 1:1 by Credit Facility
(syndicate of six Chartered Banks)

\$200M ISSUANCE
SIZE

30 Days bi-weekly
TERM MARKET
PRESENCE

BA rate plus 1-2 bps

PRICING

R-1(Middle), Stable Trend
DBRS Morningstar



Meet Our Team

Our people are at the heart of what we do at FNFA, and they help our member Nations realize their dreams. Meet the team you'll be collaborating with at FNFA:



Ernie Daniels CPA, CGA,
CAFM
President and CEO



Steve Berna CPA, CA
Chief Operating Officer

Ernie Daniels is President and CEO of the First Nations Finance Authority. He is also a CPA-CGA and a Certified Aboriginal Financial Manager (CAFM) who hails from the Salt River First Nation near Fort Smith in the Northwest Territories.

Ernie has worked for Indigenous not-for-profit organizations in various leadership and management positions. He has served on numerous boards and committees, including: the Canadian Institute of Chartered Accountants (CICA) Research Study Group looking at financial reporting by First Nations; Chair of the NWT Legislative Assembly Society; Vice-Chair of the NWT Development Corporation; Board member of the First Nations Financial Management Board (FMB) as well as Chair of the Audit Committee and on the Standards, Approvals, and Certification Committee. He was also recently appointed to the Board of the Bank of Canada becoming the 1st First Nations Director to sit on the Board.



Board Chair, Chief Warren Tabobondung, laughing with CEO and President, Ernie Daniels.

As the Chief Operating Officer, Steve Berna manages the loan programs (debenture issuances, Interim Financing Program), the investments of FNFA, as well as the relationships with the bondholders, rating agencies and the banking syndicate.

Steve moved from Victoria, BC, in 2008 to help develop FNFA's operating policies, and the Other Revenues Regulations. Prior to commencing work at FNFA, Steve was the CEO of the Municipal Finance Authority of BC. Steve received his accounting designation as an employee of KPMG. Upon the request of the World Bank, Steve has developed and presented the beneficial concepts of pooled borrowing models for developing countries. He has also taught courses in finance at colleges in the Vancouver area.



FNFA staff at 2022 AGM held in Enoch Cree Nation, AB.

EXECUTIVE SUPPORT

Bobbi Setter
Senior Executive Assistant

BUSINESS DEVELOPMENT

Jody Anderson, CAPA
Director of Business Development

Donna St. Louis, BA, PBD
*Business Development Manager,
Western Canada & NWT*

Nadia Robertson
*Business Development Manager,
Eastern Canada (Bilingual)*

Ian Bear
*Business Development Manager,
Prairie Region*

MEMBER SERVICES

Jo-Ann Derrickson
Director of Member Services

Sybil Campbell
Member Services Coordinator

Jerrett Lafontaine
Member Services Coordinator

Patricia Debassige, CAPA
*Member Services Coordinator
(Bilingual)*

FINANCE

Rachel McAllister, CPA, CA
Chief Financial Officer

James Byra, CPA
Financial Controller

Sarah Nieberle, CPA
Financial Analyst

Scott Mazurkewich, BCOMM
Financial Analyst

Shelley Mills
Finance & Account Coordinator

BUSINESS ANALYST

Don Morin
Senior Business Analyst

INFORMATION TECHNOLOGY

Stephen Blancher
IT Manager

Nora Waldenberger
IT Systems/Network Administrator

COMMUNICATIONS

Naomi Mison, BA
Communications Manager

Brianna Wilson
*Social Media and Marketing
Coordinator*



FNFA received the Indigenous Business of the Year award at the Kelowna Chamber of Commerce Business Excellence Awards in Kelowna, BC.



Events, Community Engagement and Achievements

FNFA is about more than just providing competitive loans and investment opportunities to our members—we have a wealth of knowledge and we’re sharing it globally. We’re also proud to say that we’re being recognized for the positive work we do.



Funding Sustainability in Canada's First Nations

In 2022, Chief Operating Officer Steve Berna spoke in-depth to the Institute of Chartered Accountants in England and Wales (ICAEW)—the global professional body for chartered accountants—for an article about funding sustainability in Canada's First Nations. The article followed FNFA's Finance for the Future Award win in October 2022—an international event run in partnership between ICAEW, Deloitte and A4S. The awards celebrate organizations and individuals that support the integration of sustainability into financial decision making. FNFA won in the Moving Financial Markets category, which recognizes small and medium-sized funds, projects and initiatives that have investment activities, products and services that demonstrate ambition to build a more sustainable financial system. FNFA was further recognized for financing projects that have meaningful environmental, social and governance (ESG) impacts.

First Nations Leading the Way Conference

FNFA, along with the other FMA institutions, the First Nations Financial Management Board (FMB), the First Nations Tax Commission (FNTC), and the Lands Advisory Board (LAB) presented the fifth annual First Nations Leading the Way forum in Winnipeg, Manitoba from October 14-16, 2022.

