Financial Statements of

FNFA Financing your future. AFPN Financer votre avenir.

Year ended March 31, 2026

And Independent Auditor's Report thereon

FNFA
AFPN

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The financial statements of First Nations Finance Authority ("FNFA") for the year ended March 31, 2026 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 purpose 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

DocuSigned by:

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Ernie Daniels
President & CEO
June 2, 2026

KPMG LLP
200-3200 Richter Street
Kelowna, BC V1W 5K9
Canada
Telephone 250 979 7150
Fax 250 763 0044

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, 2026
- 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, 2026, 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.

KPMG LLP

Chartered Professional Accountants

Kelowna, Canada

June 2, 2026

FIRST NATIONS FINANCE AUTHORITY

Statements of Financial Position
March 31, 2026 with comparative figures for 2025
(in thousands)

	2026	2025
Financial Assets		
Cash and cash equivalents	$ 838,615	$ 597,889
Debt Reserve Funds investments (note 2(a))	237,343	178,170
Sinking Funds investments (note 3)	315,500	219,360
Loans to members (note 4)	3,900,283	2,963,139
Restricted cash and cash equivalents:		
Funds held due to members	148,951	129,912
Principal and interest payments received in advance	26,281	23,612
Other (Note 5)	324	324
	5,467,297	4,112,406
Liabilities		
Accounts payable and accrued liabilities	707	979
Accrued interest payable	44,086	30,603
Deferred contributions (note 13)	84	805
Due to members (note 2(b))	237,343	178,170
Funds held due to members	148,951	129,912
Principal and interest payments received in advance	26,281	23,612
Short-term indebtedness (note 6)	900,000	900,000
Debentures: (note 7)		
Principal	4,104,000	2,834,000
Unamortized premium and discounts, net	(29,298)	(7,694)
Unamoritized debenture issuance costs	(7,189)	(9,253)
	5,424,965	4,081,134
Net Financial Assets	**42,332**	**31,272**
Non-Financial Assets		
Credit Enhancement Fund (note 8)	53,163	53,163
Contingency Fund (note 9)	40,038	38,029
Capital assets (note 10)	2,944	2,822
Prepaid expenses	1,197	1,334
	97,342	95,348
Commitments and contingencies (note 11)		
Accumulated surplus	**$ 139,674**	**$ 126,620**
Accumulated surplus is comprised of:		
Accumulated surplus (note 12)	$ 139,225	$ 126,370
Accumulated remeasurement gains	449	250
	$ 139,674	$ 126,620

See accompanying notes to the financial statements.

On Behalf of the Board:

DocuSigned by:
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Chief Derek Epp - *Chair*

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Ernie Daniels - *President & CEO*

FIRST NATIONS FINANCE AUTHORITY

Statement of Operations and Accumulated Surplus
Year ended March 31, 2026 with comparative figures for 2025
(in thousands)

	2026 Budget (note 1(g))	2026	2025
Revenue			
Interest from loan programs	$ 149,943	$ 145,622	$ 105,636
Investment	14,351	19,688	12,872
Grants and contributions (note 13)	1,641	2,618	2,531
Debenture issuance premium amortization	1,701	1,716	1,986
Management fees	986	1,140	1,015
Other	40	9	189
	168,662	170,793	124,229
Expenses (note 1 (h))			
Interest on financing	136,551	131,044	95,917
Investment revenue due to members	6,848	10,387	5,743
Salaries and benefits	6,153	5,124	4,453
Financing fees	3,543	2,495	2,089
Professional fees	2,247	1,554	2,482
Debenture issuance costs amortization	2,007	2,064	1,558
Debenture issuance discount amortization	1,288	3,258	981
Operations and management	1,698	1,268	1,233
Travel, marketing and workshops	1,546	1,206	1,013
Amortization of capital assets	608	338	363
	162,489	158,738	115,832
Operating surplus	**$ 6,173**	**$ 12,055**	**$ 8,397**
Contingency Fund contribution (note 9)	-	800	800
Annual surplus	6,173	12,855	9,197
Accumulated surplus, beginning of year	126,370	126,370	117,173
Accumulated surplus, end of year	**$ 132,543**	**$ 139,225**	**$ 126,370**

See accompanying notes to the financial statements.

