MORNINGSTAR | DBRS

Rating Report
First Nations Finance Authority

Morningstar DBRS
October 3, 2024

Contents

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Credit Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	AA (low)	Confirmed	Stable
Long-Term Debt	AA (low)	Confirmed	Stable
Commercial Paper	R-1 (middle)	Confirmed	Stable

Rating Rationale

DBRS Limited (Morningstar DBRS) confirmed the First Nations Finance Authority's (FNFA or the Authority) Issuer Rating and the Long-Term Debt rating at AA (low) with Stable trends. Concurrently, Morningstar DBRS confirmed the Authority's Commercial Paper (CP) rating at R-1 (middle) with a Stable trend.

FNFA is a not-for-profit, nonshare capital corporation with a mandate to provide cost-effective financing, capital planning, and investment management services to First Nations communities in Canada. The credit ratings are predicated on the strength of the legislative framework that provides FNFA with (1) the ability to intercept generally high-quality revenues provided as security through the establishment of secured revenue trust accounts, (2) the ability to replenish debt reserves through a joint and several obligation of borrowers with outstanding loans, (3) the right to require third-party intervention in a borrowing member's finances, and (4) credit characteristics of the underlying borrowers. Constraining the credit ratings, however, are the untested nature of the FNFA's intervention and debt reserve fund (DRF) replenishment mechanisms, as well as uncertainty regarding the future composition of an expanding portfolio.

There have been no material changes to FNFA's credit profile over the past year. The loan portfolio continues to grow, and the quality of borrowing pool remains in line with expectations. As of September 2024, FNFA's loan portfolio totalled more than $2.5 billion. Loan sizes range between $0.5 million and $334.4 million, with an average loan size of approximately $18.1 million. Over the years, FNFA's portfolio has increasingly diversified, with borrowing members located across nine Canadian provinces and one territory.

Morningstar DBRS notes that the majority of approved borrowers currently exhibit credit characteristics consistent with BB-range to BBB-range credit ratings, unchanged from the prior year. In addition, sound underwriting practices are intended to ensure that the quality of the borrowing pool is not materially diluted over time. For each loan financed by the Authority to a First Nation, 5% of the gross loan value is withheld in the DRF, subject to replenishment. This replenishment mechanism creates a joint and several obligation among borrowing members with outstanding loan amounts. Morningstar DBRS notes that the joint and several nature of membership promotes discipline in the future expansion of the pool as existing members will be mindful of not tying themselves to unduly weak borrowers.

The credit profile also benefits from a $53.2 million credit enhancement fund provided by the federal government to supply immediate, temporary liquidity to the DRF.

Morningstar DBRS believes that the number of First Nations borrowers and the size of the associated loan portfolio are expected to grow steadily over time, providing the pool with greater fiscal capacity to support the joint and several obligation to replenish the DRF. However, there exists the risk that new borrowing members may meet only the minimum established underwriting criteria, which could potentially lead to a gradual dilution in the quality of the pool over time. Conversely, intercepted revenue streams arising from federal revenues or provincial contracts have the potential to increase the quality of FNFA's loan portfolio.

A positive credit rating action could result from improvement in the quality of the underlying borrowing pool or improvement in available credit enhancement relative to the overall portfolio size. A negative credit rating action could arise from (1) a material deterioration in the quality of the underlying loan portfolio; (2) a material reduction in funds available for credit enhancement relative to the overall portfolio size; and/or (3) evidence that structural features, such as the DRF replenishment mechanisms, oversight, and intervention of borrowers, do not work as intended.

Issuer Description

FNFA is a not-for-profit, nonshare capital corporation established through federal legislation and wholly owned by First Nation governments. However, it does not act as a Crown agent or benefit from a federal guarantee. FNFA’s mandate is to provide cost-effective loans, capital planning advice, and investment options to First Nation communities within Canada. The FNFA is governed by borrowing members.

Rating Considerations

Strengths

1. Joint and several obligation of borrowing members to replenish the DRF

For each loan financed by the Authority to a First Nation, 5% of the gross loan value is withheld in the DRF. In the event that the balance of the DRF falls below the total amount contributed by 50% or more, the Authority must direct all members with outstanding loans to pay amounts sufficient to replenish the funds (as required under the Act), thus creating a joint and several obligation among borrowing members.

2. Revenue intercept mechanism

To secure a loan, FNFA requires the payor to deposit pledged revenues—in excess of FNFA-prescribed debt service coverage ratio (DSCR), in segregated local revenue accounts (property tax revenues) or the Secured Revenues Trust Account (SRTA) for other sources of revenue lasting through the life of the loan.