The two and a half-day hybrid event featured keynote speakers, presentations and panel discussions to educate and inform about the forum's theme: economic resilience and innovation. Attendees heard first-hand about the achievements First Nation governments have witnessed in using First Nation-led agreements and legislation to improve their economies.

Grand Chief Jerry Daniels from Southern Chiefs Organization and Grand Chief Garrison Settee from Manitoba Keewatinowi Okimakanak welcomed delegates, while Manitoba Premier Heather Stefanson also attended and provided opening remarks. Forum presenters included Manny Jules (Chief Commissioner, First Nations Tax Commission), Harold Calla (Executive Chair, First Nations Financial Management Board), Ernie Daniels (President & CEO, First Nations Finance Authority), Robert Louie (Chairman, First Nations Lands Advisory Board), Chief Gordon Bluesky (Brokenhead Ojibway Nation), Angie Derrickson (Manager, Training, Mentorship & Professional Development, LABRC) and Dr. Andre LeDressay (Tulo Center of Indigenous Economics), among others.





Monetization

In March 2023, FNFA sent a delegation to Ottawa comprised of staff, borrowing members and staff from Quinn Public Affairs to advocate for the adoption of Monetization, which leverages the capital markets to provide funding to qualifying First Nations to finance their infrastructure projects. The delegation met with members of all political parties, including Liberals, Conservatives, NDP and the Bloc Québécois to recommend a new approach in the upcoming federal budget so that First Nations can begin to bridge the infrastructure gap now. While our ask was not granted, Canada is falling far short of its pledge and fiduciary obligation to improve the living conditions of First Nations and close the infrastructure gap with the rest of Canada by 2030, and we will not rest until progress is made towards these goals.



Business Awards

The year closed out positively with recognition from the Kelowna Chamber of Commerce Business Excellence Awards. FNFA received the Indigenous Business of the Year award at a gala attended by numerous staff members. Our COO, Steve, accepted the award on behalf of the organization. The Business Excellence Awards have celebrated outstanding business and organizational success in Kelowna since 1987. FNFA was one of three finalists in the Indigenous Business of the Year category, amongst 14 nominations.

In February, FNFA was further recognized as Indigenous Business of the Year at the Greater Westside Board of Trade Key Business Awards. Sponsored by Westbank First Nation, the award recognizes businesses that exemplify entrepreneurship and demonstrate outstanding contribution to the ideals and vision of Indigenous people.

Board of the Bank of Canada

In 2023, Ernie was appointed to the Board of the Bank of Canada, becoming the Crown corporation's inaugural First Nations Director.

Podcast

Other notable achievements over the last year include the launch of our exciting podcast series, Let's Bond, which discusses how member-led financing is helping communities build their own futures on their own terms.



Audited Financial Statements

Statement of Management Responsibility

The financial statements of First Nations Finance Authority ("FNFA") for the year ended March 31, 2023, have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS").

The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee. The Audit Committee meets with management no fewer than four times a year and the external auditors a minimum of two times a year.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination considers internal control relevant to management's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of FNFA's internal control. The external auditors have full and free access to the Audit Committee.

On behalf of First Nations Finance Authority



Ernie Daniels - President & CEO
June 5, 2023



KPMG LLP
200 - 3200 Richter Street
Kelowna BC, V1W 5K9

Tel 250-979-7150
Fax 250-763-0044
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of First Nations Finance Authority

Opinion

We have audited the financial statements of First Nations Finance Authority ("FNFA"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FNFA as at March 31, 2023, and its results of operations, its changes in net financial assets, its cash flows and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of FNFA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged With Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing FNFA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate FNFA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing FNFA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit 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 FNFA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on FNFA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause FNFA's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo consists of the letters "KPMG" in a bold, italicized serif font, with "LLP" in a smaller, regular serif font directly below it.

Chartered Professional Accountants

June 5, 2023

Kelowna, Canada

Statement of Financial Position

March 31, 2023 with comparative figures for 2022
(in thousands)

	2023	2022
Financial Assets		
Cash and cash equivalents	\$224,730	\$405,117
Debt Reserve Funds' investments (note 2(a))	101,096	86,795
Sinking Funds' investments (note 3)	160,313	110,870
Loans to members (note 4)	1,676,518	1,540,542
Restricted cash and cash equivalents: (note 5)		
Funds held due to members	62,686	19,834
Principal and interest payments received in advance	19,157	40,046
Other	324	324
	2,244,824	2,203,528
Liabilities		
Accounts payable and accrued liabilities	895	878
Accrued interest payable	12,728	12,728
Deferred contributions (note 13)	1,095	-
Due to members (note 2(b))	101,096	86,795
Funds held due to members	62,686	19,834
Principal and interest payments received in advance	19,157	40,046
Short-term indebtedness (note 6)	400,000	400,000
Debentures: (note 7)		
Principal	1,626,000	1,626,000
Unamortized premiums and discounts, net	9,529	12,006
Unamortized debenture issuance costs	(6,963)	(8,354)
	2,226,223	2,189,933
Net Financial Assets	18,601	13,595
Non-Financial Assets		
Credit Enhancement Fund (note 8)	53,163	53,163
Contingency Fund (note 9)	33,665	32,550
Capital assets (note 10)	1,645	1,986
Prepaid expenses	1,332	494
	89,805	88,193
Commitments and contingencies (note 11)		
Accumulated surplus	\$108,406	\$101,788

Accumulated surplus is comprised of:

Accumulated surplus (note 12)	\$108,132	\$101,690
Accumulated remeasurement gains	274	98
	\$108,406	\$101,788

See accompanying notes to the financial statements.

