

Financial Statements of

**FIRST NATIONS FINANCE AUTHORITY**

Year ended March 31, 2024

And Independent Auditors Report thereon



## STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of First Nations Finance Authority (“FNFA”) for the year ended March 31, 2024 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 4, 2024



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## 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, 2024
- 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, 2024, 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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.



Chartered Professional Accountants

June 4, 2024  
Kelowna, Canada

# FIRST NATIONS FINANCE AUTHORITY

Statements of Financial Position

March 31, 2024 with comparative figures for 2023

(in thousands)

	2024	2023
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 304,628	\$ 224,730
Debt Reserve Funds investments (note 2(a))	118,936	101,096
Sinking Funds investments (note 3)	213,503	160,313
Loans to members (note 4)	1,908,323	1,676,518
Restricted cash and cash equivalents: (note 5)		
Funds held due to members	114,545	62,686
Principal and interest payments received in advance	20,447	19,157
Other	324	324
	2,680,706	2,244,824
<b>Liabilities</b>		
Accounts payable and accrued liabilities	696	895
Accrued interest payable	17,613	12,728
Deferred contributions (note 13)	1,397	1,095
Due to members (note 2(b))	118,936	101,096
Funds held due to members	114,545	62,686
Principal and interest payments received in advance	20,447	19,157
Short-term indebtedness (note 6)	400,000	400,000
Debentures: (note 7)		
Principal	1,983,000	1,626,000
Unamortized premium and discounts, net	6,780	9,529
Unamortized debenture issuance costs	(7,860)	(6,963)
	2,655,554	2,226,223
<b>Net Financial Assets</b>	25,152	18,601
<b>Non-Financial Assets</b>		
Credit Enhancement Fund (note 8)	53,163	53,163
Contingency Fund (note 9)	35,540	33,665
Capital assets (note 10)	2,702	1,645
Prepaid expenses	1,045	1,332
	92,450	89,805
Commitments and contingencies (note 11)		
<b>Accumulated surplus</b>	<b>\$ 117,602</b>	<b>\$ 108,406</b>
Accumulated surplus is comprised of:		
Accumulated surplus (note 12)	\$ 117,173	\$ 108,132
Accumulated rereasurement gains	429	274
	\$ 117,602	\$ 108,406

See accompanying notes to the financial statements.

On Behalf of the Board:



Chief Warren Tabobondung - Chair



Ernie Daniels - President & CEO

# FIRST NATIONS FINANCE AUTHORITY

Statement of Operations and Accumulated Surplus

Year ended March 31, 2024 with comparative figures for 2023

(in thousands)

	2024 Budget (note 1(g))	2024	2023
<b>Revenue</b>			
Grants and contributions: (note 13)			
Funding and grant arrangements	\$ 1,642	\$ 4,396	\$ 3,343
Deferred contributions	-	(1,397)	(1,095)
Interest from loan programs	75,677	70,230	58,899
Debenture issuance premium amortization	2,864	2,864	2,872
Investment	11,090	12,789	7,549
Management fees	639	636	2,279
Other	22	43	178
	91,934	89,561	74,025
<b>Expenses (note 1 (h))</b>			
Interest on financing	69,903	64,692	54,092
Debenture issuance discount amortization	829	401	395
Debenture issuance costs amortization	1,556	1,432	1,391
Financing fees	1,592	1,508	1,532
Professional fees	856	1,477	564
Travel and workshops	1,050	822	969
Salaries and benefits	4,373	3,650	3,149
Operations and management	900	780	710
Investment revenue due to members	5,534	5,560	4,261
Amortization of capital assets	477	198	520
	87,070	80,520	67,583
Surplus	4,864	9,041	6,442
Accumulated surplus, beginning of year	108,132	108,132	101,690
<b>Accumulated surplus, end of year</b>	<b>\$ 112,996</b>	<b>\$ 117,173</b>	<b>\$ 108,132</b>

See accompanying notes to the financial statements.