3. Sound underwriting practices and oversight

To become a borrowing member, a First Nation must at least meet the minimum underwriting criteria established by the First Nations Financial Management Board (FMB) and FNFA. After meeting these requirements, unanimous consent of the FNFA Board of Directors is required to admit a new member, and another one prior to issuing a loan based on a review of the borrowing member's credit metrics. Similarly, unanimous consent of all borrowing members and full repayment of loans are required before a First Nation can cease to be a borrowing member and thus end its joint and several obligation to replenish the DRF. This creates an incentive among members to ensure credit quality of the pool is maintained. In addition, both the FMB and FNFA perform annual reviews of all borrowing members.

4. Direct intervention mechanism

The Act affords the Authority the right to direct the FMB to intervene in the financial management of any borrowing member and assume control of treasury functions if a First Nation defaults on a payment obligation or if the Authority judges there to be a serious risk of default. Intervention requests made by the Authority must be carried out by the FMB and may take the form of either a co-management or third-party management arrangement. During an intervention, the FMB or its delegates have the authority to act in place of Chief and Council to manage all property tax revenues or other revenues, even beyond those pledged against loans, to satisfy payment obligations to the Authority. Morningstar DBRS notes that some revenues are not available for intervention, including Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) health or housing-related transfers.

5. Credit enhancement fund

The CEF, established through contributions from the federal government, can be used to temporarily offset any shortfalls in the DRF and/or strengthen FNFA's credit profile. Morningstar DBRS notes, while the federal government continues to make ad hoc contributions to the CEF, there is no requirement for the CEF to grow in line with the portfolio and, therefore, this liquidity support may be diluted as the loan portfolio grows.

Challenges

1. Untested legal framework and limitations in financial transparency

The debt reserve replenishment and intervention mechanisms contemplated under the Act remain untested from a practical and legal standpoint, as no FNFA member has experienced a late or an insufficient loan payment. FNFA and FMB oversight and underwriting standards contribute to a minimum level of financial competency; however, transparency and reporting among individual First Nation communities vary, making external validation and due diligence more challenging.

2. Potential changes in portfolio composition

The loan portfolio is secured predominantly by revenue streams other than property tax revenues. As its member base continues to grow, FNFA projects the loan portfolio will grow steadily over time (averaging roughly $350 million annual growth over the medium term). While unlikely, there exists the potential that new borrowing members may only meet the minimum level of creditworthiness under the

Authority's underwriting criteria, which could potentially lead to a gradual dilution in the quality of the pool.

3. Potential erosion from existing members' growing appetite for debt
Most approved borrowing members exhibit a meaningful amount of unused borrowing capacity as calculated by FNFA. Morningstar DBRS believes that this may lead existing members to increase leverage, especially in light of the increased availability of cost-effective financing provided through FNFA. As a result, the credit metrics of individual borrowers may experience erosion, weakening the overall quality of the pool.

4. Asset and liability mismatches
Given the range of loan terms made available to First Nation borrowers, there is likelihood of a mismatch between the term to maturity of FNFA's assets and its liabilities. While borrowing members are able to hedge interest rate risk by locking in longer-term fixed rates through a swap contract, the Authority itself may be exposed to potential refinancing risk should it lose market access. FNFA ensures the revenue streams pledged for the loans will flow for the entire term of the loan or longer and has the authority to intercept revenues for the life of the loan.

Operating Performance
Growth in the lending portfolio has allowed FNFA's operations to be self-sustaining, in turn, reducing the Authority's reliance on federal operating grants. Interest from loan programs is the primary source of revenue, accounting for around 78.4% of total revenues in 2023–24.

FNFA has steadily posted positive results over the last several years. For the year ended March 31, 2024, FNFA recorded a surplus from operations of $9.0 million, or 10.1% of revenues, compared with a surplus of $6.4 million (8.7% of revenues) for the previous year.

In 2023–24, total revenues increased by 21.0% to $89.6 million, driven by interest from members (+19.2% year over year (YOY)) reflecting increased lending activity stemming from a growing portfolio; investment income (+69.4% YOY) generally benefitting from higher interest rates and a large portfolio that includes nonborrower First Nation funds deposited with FNFA; and grants and contributions (+33.4% YOY) as FNFA expands its investment management program for members. These increases offset the decline in management fees (-72.1%).

The Authority receives operating funding provided by the federal government through Indigenous Services Canada. This includes two agreements that are reviewed annually: the Grant Agreement (set at $1.0 million for core operations), and the Comprehensive Funding Arrangement (based on FNFA's financial performance and funding needs to deliver specific programs and services outside of normal operations).