FIRST NATIONS FINANCE AUTHORITY

Statement of Changes in Net Financial Assets

Year ended March 31, 2026 with comparative figures for 2025

(in thousands)

	2026 Budget (note 1(g))	2026	2025
Annual surplus	$ 6,173	$ 12,855	$ 9,197
Changes to non-financial assets:			
Contingency Fund contributions	-	(800)	(800)
Contingency Fund earnings	-	(1,208)	(1,689)
Net acquistion of capital assets	-	(461)	(483)
Amortization of capital assets	608	338	363
	608	(2,131)	(2,609)
Net change in prepaid expenses	-	137	(289)
	608	(1,994)	(2,898)
Net remeasurement gains	-	199	(179)
Increase in net financial assets	6,781	11,060	6,120
Net financial assets, beginning of year	31,272	31,272	25,152
Net financial assets, end of year	**$ 38,053**	**$ 42,332**	**$ 31,272**

See accompanying notes to the financial statements.

FIRST NATIONS FINANCE AUTHORITY

Statement of Cash Flows
Year ended March 31, 2026 with comparative figures for 2025
(in thousands)

	2026	2025
Cash provided by (used in):		
Operating transactions:		
Operating surplus	$ 12,055	$ 8,397
Debenture issuance premium amortization	(1,716)	(1,986)
Debenture issuance discount amortization	3,258	981
Debenture issuance costs amortization	2,064	1,558
Amortization of capital assets	338	363
Net change in non-cash assets and liabilities	13,428	13,192
	29,427	22,505
Investing transactions:		
Acquisition of investments	(157,322)	(67,580)
Increase in amounts due to members	59,173	59,234
Net increase in restricted cash and cash equivalents	(21,708)	(18,532)
Increase in funds held due to members	19,039	15,367
Increase in principal and interest payments received in advance	2,669	3,165
	(98,149)	(8,346)
Financing transactions:		
Loans to members issued	(1,034,740)	(1,189,471)
Repayment of loans to members	97,795	134,476
Debenture issued, principal	1,270,000	851,000
Discount on debenture issuance	(15,367)	(13,469)
Debenture issuance costs	(7,779)	(2,951)
Proceeds from short-term indebtedness	-	500,000
	309,909	279,585
Capital transactions:		
Net acquisition of capital assets	(461)	(483)
Increase in cash and cash equivalents	240,726	293,261
Cash and cash equivalents, beginning of year	597,889	304,628
Cash and cash equivalents, end of year	**$ 838,615**	**$ 597,889**
Supplemental cash flow information:		
Interest paid	$ 121,327	$ 66,355
Contingency Fund contribution	800	800

See accompanying notes to the financial statements.

FIRST NATIONS FINANCE AUTHORITY

Remeasurement Gains and Losses

Year ended March 31, 2026 with comparative figures for 2025

(in thousands)

		2026		2025
Accumulated remeasurement gains, beginning of year	$	250	$	429
Unrealized gains (losses) generated and reversed during the year from:				
Derivative contracts		199		(179)
Net remeasurement gains		199		(179)
Accumulated remeasurement gains, end of year	**$**	**449**	**$**	**250**

See accompanying notes to the financial statements.

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 provide borrowing options for First Nations governments and 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 widespread adverse economic events.

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.

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 are 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.

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:

Asset	Basis	Rate
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 investments and 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 13, 2025. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net financial assets.

(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, 2026 consist of the following:

	2026	2025
Cash and cash equivalents	$ 34,472	$ 89,076
Structured deposit notes (note 11 (a))	56,350	51,350
Government and corporate bonds	146,521	37,744
	$ 237,343	$ 178,170

Structured deposit notes include notes with maturities between May 2030 and June 2035, with interest rates from 3.90% to 4.50% (2025 - 3.90% to 4.50%).

Government and corporate bonds include bonds with maturities from December 2031 to December 2050, with coupon rates from 2.25% to 5.75% and have a total principal of $147.0 million (2025 - $37.0 million). The market value as at March 31, 2026 was approximately $144.9 million (2025 - $37.1 million).

(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, 2026, 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, 2026 consist of the following:

	2026	2025
Cash and cash equivalents	$ 41,573	$ 71,040
Guaranteed investment certificates	150,000	75,800
Structured deposit notes (note 11 (a))	106,900	46,000
Government and corporate bonds	17,027	26,520
	$ 315,500	$ 219,360

Guaranteed investment certificates include certificates with maturities from January 2028 to May 2035, with interest rates from 3.45% to 5.96% (2025 - 4.40% to 5.96%).

Structured deposit notes include notes with maturities between May 2030 and May 2034, with interest rates from 3.26% to 4.50% (2025 - 3.90% to 4.50%).

