



FNFA
Financing your future.



Every Loan Tells a Story

2021/22 ANNUAL REPORT

Kahkewistahâw First Nation

Chief Joseph Crowe Governance Centre



Member Project Feature: Kahkewistahâw First Nation

Spring is always a time of plans and projects, a time when we set goals and think about what we want to accomplish in the year ahead. As the snow melts, I find myself reflecting on all our Nation has achieved during these past few years, what we've built together to ensure a better future for the next generations. The pandemic hasn't slowed us down one bit!

It is important to recognize that two of Canada's most important financing institutions have invested in Kahkewistahâw's development. Kahkewistahâw is a part of a group of First Nations in Canada that have achieved financing from the First Nations Finance Authority - the low-interest loan for our Governance Centre is guaranteed by our Nation's own-source revenues. These achievements recognize our strength as a Nation and show real confidence in our future. Leadership will continue to explore opportunities, invest in our community's infrastructure, and work to improve social programs, citizen safety and overall community wellness. We have many exciting plans for the future, and I am confident we will achieve these goals together.

Less than two years after breaking ground in April 2020, Kahkewistahâw departments are under one roof for the very first time with the opening of the Chief Joseph Crowe Governance Centre. The Centre is now home to Kahkewistahâw Chief and Council and the departments of culture, economic development, education, finance, housing, human resources, lands, membership, and social needs. When Kahkewistahâw began planning for the Centre, they knew they wanted an accessible hub for the community, a place of wellness, and a place for all to feel welcome. Our new Centre achieves these goals.

It includes office spaces, a cafeteria, health department, fitness centre, and a museum celebrating Kahkewistahâw's rich history. There are flexible meeting rooms with movable walls, and spaces for dental and physiotherapy services. The Governance Centre is powered by its own 100KW solar panel installation that will redistribute surplus power during summer's high sun.

The building's design ensures Chief and Council are accessible to Members and visitors, and connected to all the people doing great work in the community. Council Chambers is built around a beautiful custom table with imagery inspired by the Qu'Appelle Valley. A custom carpet highlights the greens and blues of the valley and twinkling overhead lights in the bulkhead recall a starry night in Saskatchewan's giant sky. The windows feature switchable smart glass, with the option to enable glazing for privacy. This glazing is used in place of solid walls throughout the Centre, ensuring an open, transparent environment. Land-inspired imagery by Indigenous artist Tim Neal is featured in both Council Chambers, and at the entrance to the museum. "The Governance Centre is anything but a standard cookie-cutter environment. The interiors draw inspiration from the name 'Kahkewistahâw,' meaning 'eagle flying in the air,' and the beautiful surrounding landscape," says McKenzie Cooper, of aodbt architecture + interior design. "It's a combination of angular, geometric patterning symbolizing the eagle feather, softened curves of the Qu'Appelle Valley and the use of natural materials and colours relating back to the Earth and sky... these are all timeless elements that reflect the story and history of Kahkewistahâw First Nation."

"We have many exciting plans for the future, and I am confident we will achieve these goals together."

Chief Evan B.G. Taypotat

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Our Mission

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



Message From The Chair

CHIEF WARREN TABOBONDUNG
Wasauksing First Nation, ON



Many times over the past year I focused my thoughts not only on my own community's struggles and challenges, but also those experienced by other Indigenous communities across Canada. Staying close to home allowed each of us to determine the best and safest path forward for our people. And although it was time for reflection, it was also a time of thinking and planning for each community's priorities. FNFA's Board of Directors and staff were very pleased to play the financing role in such diverse priorities as green energy, food security, child and seniors' care facilities, health care, student housing for university, community housing, infrastructure to ensure safe community access, and job creation ventures for peoples' well-being. My own community requested FNFA financing for a community gathering centre overlooking Hyde Bay that can house all our members.

2021/22 also brought out many different emotions with the discovery of thousands of unmarked grave sites from residential school children across our country. We must never forget, nor must we allow the voices of the children to go silent. We saw many non-Indigenous Canadians mourn and grieve alongside our Indigenous communities and this opened up a newer journey toward reconciliation. I believe that many Canadians became more aware of the disparities that continue to exist in our communities from both a social and economic development level.