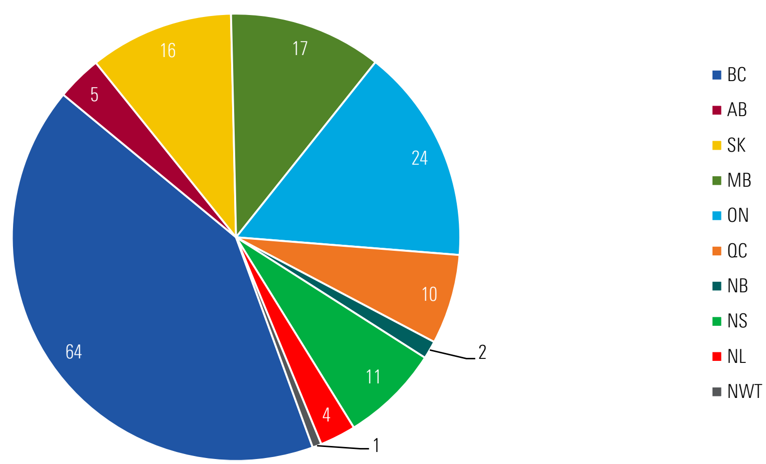
Total expenditures rose 19.1%, mainly driven by interest expenses on financing (+19.6%), investment income due to members (+30.5%), salaries and benefits (+15.9%), and professional fees (+161.9%), alongside increases across most other categories.

Outlook

FNFA's 2024–25 operating budget projects $6.4 million surplus. Morningstar DBRS anticipates healthy operating results to continue over the medium term, benefitting from growth in its member base, lending activity, investment income, and, to a lesser extent, ongoing support through federal grants, given the funding agreements in place. In addition, FNFA is in the process of developing a surplus policy under its five-year strategic plan to ensure financial sustainability and to explore community reinvestment opportunities.

Loan Portfolio

Exhibit 1 Geographic Distribution of Loan Values (As a Percentage of Total Loan Portfolio)



Sources: FNFA and Morningstar DBRS.

There are more than 630 First Nations recognized across Canada, of which 348 First Nations/self-governing communities are included or scheduled to be included in the FNFMA schedule, operating under the requirements of the Act, which is the first step to becoming an approved borrowing member.

As of September 2024, FNFA's loan portfolio totalled more than $2.5 billion. Loan sizes range between $0.5 million and $334.4 million, with an average loan size of approximately $18.1 million and a weighted-average remaining term of approximately 24.0 years for the portfolio.

Over the years, FNFA's portfolio has increasingly diversified, with borrowing members located across nine Canadian provinces and one territory. The majority of the borrowing members are located in Ontario (22%), B.C. (20%), Nova Scotia (20%), Alberta (16%), Manitoba (10%), and Saskatchewan (7%), with fewer numbers of borrowing members in Québec, New Brunswick, Newfoundland and Labrador, and the Northwest Territories. The largest concentration to a single borrower is roughly 12.85% of total loan value, although a majority of pledged revenues are tied to provincial sources.

The location of the borrowing communities has been factored into Morningstar DBRS' assessment of the loan portfolio, with communities in considerably smaller, more remote locations being scored lower on that factor, compared with those that are closer to large urban centres. This approach reflects Morningstar DBRS' view that First Nations communities that are more centrally located are likely to exhibit relatively greater economic resilience and have access to a wider, more diverse set of revenue sources.

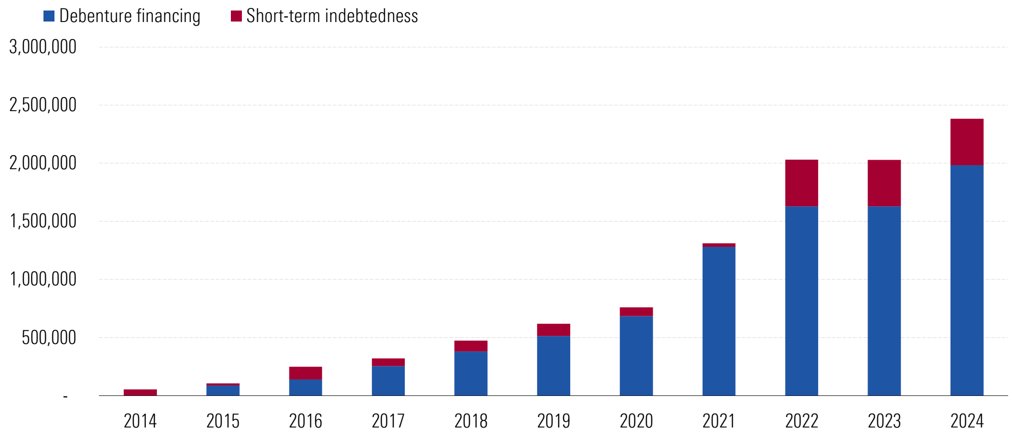
An assessment of the approved borrowing members reveals that most demonstrate credit characteristics consistent with BB- to BBB-range local governments, followed by some members on par with A (low) range. A large proportion of the portfolio exhibits reasonable fiscal performance and moderate debt burdens and debt servicing requirements in relation to revenues available for interception. An extensive certification process is required for a borrower to be approved as a member by the FNFA, and the oversight and intervention framework facilitated through the Act further influences this view on the credit profiles of participating entities. Furthermore, Morningstar DBRS' assessment of the individual revenue streams being pledged and the quality of the corresponding payors suggest most to be from investment-grade sources.