Government and corporate bonds include bonds maturing in December 2032, with a coupon rate of 4.25% and have a total principal of $16.0 million (2025 - $26.0 million). The market value as at March 31, 2026 was approximately $26.6 million (2025- $26.1 million).

(all tabular figures reported in thousands of dollars)

4. Loans to members:

	2026	2025
Debenture financing loans	$ 3,752,193	$ 2,597,487
Interim financing loans	147,641	365,402
	3,899,834	2,962,889
Unrealized gain on derivative contracts	449	250
	$ 3,900,283	$ 2,963,139

The aggregate maturity of loans to members as at March 31, 2026 are as follows:

2027	$ 230,457
2028	89,541
2029	93,030
2030	99,704
2031	100,376
Thereafter	3,286,726
	$ 3,899,834

(a) Debenture financing loans:

Debenture financing loans to members consist of loans to ninety-eight (2025 – ninety-four) 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 4.88%.

(b) Interim financing loans:

Interim financing loans as at March 31, 2026, consist of loans to eighteen (2025 – twenty-two) borrowing members, bearing interest at a rate of 2.40% to 4.00%, payable monthly. Loans to fourteen 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 three borrowing members are long-term financing arrangements due in June 2028, and June 2030. 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.

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, 2026 (2025 - $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. 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.

(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 $900 million, which is fully backed by a revolving credit facility. Outstanding commercial paper at March 31, 2026 had an average interest rate of 2.54% (2025 – 4.07%). The present value of the commercial paper at issuance was not significantly different than its principal amount.

The aggregate of $900 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, 2026 was $nil (2025 – $nil). Amounts borrowed under the revolving credit facility are due on the earlier of the maturity dates of FNFA's interim financing loans to members (note 4(b)) and October 2026.

7. Debentures:

Debentures consist of secured and unsubordinated bonds issued by FNFA. The bonds provide for semi-annual interest payments at 1.71% to 4.70% and payment of the principal at maturity on June 2028 to December 2056. 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 2.22% to 4.77%.

The maturity of debenture financing as at March 31, 2026 is as follows:

2029	$ 427,000
2031	1,029,000
2033	354,000
2035	809,000
2036	1,135,000
2057	350,000
	$ 4,104,000

(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, 2026 consists of the following:

	2026	2025
Cash and cash equivalents	$ 9,672	$ 12,902
Government and corporate bonds	54,998	40,325
Due to Operating Fund	(11,507)	(64)
	$ 53,163	$ 53,163

Government and corporate bonds include bonds with maturities of June 2030 to June 2042, coupon rates of 1.25% to 5.75% and have a total principal of $53.0 million (2025 - $39.0 million). The market value as at March 31, 2026, was approximately $53.5 million.

9. Contingency Fund:

The purpose of the Contingency Fund is to provide repayable financial support for FNFA's borrowing members encountering difficulties making loan payments to FNFA. The Contingency Fund must be deposited into a Canadian financial institution that is a member of the Canada Deposit Insurance Corporation. Interest income from the Contingency Fund may be used for FNFA's operations. During the year ended March 31, 2026, no loans from the Contingency Fund were made to borrowing members.

Fund activity for the year ended March 31, 2026 is as follows:

	2026	2025
Balance, beginning of year	$38,029	$ 35,540
Contributions	800	800
Interest	1,209	1,689
Balance, end of year	$ 40,038	$ 38,029

(all tabular figures reported in thousands of dollars)

10. Capital assets:

March 31, 2026	Furniture and equipment	Computer equipment	Leasehold improvements	Computer Software	Total
Cost:					
Balance, beginning of year	$ 399	$ 335	$ 2,145	$ 910	$ 3,789
Additions	5	19	28	409	461
Disposals	(5)	(56)	(6)	-	(67)
Balance, end of year	399	298	2,167	1,319	4,183
Accumulated amortization:					
Balance, beginning of year	169	145	653	-	967
Amortization	46	77	200	-	323
Disposals	(2)	(47)	(2)	-	(51)
Balance, end of year	213	175	851	-	1,239
Net book value, end of year	$ 186	$123	$1,316	$1,319	$ 2,944

March 31, 2025	Furniture and equipment	Computer equipment	Leasehold improvements	Computer Software	Total
Cost:					
Balance, beginning of year	$ 383	$ 209	$ 2,088	$ 661	$ 3,341
Additions	23	152	61	322	558
Disposals	(7)	(26)	(4)	(73)	(110)
Balance, end of year	399	335	2,145	910	3,789
Accumulated amortization:					
Balance, beginning of year	117	94	428	-	639
Amortization	59	76	228	-	363
Disposals	(7)	(25)	(3)	-	(35)
Balance, end of year	169	145	653	-	967
Net book value, end of year	$ 230	$ 190	$ 1,492	$ 910	$ 2,822

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, 2026, no amortization has been recorded.