As I write my fifth Message from the Chair, I am reflecting on how our memberships' own-source revenues are fully supporting, on-time and in-full, the annual loan service payments on FNFA's \$1.65 billion in loans. However, the Board of Directors are well aware that our members' combined own-source revenues themselves are not sufficient to close the infrastructure gap that has accumulated on our lands over the past generations.



To this end, the Board has directed senior management to continue to speak with Canada's elected officials and senior bureaucrats about starting a pilot project around monetization. This would replace the current Canada model of saving up cash and building only a few projects each year. Political support appears to be building, and we will reach out to our membership should discussions solidify. (See the Message from the President & CEO for more details).

The Board was very pleased with two financing developments this year: the successful issuance of our ninth debenture and the start of FNFA's commercial paper program. The ninth debenture raised \$354 million for our members and closed in early March 2022. The timing was fortunate as the Board was able to set a relending rate for our members of 3.06%. If we issued the same debenture today, the relending rate would be 4.25% (as at June 1, 2022). Our commercial paper program commenced in September 2021 and allows FNFA to raise its own interim loan monies. The advantage to our membership is that FNFA was able to lower its interim loan rate, which now stands at 0.70% below Chartered Bank prime rates.

The Board also authorized staff to review the concept of a pooled insurance model, and to re-build our financial software to better incorporate attaching both the ESG labels (Environmental, Social and Governance) and the U.N.'s "SDG" tags (Sustainable Development Goals) to each FNFA loan (see the Message from the President & CEO for more details). ESG is a natural fit for our members' loan requests as we strive to reduce our large infrastructure gap.

I would also like to personally thank our Board members (see pages 7 through 9), and our out-going Directors, former Chief Dean Roy of Sheshegwaning First Nation and former Chief Dennis Meeches of Long Plain First Nation. Throughout the year, the Board reviewed and approved 19 Borrowing Laws, 22 new membership applications, \$345 million in loan requests, and diligently applied their time to meet the needs of our membership.

I would like to thank Minister Marc Miller, CIRNAC (Crown-Indigenous Relations and Northern Affairs Canada). This year saw operational funding, complemented by an increase to our Credit Enhancement Fund monies, and the establishment of a \$32.5 million Contingency Fund. This Fund will be the new first-line of defense against any future pandemic or action taken by a senior level of government that impacts our members' revenue streams that support loan service payments to FNFA. This strong support allows FNFA to continue to meet its mandates to its membership.

Lastly, I would like to thank our growing staff who manage the day-to-day operations of this unique Authority. I am pleased to see every year the benefits of being an FNFA member being realized by an ever-expanding number of First Nations. Our services are now supplied in both official languages, and with FNFA sub-offices now in each regional area of Canada our expanding member base has a representative in their geographical backyard.

Miigwetch, Miigwetch, Miigwetch, Miigwetch

Milestones

- 2022 • \$1.65 Billion Loan Portfolio
- 2022 • 9th Debenture Issued: \$354 Million
- 2021 • Launch of Commercial Paper Program
- 2021 • Initial Commercial Paper Credit Rating from DBRS Morningstar (R-1 Middle, Stable Trend)
- 2020 • Credit Rating Upgrade: Moody's Investors Service (Aa3, Stable)
- 2018 • Governor General Innovation Award Recipient: Innovation in Finance
- 2015 • Credit Rating Upgrades: Moody's Investors Service (A2, Stable) and S&P Global Ratings (A+, Stable)
- 2014 • Initial Credit Rating from Moody's Investors Service (A3, Stable) and S&P Global Ratings (A-, Stable)
- 2014 • 1st Debenture Issued: \$90 Million
- 2011 • Financing Secured by Other Revenues Regulation Legislated
- 2005 • FNFA Received Royal Assent

Message From The President & CEO

ERNIE DANIELS
Salt River First Nation, NWT



Operational self-sufficiency was reached in fiscal year 2021/22 when our operating surplus exceeded the funding from Canada. This has been a mandate area for FNFA since the first loan was issued in June 2012 to Membertou First Nation.