On Behalf of the Board:

Chief Warren Tabobondung - Chair

Ernie Daniels - President & CEO

Statement of Operations and Accumulated Surplus

Year ended March 31, 2023 with comparative figures for 2022
(in thousands)

	2023 Budget	2023	2022
	(note 1(g))		
Revenue			
Grants and contributions: (note 13)			
Funding and grant arrangements	\$1,801	\$3,343	\$4,810
Deferred contributions	-	(1,095)	-
Interest from loan programs	56,832	58,899	38,796
Debenture issuance premium amortization	2,872	2,872	2,888
Investment	4,806	7,549	2,981
Management fees	947	2,279	811
Other	23	178	132
	67,281	74,025	50,418
Expenses (note 1 (h))			
Interest on financing	51,652	54,092	34,397
Debenture issuance discount amortization	413	395	357
Debenture issuance costs amortization	1,502	1,391	1,177
Financing fees	1,597	1,532	1,220
Professional fees	718	564	840
Travel and workshops	639	969	211
Salaries and benefits	3,658	3,149	3,084
Operations and management	614	710	524
Investment revenue due to members	3,295	4,261	2,312
Amortization of capital assets	355	520	166
	64,443	67,583	44,288
Operating surplus	\$2,838	\$6,442	\$6,130
Credit Enhancement Fund contribution (note 8)	-	-	7,663
Contingency Fund contribution (note 9)	-	-	32,489
Net realized remeasurement gains	-	-	686
Surplus	2,838	6,442	46,968
Accumulated surplus, beginning of year	93,789	101,690	54,722
Accumulated surplus, end of year	\$96,627	\$108,132	\$101,690

See accompanying notes to the financial statements.

Statement of Changes in Net Financial Assets

Year ended March 31, 2023 with comparative figures for 2022
(in thousands)

	2023 Budget (note 1(g))	2023	2022
Surplus	\$2,838	\$6,442	\$46,968
Changes to non-financial assets			
Credit Enhancement Fund contributions	-	-	(7,663)
Contingency Fund contributions	-	(1,115)	(32,550)
Acquisition of capital assets	-	(179)	(1,105)
Amortization of capital assets	355	520	(166)
	355	(774)	(41,152)
Net change in prepaid expenses	-	(838)	(152)
	355	(1,612)	(41,304)
Net remeasurement gains	-	176	18
Increase in net financial assets	3,193	5,006	5,682
Net financial assets, beginning of year	13,595	13,595	7,913
Net financial assets, end of year	\$16,788	\$18,601	\$13,595

See accompanying notes to the financial statements.

Statement of Remeasurement Gains and Losses

Year ended March 31, 2023 with comparative figures for 2022
(in thousands)

	2023	2022
Accumulated remeasurement gains, beginning of year	\$98	\$80
Net remeasurement gains realized and reclassified to the statement of operations from:		
Derivative contracts	-	687
Unrealized gains (losses) generated and reclassified during the year from:		
Derivative contracts	176	(669)
Net measurement gains	176	18
Accumulated remeasurement gains, end of year	\$274	\$98

See accompanying notes to the financial statements.

Statement of Cash Flows

Year ended March 31, 2023 with comparative figures for 2022
(in thousands)

	2023	2022
Cash provided by (used in):		
Operating transactions:		
Operating surplus	\$6,442	\$6,130
Debenture issuance premium amortization	(2,872)	(2,888)
Debenture issuance discount amortization	395	357
Debenture issuance costs amortization	1,391	1,177
Amortization of capital assets	520	166
Net realized remeasurement gains	-	686
Net change in non-cash assets and liabilities	274	3,600
	<u>6,150</u>	<u>9,228</u>
Investing transactions:		
Acquisition of investments	(64,859)	(56,012)
Increase in amounts due to members	14,301	18,260
Net increase in restricted cash and cash equivalents	(21,963)	(29,425)
Increase in funds held due to members	42,852	3,245
Increase (decrease) in principal and interest payments received in advance	(20,889)	26,180
	<u>(50,558)</u>	<u>(37,752)</u>
Financing transactions:		
Loans to members issued	(183,781)	(345,001)
Repayment of loans to members	47,981	39,271
Debenture issued, principal	-	354,000
Premium (discount) on debenture issuance	-	(414)
Debenture issuance costs	-	(2,372)
Proceeds from short-term indebtedness	-	400,000
Repayment of short-term indebtedness	-	(31,294)
	<u>(135,800)</u>	<u>414,191</u>
Capital transactions:		
Purchase of capital assets	(179)	(1,105)
Increase (decrease) in cash and cash equivalents	(180,387)	384,562
Cash and cash equivalents, beginning of year	405,117	20,555
Cash and cash equivalents, end of year	\$224,730	\$405,117
Supplemental cash flow information:		
Interest paid	\$54,737	\$31,081
Credit Enhancement Fund contribution	-	7,663
Contingency Fund contribution	-	32,489

See accompanying notes to the financial statements.