# FIRST NATIONS FINANCE AUTHORITY

## Statement of Changes in Net Financial Assets

Year ended March 31, 2024 with comparative figures for 2023

(in thousands)

	2024 Budget (note 1(g))	2024	2023
Surplus	\$ 4,864	\$ 9,041	\$ 6,442
Changes to non-financial assets			
Contingency Fund contributions	-	(1,875)	(1,115)
Acquisition of capital assets	-	(1,255)	(179)
Amortization of capital assets	477	198	520
	477	(2,932)	(774)
Net change in prepaid expenses	-	287	(838)
	477	(2,645)	(1,612)
Net remeasurement gains	-	155	176
Increase in net financial assets	5,341	6,551	5,006
Net financial assets, beginning of year	18,601	18,601	13,595
Net financial assets, end of year	\$ 23,942	\$ 25,152	\$ 18,601

See accompanying notes to the financial statements.



# FIRST NATIONS FINANCE AUTHORITY

## Statement of Cash Flows

Year ended March 31, 2024 with comparative figures for 2023

(in thousands)

	2024	2023
Cash provided by (used in):		
Operating transactions:		
Operating surplus	\$ 9,041	\$ 6,442
Debenture issuance premium amortization	(2,864)	(2,872)
Debenture issuance discount amortization	401	395
Debenture issuance costs amortization	1,432	1,391
Amortization of capital assets	198	520
Net change in non-cash assets and liabilities	5,275	274
	13,483	6,150
Investing transactions:		
Acquisition of investments	(72,905)	(64,859)
Increase in amounts due to members	17,840	14,301
Net increase in restricted cash and cash equivalents	(53,149)	(21,963)
Increase in funds held due to members	51,859	42,852
Increase (decrease) in principal and interest payments received in advance	1,290	(20,889)
	(55,065)	(50,558)
Financing transactions:		
Loans to members issued	(285,700)	(183,781)
Repayment of loans to members	54,050	47,981
Debenture issued, principal	357,000	-
Premium (discount) on debenture issuance	(286)	-
Debenture issuance costs	(2,329)	-
	122,735	(135,800)
Capital transactions:		
Purchase of capital assets	(1,255)	(179)
Increase (decrease) in cash and cash equivalents	79,898	(180,387)
Cash and cash equivalents, beginning of year	224,730	405,117
Cash and cash equivalents, end of year	\$ 304,628	\$ 224,730
Supplemental cash flow information:		
Interest paid	\$ 59,807	\$ 54,737

See accompanying notes to the financial statements.

# FIRST NATIONS FINANCE AUTHORITY

## Statement of Remeasurement Gains and Losses

Year ended March 31, 2024 with comparative figures for 2023

(in thousands)

	2024	2023
Accumulated remeasurement gains, beginning of year	\$ 274	\$ 98
Unrealized gains (losses) generated and reversed during the year from:		
Derivative contracts	155	176
Accumulated remeasurement losses, end of year	\$ 429	\$ 274

See accompanying notes to the financial statements.

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(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.

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 1. Significant accounting policies (a) (continued):

### *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.

### (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.

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 1. Significant accounting policies (b) (continued):

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.

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 1. Significant accounting policies (continued):

### (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:

<b>Asset</b>	<b>Basis</b>	<b>Rate</b>
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30 - 45%
Leasehold improvements	Straight-line	5 - 10 years

### (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 May 4, 2023. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net financial assets.

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 1. Significant accounting policies (continued):

### (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, 2024 consist of the following:

	2024	2023
Cash and cash equivalents	\$ 30,735	\$ 65,609
Structured deposit notes (note 11 (a))	25,436	-
Government and corporate bonds	62,765	35,487
	<u>\$ 118,936</u>	<u>\$ 101,096</u>

Structured deposit notes include notes with maturities in November 2033 and May 2034, with interest rates from 3.90% to 4.03%.

Government and corporate bonds include bonds with maturities from December 2031 to September 2033, with coupon rates from 2.25% to 4.25% and have a total principal of \$63.5 million (2023 - \$35.0 million). The market value as at March 31, 2024 was approximately \$60.0 million.

The Debt Reserve Funds' investment portfolio includes FNFA issued bonds. At March 31, 2024, the book value of these investments was \$5.6 million (2023 - \$nil) and related investment income during the year was \$0.2 million (2023 - \$nil).

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 2. Debt Reserve Funds (continued):

(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, 2024, 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.