The fiscal year was also a year of some major changes for the organization and our membership. As President & CEO of FNFA for the last 12 years, I have seen a major shift in recognition of FNFA in the markets by both First Nations and by investors. Our loan programs have been developed to be very competitive with the objective that our membership looks to FNFA as their lender of choice for financing their community priorities. This is the goal of all cooperative models, FNFA included. Our message that "every loan tells a story" remains true for us each day.

NINTH DEBENTURE ISSUANCE

From a historical perspective, FNFA first ventured into the capital markets in 2014 as an unknown issuer with two credit ratings. One was from Moody's Investors Service (A3, stable) and one was from S&P Global Ratings (A-, stable) That first debenture raised \$90 million for 13 members. In March 2022 we issued our ninth debenture at a size of \$354 million, a membership of 80 borrowing First Nations, and credit ratings of "Aa3, stable" (Moody's Investors Service) and "A+, stable" (S&P Global Ratings). The loan portfolio now stands at \$1.65 billion. FNFA issuance has been steady in the 10-year area of the yield curve, but as FNFA's membership continues to grow we will explore other possible issuance terms.

LOAN PORTFOLIO AND MEMBERSHIP

In fiscal 2021/22 our portfolio grew by \$345 million in loans issued to finance community projects related to economic development, social initiatives, and infrastructure (see pages 12 through 21 for project details). Our Board has approved 22 new members and 19 new Borrowing Laws totaling \$387 million that will finance various community projects. As of March 31, 2022, 321 First Nations have taken the initiative to be scheduled to the FNFA, the start of the process to begin working with FNFA. This increasing membership bodes well for our future debenture issuance size and frequency of coming to the markets.

142
MEMBERS

9
DEBENTURES

17,335
JOBS CREATED

\$3,487M
ECONOMIC OUTPUT

The Table below highlights the number of First Nations that have voluntarily asked to be scheduled to our Act (321), the number of these same First Nations that have completed all FNFA processes to membership (142), loans by province, the economic output, and job creation from the undertaken projects at March 31, 2022.

PROVINCE	SCHEDULED	PENDING	FNFA MEMBERS	FNFA MEMBERS W/LOANS	TOTAL BORROWED (\$M)	NATIONAL ECONOMIC OUTPUT (\$M)	JOBS CREATED
BC	126	5	57	27	\$226	\$472	2,246
AB	17	1	5	3	277	537	1,982
SK	41	1	16	9	169	344	1,476
MB	34	-	17	12	240	588	3,011
ON	53	1	23	13	222	448	2,320
QC	15	1	6	3	73	162	864
NB	10	-	2	2	20	43	200
NS	12	-	11	9	384	818	4,929
PEI	2	-	-	-	-	-	-
NFL	4	-	4	1	19	40	188
NWT	7	-	1	1	17	35	119
	321	9	142	80	\$1,647	\$3,487	17,335

ESG AND SDG: LOAN CLASSIFICATION

Although FNFA's Board has not yet directed staff to formalize its ESG label on its debentures, staff has undertaken internal steps to classify each loan in both an E, S, or G, and the appropriate U.N. SDG categories (see page 11). FNFA members' loans fit well under these categories ensuring that FNFA will continue to have market access to fund member loan requests into the future as ESG/SDG product continues to be a requirement by many investors. All loan requests are made by our members under a Borrowing Law, which identifies projects, and the FNFA puts these Laws on its website for investor review and analysis (www.fnfa.ca).

COMMERCIAL PAPER PROGRAM

In September 2021 we launched FNFA's Commercial Paper Program (CP) to finance our interim loans, which fund member's loan requests in advance of FNFA rolling these loans into a debenture. By issuing our own CP to investors, rather than borrowing through a banking syndicate, we significantly reduced our cost of financing. Our \$400 million CP is fully backed by a credit facility (1:1) under an agreement with six Chartered Banks. Part of our mandate is to facilitate our members' access to capital at affordable rates. Therefore, we passed our savings onto our membership, cutting the interim lending rate by 1.0% following the CP launch. Our Policy is to remain at 0.70% below chartered bank prime.