Notes to Financial Statements

Year ended March 31, 2023

(all tabular figures reported in thousands of dollars)

First Nations Finance Authority ("FNFA") was created on 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 is exempt from income taxes pursuant to Section 149 (1)(c) and 149 (1)(d.5) of the Income Tax Act (Canada).

1. Significant accounting policies:

The 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 presentation:

These financial statements reflect the assets, liabilities, revenues, and expenses of FNFA's Operating, Credit Enhancement, Contingency, Sinking, and Debt Reserve Funds. All transactions and balances between the funds have been eliminated upon combination. Descriptions of FNFA's funds are as follows:

Operating Fund:

FNFA's Operating Fund includes revenue and expenses for all aspects of operations, including corporate administration and finance.

Credit Enhancement Fund:

Under the Act, FNFA is required to establish a Credit Enhancement Fund for the enhancement of FNFA's credit rating.

Contingency Fund:

Created through an agreement with Crown-Indigenous Relations and Northern Affairs Canada ("CIRNAC"), the Contingency Fund provides support for FNFA's borrowing members encountering difficulties through global pandemics or other widespread adverse economic events.

Sinking Funds:

Under the Act, FNFA is required to establish Sinking Funds to fulfill its repayment obligations to the holders of each debenture security issued by FNFA. Sinking Fund payments are required as a condition of loan agreements with members and are invested by FNFA and occur based upon the frequency of FNFA intercepting the revenues supporting the loans. Sinking Funds are not required for interim financing loans to members.

Debt Reserve Funds:

Under the Act, FNFA is required to establish Debt Reserve Funds. FNFA withholds 5% of the loan amount requested under a member's borrowing law. 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 the payor of the intercepted revenue stream or from a borrowing member using its own source business revenues, FNFA can utilize the Debt Reserve Funds to satisfy these obligations. Upon extinguishment of a member's loan, the Debt Reserve Fund contributed by the member and net earnings on investment of the Fund are repaid to the member. The Debt Reserve Fund terms do not provide for an accumulated surplus or deficit.

FNFA follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable (note 1(b)). 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.

Notes to Financial Statements (cont.)

Year ended March 31, 2023

(all tabular figures reported in thousands of dollars)

(b) Revenue recognition:

Transfers from governments are recognized as revenue 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.

Transfers from governments which FNFA collects as an agent on behalf of its members are recorded on a net basis.

Interest from loan programs with members is recorded as revenue in accordance with FNFA's loan agreements with its members. Investment, management fees, and other revenue is recorded as revenue in the period earned.

(c) Cash and cash equivalents:

Cash and cash equivalents include 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.

(d) 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, freestanding derivative instruments that are not in a qualifying hedging relationship and any other items elected by FNFA to be recorded at fair value. All other financial instruments, including cash and cash equivalents, government and corporate bonds, short-term indebtedness, and debentures are recorded at amortized cost. Corporate bonds held by FNFA are chartered bank investments as consistent with investment requirements under the Act. Transaction costs directly attributable to the acquisition or issuance 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, calculated as the excess of the net recoverable amount of the asset and its carrying value, is reported in the statement of operations. Any unrealized gain or loss for financial assets or liabilities measured at fair value is recorded 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 the realized gain or loss is recognized in the statement of operations.

(e) Capital assets:

Capital assets are recorded at cost, net of accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution and are also recorded as revenue. When management determines that an asset no longer contributes to FNFA's operations, the asset's net book value is written down to its net realizable value. Amortization is provided over the asset's estimated useful life at the following bases and annual rates, once the asset is available for use:

Asset	Basis	Rate
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30 - 45%
Leashold improvements	Straight-line	5 - 10 years

Notes to Financial Statements (cont.)

Year ended March 31, 2023

(all tabular figures reported in thousands of dollars)

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. Areas requiring management estimates include the net recoverable amount and any impairment of financial assets, the fair value of financial liabilities on issuance, the fair value of derivative instruments and the effective interest rate of financial assets and liabilities measured at amortized cost. Actual amounts can differ from these estimates.

(g) Budget data:

The budget data presented in these financial statements have been derived from the budget approved by the Board of Directors on March 17, 2022. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net financial assets.

(h) 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 years presented. Accordingly, segmented disclosures have not been presented in these financial statements.