The Sinking Funds' assets, as at March 31, 2024 consist of the following:

	2024	2023
Cash and cash equivalents	\$ 26,669	\$ 15,499
Guaranteed investment certificates	91,085	65,800
Structured deposit notes (note 11 (a))	550	-
Government and corporate bonds	95,199	79,014
	<u>\$ 213,503</u>	<u>\$ 160,313</u>

Guaranteed investment certificates include certificates with maturities from May 2024 to March 2032, with interest rates from 4.40% to 6.15%.

Structured deposit note maturing in May 2034, and an interest rate of 4.03%.

Government and corporate bonds include bonds with maturities from April 2024 to December 2032, with coupon rates from 1.71% to 4.25% and have a total principal of \$96.6 million (2023 - \$76.8 million). The market value as at March 31, 2024 was approximately \$92.0 million.

The Sinking Funds' investment portfolio includes FNFA issued bonds. At March 31, 2024, the book value of these investments was \$31.6 million (2023 - \$19.0 million) and related investment income during the year was \$0.7 million (2023 - \$0.9 million).



# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 4. Loans to members:

	2024	2023
Debenture financing loans	\$ 1,774,260	\$ 1,468,912
Interim financing loans	133,634	207,332
	<u>1,907,894</u>	<u>1,676,244</u>
Unrealized gain on derivative contracts	429	274
	<u>\$ 1,908,323</u>	<u>\$ 1,676,518</u>

The aggregate maturity of loans to members as at March 31, 2024 are as follows:

2025	\$ 185,216
2026	51,582
2027	51,582
2028	51,582
2029	51,582
Thereafter	1,516,570
	<u>\$ 1,907,894</u>

### (a) Debenture financing loans:

Debenture financing loans to members consists of loans to eighty-one (2023 – 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 4.28%.

### (b) Interim financing loans:

Interim financing loans as at March 31, 2024, consists of loans to twelve (2023 – twenty-one) borrowing members, bearing interest at a floating rate of 2.40% to 6.25%, payable monthly. Loans to ten 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 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.

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 4. Loans to members (continued):

### (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, 2024 (2023 - \$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:

	2024	2023
Funds held due to member	\$ 114,545	\$ 62,686
Principal and interest payments received in advance	20,447	19,157
Members capital (note 12(b))	324	324
	<u>\$ 135,316</u>	<u>\$ 82,167</u>

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 6. Short-term indebtedness:

FNFA operates a 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, 2024 had an average interest rate of 5.03% (2023 – 4.70%). The present value of the commercial paper at issuance was not significantly different than its principal amount.

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, 2024 was \$nil (2023 – \$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 1.71% to 4.10% and payment of the principal at maturity on June 26, 2024 to June 1, 2034. 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 1.66% to 3.13%.

The maturity of debenture financing as at March 31, 2024 is as follows:

2025	\$ 251,000
2029	427,000
2031	594,000
2033	354,000
2035	357,000
	<hr/>
	\$ 1,983,000

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 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, 2024 consist of the following:

	2024	2023
Cash and cash equivalents	\$ 5,107	\$ 4,200
Guaranteed investment certificate	-	5,000
Government and corporate bonds	48,130	44,036
Due to Operating Fund	(74)	(73)
	<u>\$ 53,163</u>	<u>\$ 53,163</u>

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 \$46.5 million (2023 - \$42.0 million). The market value as at March 31, 2024 was approximately \$44.4 million.

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 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 making loan payments to FNFA due to the COVID-19 pandemic or subsequent 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, 2024, no loans from the Contingency Fund were made to borrowing members.

Fund activity for the year ended March 31, 2024 is as follows:

	2024		2023
Balance, beginning of year	\$33,665	\$	32,550
Contributions	-		-
Investment income	1,875		1,115
Loans to borrowing members	-		-
Balance, end of year	\$ 35,540		\$ 33,665

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 10. Capital assets:

March 31, 2024	Furniture and equipment	Computer equipment	Leasehold improvements	Computer Software	Total
Cost:					
Balance, beginning of year	\$ 213	\$ 132	\$ 1,135	\$ 646	\$ 2,126
Additions	177	107	956	15	1,255
Disposals	(7)	(30)	(3)	-	(40)
Balance, end of year	383	209	2,088	661	3,341
Accumulated amortization:					
Balance, beginning of year	92	82	307	-	481
Amortization	29	31	123	-	183
Disposals	(4)	(19)	(2)	-	(25)
Balance, end of year	117	94	428	-	639
Net book value, end of year	\$ 266	\$115	\$1,660	\$661	\$ 2,702
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	646	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	\$646	\$ 1,645

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, 2024, no amortization has been recorded. Included in amortization on the statement of operations is a write-down of computer software of \$nil (2023 - \$330,000).