(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 August 2029, and various office equipment leases expiring July 2029. Total estimated operating lease commitments to maturity are as follows:

2027	$353
2028	354
2029	362
2030	155
2031	3
	$ 1,227

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

2027	$70,545
2028	71,040
2029	71,040
2030	76,040
2031	56,840
Thereafter	235,045
	$580,550

11. Commitments and contingent liabilities (continued):

(b) Derivative financial instruments

At March 31, 2026, 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 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; guaranteed investment certificates and structured notes are considered Level 1 financial instruments.

(all tabular figures reported in thousands of dollars)

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

The net unrealized gain on outstanding derivative contracts at March 31, 2026, of $0.45 million (2025 - $0.25 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:

	2026	2025
Credit Enhancement Fund	$ 53,163	$ 53,163
Contingency Fund	40,038	38,029
Operating Fund:		
Invested in tangible capital assets	2,944	2,822
Unrestricted	43,080	32,356
	46,024	35,178
	$ 139,225	$ 126,370

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

	Credit Enhancement Fund	Contingency Fund	Operating Fund: Invested in capital assets	Operating Fund: Unrestricted	Total
Balance, March 31, 2024	$ 53,163	$ 35,540	$ 2,702	$ 25,768	$ 117,173
Annual operating surplus (deficit)	2,459	1,689	(363)	4,612	8,397
Contingency contribution	-	800	-	-	800
Acquisition of capital assets	-	-	558	(558)	-
Disposal of capital assets	-	-	(75)	75	-
Transfers	(2,459)	-	-	2,459	-
Balance, March 31, 2025	$ 53,163	$38,029	$ 2,822	$ 32,356	$ 126,370
Annual operating surplus (deficit)	7,898	1,209	(323)	3,271	12,055
Contingency contribution	-	800	-	-	800
Acquisition of capital assets	-	-	461	(461)	-
Disposal of capital assets	-	-	(16)	16	-
Transfers	(7,898)	-	-	7,898	-
Balance, March 31, 2026	$ 53,163	$40,038	$ 2,944	$43,080	$ 139,225

(all tabular figures reported in thousands of dollars)

13. Grants and contributions:

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

	2026	2025
Comprehensive Funding Arrangement	$ 897	$ 939
Grant Agreement	1,000	1,000
Deferred contributions from prior year	805	1,397
Deferred contributions	(84)	(805)
	$ 2,618	$ 2,531

CIRNA 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, 2026.

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, 2026, 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 instrument liabilities:

(all tabular figures reported in thousands of dollars)

14. Financial instruments (a) (continued):

2026

	On demand	Within 1 year	Greater than 1 year	Total
Non-derivative financial instrument liabilities				
Accounts payable and accrued liabilities	$ -	$ 707	$ -	$ 707
Accrued interest payable	-	44,086	-	44,086
Principal and interest received in advance	-	26,281	-	26,281
Funds held due to members	148,951	-	-	148,951
Due to members	-	7,653	229,690	237,343
Short-term indebtedness	900,000	-	-	900,000
Debentures	-	-	4,104,000	4,104,000
	$1,048,951	$ 78,727	$ 4,333,690	$ 5,461,368

2025

	On demand	Within 1 year	Greater than 1 year	Total
Non-derivative financial instrument liabilities				
Accounts payable and accrued liabilities	$ -	$ 979	$ -	$ 979
Accrued interest payable	-	30,603	-	30,603
Principal and interest received in advance	-	23,612	-	23,612
Funds held due to members	129,912	-	-	129,912
Due to members	-	18,931	159,239	178,170
Short-term indebtedness	900,000	-	-	900,000
Debentures	-	-	2,834,000	2,834,000
	$1,029,912	$ 74,125	$ 2,993,239	$ 4,097,276

(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.

14. Financial instruments (b) (continued):

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 amounts received, 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 members 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 and structured deposit note arrangements (note 11) 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 and 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 $118,000 (2025 – $97,000).