2. Debt Reserve Funds:

(a) Investments:

The Debt Reserve Funds' investments are held by FNFA as security for debenture payments to bondholders 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 Funds.

The Debt Reserve Funds' assets, as at March 31, 2023, consist of the following:

	2023	2022
Cash and cash equivalents	\$65,609	\$72,004
Government and corporate bonds	35,487	14,791
	\$101,096	\$86,795

Government and corporate bonds include bonds with maturities from June 2031 to December 2033, with coupon rates from 2.05% to 5.85% and have a total principal of \$35.0 million (2022 - \$15.0 million). The market value as at March 31, 2023 was approximately \$34.0 million.

(b) Due to members:

Amounts due to members in the Debt Reserve Funds 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, 2023, is due upon extinguishment of the underlying loan, consistent with the term of the financing agreements.

3. Sinking Funds:

The Sinking Funds' assets are held to fulfill the repayment obligations of the debentures. The Sinking Funds may only be invested in securities, investments or deposits specified under the Act.

Notes to Financial Statements (cont.)

Year ended March 31, 2023

(all tabular figures reported in thousands of dollars)

The Sinking Funds' assets, as at March 31, 2023 consist of the following:

	2023	2022
Cash and cash equivalents	\$15,499	\$69,448
Guaranteed investment certificates	65,800	-
Government and corporate bonds	79,014	41,422
	\$160,313	\$110,870

Guaranteed investment certificates include certificates with maturities from October 2023 to March 2032, with interest rates from 4.40% to 5.70%.

Government and corporate bonds include bonds with maturities from March 2024 to December 2032, with coupon rates from 1.25% to 6.65% and have a total principal of \$76.8 million (2022 - \$36.9 million). The market value as at March 31, 2023 was approximately \$75.8 million.

The Sinking Funds' investment portfolio includes FNFA issued bonds. At March 31, 2023, the book value of these investments was \$19.0 million (2022 - \$5.6 million) and related investment income during the year was \$0.9 million (2022 - \$0.2 million).

4. Loans to members:

	2023	2022
Debenture financing loans	\$1,468,912	\$ 1,516,892
Interim financing loans	207,332	23,552
	1,676,244	1,540,444
Unrealized gain on derivative contracts	274	98
	\$1,676,518	\$1,540,542

The aggregate maturity of loans to members as at March 31, 2023, are as follows:

2024	\$252,204
2025	44,872
2026	44,872
2027	44,872
2028	44,872
Thereafter	1,244,552
	\$1,676,244

(a) Debenture financing loans:

Debenture financing loans to members consists of loans to eighty (2022 - eighty) borrowing members. The loans, documented by way of a promissory note, are repayable in annual principal payments to maturity, with interest payable semi-annually at 1.90% to 3.79%.

(b) Interim financing

Interim financing loans as at March 31, 2023, consists of loans to twenty-one (2022 - nine) borrowing members, bearing interest at a floating rate of 2.40% to 6.00%, payable monthly. Loans to nineteen borrowing members are due on the earlier of demand or the date upon which FNFA issues debentures to replace the interim financing provided to the First Nation. The interim financing loans have been

Notes to Financial Statements (cont.)

Year ended March 31, 2023

(all tabular figures reported in thousands of dollars)

issued by FNFA in anticipation of a debenture issuance. Loans to two borrowing members are long-term financing arrangements due in June 2028. The remaining interim financing loans will be replaced by long-term financing agreements upon 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 financing.

(c) Secured Revenues Trust Account:

FNFA determines which of the member's revenue streams are to be intercepted. These revenues are intercepted directly from the payor and are specified in the member's Borrowing Law. Each revenue stream must maintain a minimum debt service coverage ratio. These intercepted revenues cover both interest and principal payments and are deposited by the payor 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:

- Scheduled principal and interest payments to FNFA in accordance with the terms and timing outlined in the respective promissory notes and borrowing agreements; and
- The excess in the SRTA may be paid to the member based on the terms of their respective promissory note or borrowing agreement.

(d) Loan impairment:

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, 2023 (2022 - \$nil). 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 the First Nations Financial 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.

5. Restricted cash and cash equivalents:

	2023	2022
Funds held due to member	\$62,686	\$19,834
Principal and interest payments received in advance	19,157	40,046
Members capital (note 12(b))	324	324
	\$82,167	\$60,204

6. Short-term indebtedness:

In September 2021, FNFA launched its Commercial Paper Program to support its interim financing loans to members. FNFA can issue commercial paper up to a maximum aggregate amount of \$400 million, which is fully backed by a revolving credit facility. Outstanding commercial paper at March 31, 2023 of \$400 million (2022 - \$400 million) had an average interest rate of 4.70% (2022 - 0.63%). The present value of the commercial paper at issuance was not significantly different than its principal amount.