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 11. Commitments and contingent liabilities

### (a) Commitments

Office Lease – 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:

2025	\$276
2026	330
2027	328
2028	325
	<hr/>
	\$ 1,259

Structured Deposit Notes – FNFA entered into structured deposit note agreements to lock-in investment rates over the term of the notes. The investments are in the Debt Reserve Fund and Sinking Fund investments as described in note 2 and 3. FNFA has the following structured deposit note commitments:

- Note with monthly installment requirements of \$300,000 beginning July 2024; settlement extends to November 2033.
- Note with monthly installment requirements of \$550,000 beginning March 2024; settlement extends to April 2034.

### (b) Derivative financial instruments

At March 31, 2024, 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 for loans to members. 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

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 11. Commitments and contingent liabilities (continued):

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.

The net unrealized gain on outstanding derivative contracts at March 31, 2024, of \$0.43 million (2023 - \$0.27 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.



# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 12. Accumulated surplus:

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

	2024	2023
Credit Enhancement Fund	\$ 53,163	\$ 53,163
Contingency Fund	35,540	33,665
Operating Fund:		
Invested in tangible capital assets	2,702	1,645
Unrestricted	25,768	19,659
	<u>28,470</u>	<u>21,304</u>
	<u>\$ 117,173</u>	<u>\$ 108,132</u>

(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.

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 12. Accumulated surplus (continued):

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

	Credit Enhancement Fund	Contingency Fund	Operating Fund		Total
			Invested in capital assets	Unrestricted	
Balance, March 31, 2022	\$ 53,163	\$ 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
Annual operating surplus (deficit)	1,692	1,875	(198)	5,672	9,041
Acquisition of capital assets	-	-	1,255	(1,255)	-
Transfers	(1,692)	-	-	1,692	-
Balance March 31, 2024	\$ 53,163	\$35,540	\$ 2,702	\$ 25,768	\$ 117,173

## 13. Grants and contributions:

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

	2024	2023
Comprehensive Funding Arrangement	\$ 2,301	\$ 2,343
Grant Agreement	1,000	1,000
Deferred contributions from prior year	1,095	-
Deferred contributions	(1,397)	(1,095)
	\$ 2,999	\$ 2,248

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.

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 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, 2024, 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:

	<b>2024</b>			
	On demand	Within 1 year	Greater than 1 year	Total
<i>Non-derivative financial liabilities</i>				
Accounts payable and accrued liabilities	\$ -	\$ 696	\$ -	\$ 696
Accrued interest payable	-	17,613	-	17,613
Principal and interest received in advance	-	20,447	-	20,447
Funds held due to members	114,545	-	-	114,545
Due to members	-	6,848	112,088	118,936
Short-term indebtedness	400,000	-	-	400,000
Debentures	-	-	1,983,000	1,983,000
	<b>\$ 514,545</b>	<b>\$ 45,604</b>	<b>\$ 2,095,088</b>	<b>\$ 2,655,237</b>
	<b>2023</b>			
	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	-	11,065	90,031	101,096
Short-term indebtedness	400,000	-	-	400,000
Debentures	-	-	1,626,000	1,626,000
	<b>\$ 462,686</b>	<b>\$ 43,845</b>	<b>\$ 1,716,031</b>	<b>\$ 2,222,562</b>

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 14. Financial instruments (continued):

### (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) to manage certain interest rate exposure.

# FIRST NATIONS FINANCE AUTHORITY

Notes to Financial Statements

Year ended March 31, 2024

(all tabular figures reported in thousands of dollars)

## 14. Financial instruments (c) (continued):

### *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 \$53,000 (2023 – \$57,000).