Outlook

Morningstar DBRS believes that the requirements established under the Act to qualify to become a borrowing member are sufficiently comprehensive, such that acceptance of additional First Nations members will not necessarily dilute the creditworthiness of the pool. Furthermore, Morningstar DBRS takes comfort in the continual monitoring and oversight by FNFA and the FMB to ensure First Nation governments remain compliant with all requirements of the program. An expanded list of eligible communities and a growing loan portfolio should help accelerate capital financing to borrowers in the coming years.

Debt and Liquidity

Exhibit 2 FNFA Debt (thousands; year ended March 31)



Sources: FNFA and Morningstar DBRS.

Following the issuance of $357 million Series 2024-1 senior secured bonds, the Authority's total debt increased to $2.4 billion at March 31, 2024 (up from $1.6 billion at prior fiscal year-end). Total debt comprises $1.7 billion in secured debenture financing and a $400 million CP and credit facility (used to backstop the CP program). FNFA maintains CP outstanding at the program limit, with any unused proceeds being invested in high-quality, short-term assets. Since fiscal year-end March 31, 2024, FNFA reopened the Series 2024-1 bonds adding approximately $200 million to debenture debt, while also increasing the CP program size to $600 million (fully backstopped).

CP Program

FNFA has a $600 million CP program (increased from $400 million in June 2024) that is used for interim financing. The commercial paper program complies with requirements set out in the *Morningstar DBRS Global Corporate Criteria: Commercial Paper Liquidity Support for Nonbank Issuers* because the program is backstopped by the secured credit facility with a syndicate of seven chartered banks and provides for same-day availability in the event that it is required to repay CP. Morningstar DBRS notes there is healthy investor demand for FNFA's CP program largely coming from pension funds, asset managers, money market funds, with some demand from corporate, government, and other investors.

Debt Reserve Fund

The Authority is required to withhold 5% of the amount of any loan secured by borrowing members and deposit it into a DRF. The DRF is intended to be sufficient to cover approximately 24 months of interest obligations of the FNFA. DRF member contributions are repaid only at the later of when a member has fully repaid its loan or when the Authority's debenture matures. The DRF replenishment mechanism is the primary means by which the benefit of the joint and several obligation of borrowers is transmitted to the credit. While in theory, one could assume replenishment calls could be made repeatedly following defaults by members, Morningstar DBRS believes that the limited fiscal capacity of each individual borrower limits the number of times this mechanism can reasonably be expected to be applied successfully. To mitigate this risk, FNFA strives to maintain a diversified loan portfolio, so that no one member would be required to contribute a material amount. Further, the FNFA has the authority to intercept the SRTA revenues for replenishment needs before releasing net revenues to borrowing communities. The DRF balance was $138.8 million as at June 30, 2024.

Credit Enhancement Fund

In addition to liquidity available through the SRTA and the DRF, the Authority is required to maintain the CEF at $53.2 million to be used as temporary liquidity support to the DRF should it fall below the total amounts contributed by borrowing members. The CEF can be used to meet bondholder obligations or to make sinking fund contributions in the event of nonpayment by one or more borrowing members. It must be topped up within 18 months of the first drawdown of funds, using the same replenishment and intervention mechanisms described for the DRF.

Sinking Funds

All long-term financing provided by FNFA to approved borrowing members will be in the form of amortizing loans with repayment terms ranging from five to 30 years. All borrowing members in receipt of long-term loans are required to make principal repayments that will be deposited into a sinking fund maintained by the Authority to satisfy the Authority’s own repayment obligations upon debt maturity. At June 30, 2024, sinking fund assets totalled $163.2 million.

Contingency Fund

Established in F2022 following an agreement with CIRNAC, the $36.0 million contingency fund is meant to provide short-term relief to borrowing members in the event of widespread economic shocks arising because of federal mandates (such as pandemic-related restrictions) or similar senior government guidelines that adversely affect pledged revenues to FNFA. Funds are held in a deposit account and can be requested by affected borrowing members semi-annually to cover existing loan interest payments up to a maximum period of 24 months.