The revolving credit facility terms were amended in the fiscal year to include refinancing loans to members initially financed under the commercial paper program established by FNFA to act as a backstop to the Commercial Paper Program. The revolving credit facility continues to be available to FNFA through the issuance of bankers' acceptance notes or the issuance of loans bearing interest calculated in relation to the lender's prime. The aggregate of \$400 million outstanding between the revolving credit facility and the Commercial Paper Program may not be exceeded. The outstanding balance of the credit facility at March 31,

Notes to Financial Statements (cont.)

Year ended March 31, 2023

(all tabular figures reported in thousands of dollars)

2023 was \$nil (2022 - \$nil). Amounts borrowed under the revolving credit facility are due the earlier of the terms of FNFA's interim financing loans to members (note 4(b)) and October 9, 2024.

7. Debentures:

Debentures consist of secured and unsubordinated bonds issued by FNFA. The bonds provide for semi-annual interest payments at 3.40%, 3.05%, 1.71%, and 2.85% and payment of the principal at maturity on June 26, 2024, June 1, 2028, June 16, 2030, and June 1, 2032 respectively. Debenture discounts or premiums and debenture issuance costs including bond forward fees are amortized over the debenture term using the effective interest method. The resulting effective interest rate for the debenture financing is 3.13%, 2.94%, 1.66%, and 2.94% respectively.

The maturity of debenture financing as at March 31, 2023, is as follows:

2024	\$251,000
2028	427,000
2030	594,000
2032	354,000
	<hr/>
	\$1,626,000

8. Credit Enhancement Fund:

The Credit Enhancement Fund was established under the Act and funded through several deposits from CIRNAC. Funds included in the Credit Enhancement Fund may be invested only in securities, investments or deposits specified under the Act. Investment income from the Credit Enhancement Fund 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 Credit Enhancement Fund may be used to temporarily offset shortfalls in the Debt Reserve Funds and for any other purpose prescribed by regulation. During the year, no transfers were made to the Debt Reserve Funds.

The Credit Enhancement Fund, as at March 31, 2023 consist of the following:

	2023	2022
Cash and cash equivalents	\$4,200	\$14,553
Guaranteed investment certificate	5,000	-
Government and corporate bonds	44,036	31,017
Contribution receivable	-	7,663
Due to Operating Fund	(73)	(72)
	\$53,163	\$53,163

Guaranteed investment certificate is a certificate with a maturity of November 2023, with an interest rate of 5.60%.

Government and corporate bonds include bonds with maturities of June 2030 to June 2033, a coupon rates of 1.25% to 4.25% and have a total principal of \$42.0 million (2022 - \$29.0 million). The market value as at March 31, 2023 was approximately \$41.1 million.

9. Contingency Fund:

The Contingency Fund was created and funded in the 2022 fiscal year by contributions of \$32.49 million from CIRNAC. The purpose of the Contingency Fund is to provide repayable financial support for FNFA's borrowing members encountering difficulties due to COVID-19 pandemic or subsequent

Notes to Financial Statements (cont.)

Year ended March 31, 2023

(all tabular figures reported in thousands of dollars)

widespread economic shock. The Contingency Fund must be deposited into a Canadian financial institution that is a member of the Canada Deposit Insurance Corporation. Investment income from the Contingency Fund may be used for FNFA's operational costs. During the year ended March 31, 2023, no loans from the Contingency Fund were made to borrowing members.

Fund activity for the year ended March 31, 2023 is as follows:

	2023	2022
Balance, beginning of year	\$32,550	\$ -
Contributions	-	32,489
Investment income	1,115	61
Loans to borrowing members	-	-
Balance, end of year	\$32,665	\$32,550

10. Capital assets:

March 31, 2023		Furniture and equipment	Computer equipment	Leasehold Improvements	Computer software	Total
Cost:						
Balance, beginning of year	\$208	\$167	\$ 1,033	\$ 903	\$2,311	
Additions	7	14	106	52	179	
Disposals	(2)	(49)	(4)	(309)	(364)	
Balance, end of year	213	132	1,135	645	2,126	
Accumulated amortization:						
Balance, beginning of year	63	79	183	-	325	
Amortization	29	37	124	-	190	
Disposals	-	(34)	-	-	(34)	
Balance, end of year	92	82	307	-	481	
Net book value, end of year	\$ 121	\$ 50	\$ 828	\$645	\$ 1,645	
March 31, 2022		Furniture and equipment	Computer equipment	Leasehold Improvements	Computer software	Total
Cost:						
Balance, beginning of year	\$170	\$104	\$700	\$262	\$1,236	
Additions	42	89	333	641	1,105	
Disposals	(4)	(26)	-	-	(30)	
Balance, end of year	208	167	1,033	903	2,311	
Accumulated amortization:						
Balance, beginning of year	34	65	90	-	189	
Amortization	30	38	93	-	161	
Disposals	(1)	(24)	-	-	(25)	
Balance, end of year	63	79	183	-	325	
Net book value, end of year	\$145	\$88	\$850	\$903	\$1,986	

Notes to Financial Statements (cont.)