**MONETIZATION:
CLOSING THE INFRASTRUCTURE GAP**

There is an estimated minimum \$30 billion gap between First Nations’ infrastructure and the average infrastructure in the rest of Canada. This gap developed over many generations of government funding caps and as First Nations populations grew faster than Canada’s funding outlays to support this growth. Many First Nations still rely on diesel power, limiting the community’s ability to grow. Many do not have access to clean drinking water – a basic necessity. FNFA is recommending to Canada its infrastructure funding model change from the current approach of “saving up cash” which builds only a few projects each year, to monetization (build many now, and pay costs over a loan term). This change to monetization would result in many more projects being built, at today’s dollars, and would make a meaningful reduction to the infrastructure gap.

REGULATION DEVELOPMENT AND ACT AMENDMENTS

FNFA continues working with CIRNAC and the other institutions under the Act on amendments to improve the understanding of and the accessibility to the benefits of the Act. One of the major amendments would allow FNFA to lend to Indigenous not-for profit organizations that provide services to First Nations, and to self-governing/Treaty Nations. FNFA continues to make these amendments a priority to ensure all Indigenous governments and non-profit Indigenous organizations can access affordable financing. One example of how this might benefit communities is a First Nation health organization being able to access FNFA financing to build health centers on many Nation’s territories at once – providing urgent care to communities that might not have a hospital or health resources nearby. FNFA will not alter its due diligence processes nor its safeguards should its membership eligibility expand.

INDIGENOUS POOLED INSURANCE MODEL

The severe challenges within the global insurance market over the past few years have highlighted how underserved, siloed, and excluded the Indigenous community is by the insurance industry, resulting in tremendous uncertainty and inequity. Together with BFL Insurance, FNFA is exploring the concept of a pooled insurance model, hoping that such an approach will be beneficial both in costs and in coverage to participating First Nations. We are currently in the information gathering stage, with an in-depth analysis later this year. All First Nations can participate. Please reach out to FNFA to discuss how to become involved.

The generational vision of this project is to empower Indigenous communities with a collective insurance and risk management program designed to protect investments and assets while enhancing the economic strength and well-being of Indigenous communities.

“We have been able to do so much for our community because of our strong relationship with FNFA, I’ve seen the long-term positive impacts that a progressive First Nations organization can have in each of our Nations.”
Chief Derek Epp, Tzeachten First Nation

I would like to thank all of our members, and those communities working towards membership, for their support in the past year and going forward. The collective approach has worked extremely well so far, and as FNFA continues to grow your input and feedback is greatly appreciated.

Board of Directors

The Board of Directors (the Board) provides guidance and oversight on strategy and policies to enhance FNFA operations in addition to ensuring protection of the borrowing pool.

The Board must give unanimous support for a loan to be approved as well as membership into the FNFA borrowing pool. To ensure that governance continued to be highly effective throughout the COVID-19 Pandemic, FNFA held regular virtual meetings with our Board.

The Board governs FNFA and is elected annually at our Annual General Meeting by our membership. Board eligibility, and voting, is open to representatives (Chiefs and Councillors) from amongst FNFA’s borrowing members. Under our Act, the Board can consist of 5 to 11 Directors, including a Chairperson and Deputy Chairperson. In 2021/2022 there are 9 Board members, dispersed through 7 different provinces.

CHAIR - CHIEF **WARREN TABOBONDUNG** Wasauksing First Nation, ON



Chief Warren Tabobondung is serving his fourth consecutive two-year term as Chief of Wasauksing First Nation and brings with him past experience serving on Council. He strives to build a unified, healthy, positive and progressive First Nation through the development of economic opportunities, increasing health services and by encouraging youth to pursue higher levels of education. Chief Tabobondung brings his business savvy and diplomatic competencies to the FNFA.

COUNCILLOR **VERONICA MCGINNIS** Osoyoos Indian Band, BC



Councillor Veronica McGinnis, Osoyoos Indian Band, is an advocate for transparency and accountability for First Nations band members. The Osoyoos Indian Band is renowned as a leader in First Nations economic development and for the tenacity of its people. Councillor McGinnis places her focus on the stabilization of the physical, emotional and mental wellbeing of First Nations with priority on prevention methods. Councillor McGinnis brings her 25 years of experience in nurturing the social fabric of the First Nations community to the FNFA.