Outlook

Over the medium term, the Authority anticipates that the demand for loans will grow, with a projected annual loan growth of $350 million or more. Based on portfolio details that the Authority shared with Morningstar DBRS, identified revenue streams are sufficient for debt servicing, with no material concerns highlighted for borrowing members.

Underwriting/Loan Approval Process

There have been no changes to FNFA's underwriting and loan approval process. Requirements to qualify as a borrowing member include being a band named in the schedule to the Act; obtaining a Financial Performance Certificate from the FMB; implementing a Financial Administration Law compliant with FMB standards; and, if leveraging property taxes, adopting a law compliant with First Nations Tax Commission standards. Further, each First Nation seeking financing through FNFA is required to demonstrate a reasonable track record of financial performance and a minimum degree of management sophistication.

Once a First Nation becomes a borrowing member, the First Nation must identify the revenue streams it intends to leverage and provide all the supporting documentation to FNFA to determine potential borrowing capacity. An eligible revenue stream can be leveraged only up to 75% of the potential borrowing capacity. Moreover, for loans supported by other revenues, FNFA applies minimum DSCR thresholds, resulting in the SRTA collecting a greater amount than is required to fulfill an individual borrowing member's loan obligations. The extent of excess coverage varies depending on FNFA's perceived risk of the revenue stream. FNFA intercepts the full amount of the revenue stream from the payor; therefore, actual revenues received into the SRTA are much greater than the minimum requirement. For loans backed by property tax revenues, SRTAs are not used, and funds are collected in segregated property tax revenue accounts by each First Nation as prescribed by the FNTC. Property tax revenue payments are then made directly to the Authority. Monies owed by individual members to a property tax revenue account will be collected at least seven days in advance of any corresponding liabilities to FNFA bondholders.

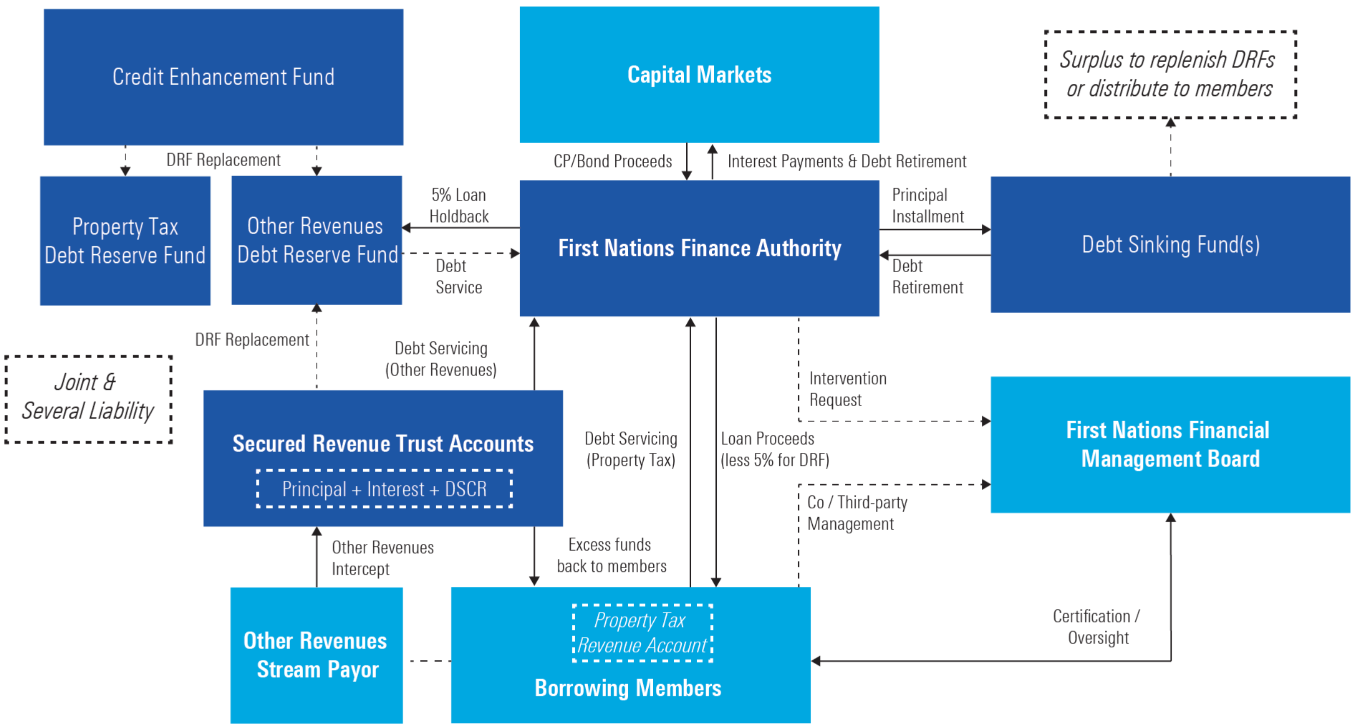
At March 31, 2024, board-approved SRTA intercepted revenues (pledged revenues) were $213 million, while actual revenues received were $248 million. FNFA capital (including DRF, sinking fund, CEF, and contingency fund) totalling $421.1 million as at March 31, 2024, is sufficient to cover more than five times the $68.0 million interest liability. As on July 31, 2024, the board expected interest coverage ratio for the loan portfolio was 3.13 (pledged revenues), while the actual interest coverage ratio (actual revenues received) was 3.65. The difference between pledged and actual revenues is due to certain annual per capita and population adjustments outlined in the revenue agreements.