Year ended March 31, 2023

(all tabular figures reported in thousands of dollars)

Computer software consists of costs incurred for software that is in the development phase. As it was not available for use as at March 31, 2023, no amortization was recorded to March 31, 2023. Included in amortization on the statement of operations is a write-down of computer software of \$330,000.

11. Commitments and contingent liabilities

(a) Commitments

FNFA entered into a lease agreement for office space, which expires January 31, 2028 and various office equipment leases expiring October 2025. Total estimated operating lease commitments to maturity are as follows:

2024	\$253
2025	303
2026	301
2027	298
	\$1,154

(b) Derivative financial instruments

At March 31, 2023, FNFA had the following outstanding derivative financial instruments:

- Interest rate swap contract with a notional value of \$6.6 million whose settlement extends to June 1, 2035.
- Interest rate swap contract with a notional value of \$2.3 million whose settlement extends to June 18, 2040.

The contracts were entered into as devices to control interest rate risk. They were entered into at the request of a borrowing member to provide a fixed lending rate for a predetermined period of time, commencing at the specified future date. At the specified future dates, FNFA will cash settle the derivative contract with the financial institution, realizing either a receipt of cash or a payment of cash dependent upon movements in interest rates. The amount of cash received or paid upon contract termination is calculated using a present value formula at the benchmark yield upon settlement.

Under PSAS, these cash settlements are recorded as either a gain or a loss in the year of contract termination. FNFA is cash neutral, except for the contract fee, as it recovers or attributes these cash settlement amounts to its member(s) over the contract term.

FNFA categorizes its fair value measurements for derivative contracts and investments according to a three-level hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

Government and corporate bonds and derivative contracts are considered level 2 financial instruments.

Notes to Financial Statements (cont.)

Year ended March 31, 2023

(all tabular figures reported in thousands of dollars)

The unrealized gain on outstanding derivative contracts at March 31, 2023, of \$0.27 million (2022 - \$0.10 million) has been reflected in the statement of remeasurement gains and losses and in the statement of financial position as an offset to loans to members.

12. Accumulated surplus

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

	2023	2022
Credit Enhancement Fund	\$53,163	\$53,163
Contingency Fund	33,665	32,550
 Operating Fund:		
Invested in tangible capital assets	1,645	1,986
Unrestricted	<u>19,659</u>	<u>13,991</u>
	21,304	15,977
	\$108,132	\$101,690

(b) Members capital:

On April 1, 2006, assets and liabilities of FNFA Inc., a predecessor organization which was controlled by the same Board as FNFA, were transferred to FNFA. FNFA's Board of Directors has resolved by way of a bylaw that, upon dissolution of FNFA, the total contribution to FNFA of \$324,035, being tangible capital assets and retained earnings of 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 equivalents.

(c) Change in accumulated surplus is calculated as follows:

	Credit Enhancement Fund	Contingency Fund	Operating Fund		
			Invested in capital assets	Unrestricted	Total
Balance, March 31, 2021	\$45,500	\$ -	\$1,047	\$8,175	\$54,722
Annual operating surplus (deficit)	638	61	(166)	5,597	6,130
Contributions	7,663	32,489	-	-	40,152
Net realized remeasurement loss	-	-	-	686	686
Acquisition of capital assets	-	-	1,105	(1,105)	-
Transfers	(638)	-	-	638	-
Balance, March 31, 2022	\$ 3,163	\$32,550	\$1,986	\$13,991	\$101,690
Annual operating surplus (deficit)	1,301	1,115	(520)	4,546	6,442
Acquisition of capital assets	-	-	179	(179)	-
Transfers	(1,301)	-	-	1,301	-
Balance March 31, 2023	\$53,163	\$33,665	\$1,645	\$19,659	\$108,132

Notes to Financial Statements (cont.)

Year ended March 31, 2023

(all tabular figures reported in thousands of dollars)

13. Grants and contributions:

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

	2023	2022
Comprehensive Funding Arrangement	\$2,343	\$4,310
Grant Agreement	1,000	500
Deferred contributions	(1,095)	-
	\$2,248	\$4,810

CIRNAC provided a Comprehensive Funding Arrangement, 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 FNFA.

Under the terms of the Grant Agreement, which is for the purpose of covering costs associated with FNFA's core business, FNFA is to receive an annual maximum of \$1,000,000. This arrangement expires on March 31, 2024.

14. Financial instruments:

(a) 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, 2023, each interim financing loan to members was funded through short-term indebtedness. FNFA maintains Sinking Funds (note 3) to assist with managing its liquidity risk with respect to its debenture financing. 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 short-term indebtedness (note 6) and Credit Enhancement Fund (note 8).

The following table summarizes the remaining contractual maturities of FNFA's financial liabilities:

	2023			
	On demand	Within 1 year	Greater than 1 year	Total
<i>Non-derivative financial liabilities</i>				
Accounts payable and accrued liabilities	\$ -	\$895	\$ -	\$895
Accrued interest payable	- -	12,728	- -	12,728
Principal and interest received in advance	- -	19,157	- -	19,157
Funds held due to members	62,686	- -	- -	62,686
Due to members	101,096	- -	- -	101,096
Short-term indebtedness	400,000	- -	- -	400,000
Debentures	- -	- -	1,626,000	1,626,000
	\$563,782	\$32,780	\$1,626,000	\$2,222,562

Notes to Financial Statements (cont.)

Year ended March 31, 2023

(all tabular figures reported in thousands of dollars)

	2022			
	On demand	Within 1 year	Greater than 1 year	Total
<i>Non-derivative financial liabilities</i>				
Accounts payable and accrued liabilities	\$ -	\$878	\$ -	\$878
Accrued interest payable	-	12,728	-	12,728
Principal and interest received in advance	-	40,046		40,046
Funds held due to members	19,834	-	-	19,834
Due to members	86,795	-		86,795
Short-term indebtedness	400,000	-	-	400,000
Debentures	-	-	1,626,000	1,626,000
	\$ 506,629	\$ 53,652	\$ 1,626,000	\$2,186,281

(b) Credit risk:

Credit risk refers to the risk that the counterparty may default on its contractual obligations resulting in a financial loss. FNFA holds its cash and cash equivalents, Credit Enhancement and Contingency Fund assets and investments with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

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.

Credit risk on loans to members is reduced by ensuring that all members must first comply with imposed financial criteria which define borrowing limits and assess the ability to service new and existing debt. FNFA conducts periodic evaluations of its loans to members, including monthly reviews of expected interception of revenues to actual, to determine if the loans are impaired. FNFA has requirements under its loan agreements that members must pledge other revenues if a revenue stream pledged to FNFA to service debt is impaired.

(c) 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 member and future cash outflows on its interim financing. FNFA's cash and cash equivalents, Credit Enhancement and Contingency Fund assets and investments are held in cash, short term money market instruments, or corporate and government bonds. FNFA is subject to interest rate risk in regard to its corporate and government bonds (notes 2, 3, and 8).

FNFA is subject to interest rate risk with respect to its short-term indebtedness, which bears interest at variable rates. FNFA monitors interest rate risk on short-term indebtedness and negotiates interest rates on interim financing loans to members in relation to these rates.

FNFA periodically enters into derivative financial instruments (note 11(b)) to manage certain interest rate exposure.

Fair value sensitivity analysis for fixed rate instruments

FNFA does not account for any fixed rate financial assets and liabilities at fair value through profit or loss therefore a change in interest rates at the reporting date would not affect profit or loss.

A 100 basis point change in interest rates would have a parallel change in annual operating surplus, at the reporting date, by \$57,000 (2022 - \$43,000).

Glossary

Commercial Paper (CP)

Program: Issuance of short-term promissory notes to support FNFA's Interim Financing Program.

Contingency Fund (CF): Federal Government agreement to recognize the impact of widespread economic shock on borrowing members such as the pandemic-related government related closures; the CF can be borrowed by eligible existing borrowing members to cover loan payments to FNFA in the event of widespread economic shock.



Credit Enhancement Fund (CEF):

Backup support for the DRF replenishment in the event it is used for member defaults. CEF is under an agreement with the Federal government.

Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC):

(CIRNAC): Arm of the Federal government dedicated to renewing the relationship between Canada and First Nations, Inuit and Métis.

Debenture Financing (DF)

Program: long-term loan program with fixed rate, principal and interest payment requirements; once loan pool is built up to a marketable size it is rolled from interim financing into debenture financing; rate is fixed for the term of the debenture (10 years currently).

Debt Reserve Fund (DRF):

Withholding of 5% on each loan to support loan payments in the event of a member default; it is returned with all earnings to the member upon loan extinguishment.

Environmental, Social and Governance (ESG): a set of standards that socially conscious investors use to screen potential investments.

Environmental criteria consider how an organization performs as a steward of nature, for example, a green energy project.

Social criteria examine how an organization contributes to society, for example, affordable housing or clean water.

Governance criteria examines how an organization contributes to better leadership and internal controls, for example.

First Nations Fiscal Management Act (FNFMA):

Federal Act: that FNFA was first established and operates under.

Interim Financing (IF) Program:

short-term loan program with floating rate, interest only payment requirements; used to build up loan pool ahead of debenture issuance and/or finance projects under construction.

Financing Secured by Other Revenues Regulation (FSORR):

Regulation developed to expand FNFA's mandate to allow for loans to members utilizing other revenues (under FNFMA, FNFA could only utilize Property Tax revenues).

Sinking Fund (SF): Required for each debenture issuance under the Act. Principal loan payments are held in the SF and invested until debenture maturity. Earnings on SF go towards member loan principal balances.



Head Office
First Nations Finance Authority
202 - 3500 Carrington Road
Westbank, BC V4T 3C1
P 250-768-5253
TF 866-575-3632
F 250-768-5258
E info@fnfa.ca

fnfa.ca