Approval of a loan then requires the unanimous approval of the FNFA Board of Directors, with an emphasis on the preservation of FNFA's credit rating in all its decisions.

Organizational Structure

The FNFA is a not-for-profit, nonshare capital corporation established under the FNFMA, whose purpose is to provide low-cost loan financing, investment management, and capital planning advisory services to First Nations communities in Canada. The Authority is not a Crown Agent or Crown Corporation, nor does it benefit from any guarantees from the Government of Canada. The FNFA is independently governed by a board of directors comprising at least five and up to 11 members who are elected to one-year terms by representatives of First Nations that are borrowing members. The board is responsible for approving all new members and loans, and approval requires unanimous agreement, given the joint and several nature of member obligations. This ultimately mitigates potential erosion in the FNFA's credit profile.

Exhibit 3 Operational Structure of Lending Activities



Sources: FNFA and Morningstar DBRS.

The Act creates a forceful, though untested, intervention mechanism, which can be activated by any of the three entities—FNFA, FMB, or FNTC—if there is a serious risk of default by a borrowing member or if default occurs. The FMB would intervene to assume control of treasury functions, via either a co-management or a third-party management arrangement, to ensure financial obligations are met and financial viability is restored. This provides an incentive to borrowing members to remain current on their obligations or risk loss of autonomy and additional protection to bondholders. FNFA has confirmed that Morningstar DBRS will be notified in the event of default or risk of default requiring FMB intervention.

In the event of an insolvency of a borrowing member, the Act grants the Authority priority over those creditors of the First Nation whose claim was created after the date on which the First Nation requested financing from the Authority for loans secured by other revenues. Loans backed by property tax revenues may be secured only through the FNFA, ensuring there are no other creditors with a claim on these revenues.

Rating Approach

The complete rating approach is described in more detail in Morningstar DBRS' Rating Canadian Municipal Governments—Appendix for Canadian Government Pooled Lending Vehicles. Below is a summary of the approach.

Morningstar DBRS assesses each borrowing member’s fiscal position, debt burden, and debt service requirements (as a share of revenues that FNFA can access to service the loan obligations) to arrive at a band rating for each borrowing member.

Morningstar DBRS evaluates the quality of the existing revenue streams that are pledged for FNFA loans. In cases where a revenue stream comes from a highly rated entity, Morningstar DBRS may provide one rating category of uplift to the individual borrowing member's score.

Morningstar DBRS uses a modified collateralized loan obligation (CLO) approach to arrive at a long-term rating. This rating incorporates the available credit enhancement (including replenishable funds in a debt service reserve) and other qualitative considerations.

The commercial paper program is then assessed using the *Morningstar DBRS Global Corporate Criteria: Commercial Paper Liquidity Support for Nonbank Issuers*. FNFA's CP program is backstopped by the secured bank facility and provides for same-day availability in the event that it is required to repay CP.

ESG Credit Risk Considerations

Environmental

There were no environmental factors that had a significant or relevant effect on the credit analysis. FNFA does not have a specific mandate relating to environmental or climate objectives but operates in accordance with government policy objectives.

Social

There were no social factors that had a significant or relevant effect on the credit analysis. Under the First Nations Fiscal Management Act (the Act), FNFA was established to provide cost-effective financing, capital planning, and investment management services to First Nations communities in Canada.

Governance

There were no governance factors that had a significant or relevant effect on the credit analysis. The FNFA is governed by borrowing members, with sound governance and oversight practices. Canada scores highly in the Worldwide Governance Indicators for both rule of law and control of corruption.

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	**N**	**N**
	Emissions, Effluents, and Waste	Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk?	N	N
	Carbon and GHG Costs	Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk?	N	N
		Will recent regulatory changes have an impact on economic resilience or public finances?	N	N
		Carbon and GHG Costs	**N**	**N**
	Resource and Energy Management	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?	N	N
		Is the economy reliant on industries that are vulnerable to import or export price shocks?	N	N
		Resource and Energy Management	**N**	**N**
	Land Impact and Biodiversity	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?	N	N
	Climate and Weather Risks	Under key IPCC climate scenarios will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy?	N	N
	Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social		**Overall:**	**N**	**N**
	Human Capital and Human Rights	Compared with regional or global peers, is the domestic labour force more or less competitive, flexible and productive?	N	N
		Are labour or social conflicts a key source of economic volatility?	N	N
		Are individual and human rights insufficiently respected or failing to meet the population's expectations?	N	N
		Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	N	N
		Human Capital and Human Rights	**N**	**N**
	Access to Basic Services	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?	N	N
	Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance		**Overall:**	**N**	**N**
	Bribery, Corruption, and Political Risks	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?	N	N
	Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	N	N
		Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	N	N
		Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N
		Institutional Strength, Governance, and Transparency	**N**	**N**
	Peace and Security	Is the government likely to initiate or respond to hostilities with neighbouring governments?	N	N
		Is the government's authority over certain regions contested by domestic or foreign militias?	N	N
		Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	N	N
		Peace and Security	**N**	**N**
	Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
		Consolidated ESG Criteria Output:	**N**	**N**

* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

Statement of Operations (CAD thousands)	For the year ending March 31				
Revenue	**2024**	**2023**	**2022**	**2021**	**2020**
Grants and contributions (from CIRNAC)	2,999	2,248	4,810	3,939	4,147
Interest from members	70,230	58,899	38,796	28,672	22,932
Debenture issuance premium amortization	2,864	2,872	2,888	2,351	1,622
Investment income	12,789	7,549	2,981	1,276	2,937
Management fees[1]	636	2,279	811	381	441
Other	43	178	132	23	20
Subtotal	**89,561**	**74,025**	**50,418**	**36,642**	**32,098**
Nonrecurring items[2]	-	-	40,838	(983)	12,432
Total Revenues	**89,561**	**74,025**	**91,256**	**35,659**	**44,530**
Expenses					
Interest expenses	64,692	54,092	34,397	26,891	21,677
Discount or premium amortization	401	395	357	353	354
Debenture issuance costs amortization	1,432	1,391	1,177	924	700
Interim financing fees amortization	-	-	-	110	104
Financing fees	1,508	1,532	1,220	820	541
Professional fees	1,477	564	840	496	395
Travel and workshops	822	969	211	100	512
Salaries and benefits	3,650	3,149	3,084	2,302	1,984
Operation and management	780	710	524	475	507
Investment income due to members	5,560	4,261	2,312	1,535	1,089
Amortization and depreciation	198	520	166	104	43
Total Expenses	**80,520**	**67,583**	**44,288**	**34,111**	**27,906**
Surplus (Deficit) from Operations	**9.041**	**6,442**	**6,130**	**2,531**	**4,192**
Nonrecurring items[2]	-	-	40,838	(983)	12,432
Surplus (Deficit) as Reported	**9,041**	**6,442**	**46,968**	**1,549**	**16,624**

1. Related to fees earned for the management of pooled investment funds.
2. In 2023–24, 2022–23, 2021–22, 2020–21, and 2019–20, includes $1.9 million, $1.1 million, $7.7 million, $3 million, $12 million contribution from CIRNAC to credit enhancement fund, respectively. 2021–22 also includes a one-time Contingency Fund contribution amounting to $32.6 million.
2. In 2021–22, 2020–21, and 2019–20 also includes net realized remeasurement gains and losses of $0.7 million, ($4.0) million, and $0.4 million, respectively.

	As at March 31				
Balance Sheet (CAD thousands)	**2024**	**2023**	**2022**	**2021**	**2020**
Assets					
Cash and cash equivalents	304,628	224,730	405,117	20,555	14,348
Credit enhancement fund	53,163	53,163	53,163	45,500	42,529
Contingency fund	35,540	33,665	32,550	–	–
Accounts receivable	–	–	–	–	–
Prepaid expenses	1,045	1,332	494	342	306
Sinking fund investments	213,503	160,313	110,870	73,179	49,517
Debt reserve fund Investments	118,936	101,096	86,795	68,535	40,853
Loans to members	1,908,323	1,676,518	1,540,542	1,234,793	711,000
Restricted cash and cash equivalents[1]	135,316	82,167	60,204	30,779	25,562
Tangible capital assets	2,702	1,645	1,986	1,047	234
Total Assets	**2,773,156**	**2,334,630**	**2,291,722**	**1,474,730**	**884,349**
Liabilities					
Accounts payable and accrued liabilities	696	895	878	380	306
Accrued interest payable	17,613	12,728	12,728	9,411	6,475
Deferred contributions	1,397	1,095	–	115	199
Due to members (debt reserve fund)	118,936	101,096	86,795	68,535	40,853
Funds held due to members	114,545	62,686	19,834	16,589	15,829
Interim financing	400,000	400,000	400,000	31,239	74,803
Debenture financing	1,981,920	1,628,566	1,629,652	1,279,793	684,353
Principal and interest payments received in advance	20,447	19,157	40,046	13,866	9,409
Total Liabilities	**2,255,554**	**2,226,223**	**2,189,933**	**1,419,928**	**832,227**
Accumulated surplus (deficit)	117,602	108,407	101,789	54,802	52,122
Total Liabilities & Equity	**2,773,156**	**2,334,630**	**2,291,722**	**1,474,730**	**884,349**

1. Includes members' capital of $324,000 for all years contributed by a predecessor organization, FNFA Inc., on April 1, 2006. Upon dissolution of the FNFA, contributions shall be first distributed to public bodies having an interest in members' capital. Also includes principal and interest payments received in advance and funds held due to members.

Debt & Liquidity (CAD thousands)

	Year ended March 31						
Debt Outstanding	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Commercial paper	400,000	400,000	400,000	–	–	–	–
Series 2014-1 Bonds	251,000	251,000	251,000	251,000	251,000	251,000	251,000
Series 2017-1 Bonds	427,000	427,000	427,000	427,000	427,000	264,000	126,000
Series 2020-1 Bonds	594,000	594,000	594,000	594,000	–	–	–
Series 2022-1 Bonds	354,000	354,000	354,000	–	–	–	–
Series 2024-1 Bonds	357,000	–	–	–	–	–	–
Secured credit facility	–	–	–	31,239	74,803	104,470	92,663
Total Debt	**2,403,000**	**2,026,000**	**2,026,000**	**1,303,239**	**752,803**	**619,470**	**469,663**

Debt Maturity Profile	As at June 30, 2024						
(CAD thousands)	**2025**	**2026**	**2027**	**2028**	**2029**	**Thereafter**	**Total**
Commercial paper	500,000						**500,000**
Series 2017-1 Bonds				427,000			**427,000**
Series 2020-1 Bonds						594,000	**594,000**
Series 2021-1 Bonds						354,000	**354,000**
Series 2024-1 Bonds						558,000	**558,000**
Total debt	500,000			427,000		1,506,000	**2,433,000**
% of total debt	**20.6**	**0.0**	**0.0**	**17.6**	**0.0**	**61.9**	**100.0**

Debt Outstanding	As at June 30, 2024		
(CAD millions)	**Maturity**		**Amount**
Commercial paper			500.0
Series 2017-1 Bonds	1-Jun-28		427.0
Series 2020-1 Bonds	16-Jun-30		594.0
Series 2022-1 Bonds	1-Jun-32		354.0
Series 2024-1 Bonds	1-Jun-34		558.0
Total Debt			**2,433.0**
	As at March 31, 2024		
Liquidity	**Limit**	**Used**	**Available**
(CAD thousands)			
Cash and cash equivalents			304,628
Sinking fund investments			213,503
CEF			53,163
DRF			118,936
Total			**690,230**

1. Subsequent to fiscal year-end, the credit facility maturity date has been extended to October 9, 2025.

Rating History

	Current	2023	2022	2021	2020	2019
Issuer Rating	AA (low)	AA (low)	–	–	–	–
Senior Secured Debt	AA (low)	AA (low)	–	–	–	–
Commercial Paper	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)	–	–

Previous Report

- First Nations Finance Authority: Rating Report, October 18, 2023.

Related Research

- *Access to Capital Plays a Critical Role in Supporting Economic Reconciliation with Indigenous Peoples in Canada,* September 30, 2024.
- *Indigenous Equity Partnership in Energy Infrastructure Projects: Opportunities and Challenges,* July 2, 2024.
- *Rating Canadian Municipal Governments—Appendix 3: Canadian Government Pooled Lending Vehicles*, April 15, 2024.
- *Morningstar DBRS Global Corporate Criteria: Commercial Paper Liquidity Support for Nonbank Issuers*, April 15, 2024.

Notes:
All figures are in Canadian dollars, unless otherwise noted.

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