Board of Directors

COUNCILLOR **STEVEN JOHNSTON** Mistawasis Nêhiyawak, SK



Councillor Steven Johnston of Mistawasis Nêhiyawak located in Treaty 6 Territory is an undergraduate of the College of Commerce at the U of S. Since April 2018, he has been serving as a Board of Director with First Nations National Institutions such as, First Nation Finance Authority (FNFA) and the Lands Advisory Board (LAB). He is also involved in a few local committees and boards with Mistawasis Nêhiyawak which include the Finance & Audit Committee as Chair and Misty Ventures Inc. as Chair. His background also includes six years as Chief Financial Officer for Mistawasis Nêhiyawak, five years as Board of Director of Aboriginal Financial Officers Association (AFOA SK) prior to his election as Councillor in 2017, and Co-Manager and Third-Party Management with various Communities in Central Saskatchewan for nine years where he gained working knowledge of diversification and growing with the Communities he worked for.

CHIEF **DEREK EPP** Tzeachten First Nation, BC



Ey Swayel, my XwelmeXw name is Weli'leq, my given name is Derek Epp. I have been fortunate enough to live on Tzeachten First Nation since I was two years old which has given me the ability to understand the importance of our land while having the opportunity to build strong relationships within our community. I felt I was bound by the policy and restrictions of Xyolhemeylh to truly make a difference in my own community and when I was asked to run in the 2017 election, I was both humbled and honoured. I look forward to making our members, our ancestors and future generations proud by progressing Tzeachten through the community's vision and ensuring to continue to build a healthy community through culture and developing social services.

CHIEF **ROSS PERLEY** Tobique First Nation, NB



Chief Ross Perley has been an elected leader of Tobique (Neqotkuk) First Nation for over a decade, serving as Chief for the last 16 years. As one of six Wolastoqiyik or Maliseet communities, Chief Perley serves as President of the Maliseet Nation. He sits on the Conservation Council, is Vice-President of Mawiw Tribal Council, Chairman of Wocawson Energy Inc., Board member of Atlantic Health Partnership and Board member of the Atlantic First Nation Water Authority. Chief Perley is committed to building safe, healthy and sustainable communities using progressive public policy, economic development and renewable energies. Chief Perley brings his trail-blazing spirit and broad-minded perspective to the FNFA.

Board of Directors

CHIEF **OURAY CROWFOOT** Siksika Nation, AB



Oki Siksika, my name is Apoyiinam (Ouray Crowfoot). I am the son of the recently passed Sisoyaki (Amelia Crowfoot Clark). The Grandson of Cecil Crowfoot. The Great Grandson of Aakiinam (Joe Crowfoot) and the Great Great Grandson to Issapoomahksika (Chief Crowfoot). I have a Master's degree in Business Administration (MBA) as well as a Master's degree in Accounting (MACC) and am a Certified Public Accountant (CPA). I bring a solid background of corporate and personal experience to the role. I spent several years away from Siksika gaining an education and work experience and returned in 2017 to assist the Nation in the role of Chief Financial Officer (CFO). As a newly elected Chief, I am optimistic of the leadership Madupiks have selected. I feel we all have unique experiences that can benefit Siksika. As Chief, my goal is to work diligently to improve the quality of life at Siksika. Siksika Nation is regarded as very progressive, and I feel my job is to build on the foundation created by our ancestors and previous leaderships and to make our ancestors proud.

COUNCILLOR **DAWN STYRAN** Leq'a:mel First Nation, BC



Dawn is in her second term as councillor for Leq'a:mel First Nation. Her work was focused on Finance and Health in the previous term and now focuses on Finance, Education, and Housing. Dawn is a Registered Social Worker, graduating with her Bachelor of Social Work degree in 2018. A strong focus on social programs and growth is one of the many things that keeps her striving to do the best work for her community. "A single twig breaks, but the bundle of twigs is strong" (Tecumseh).

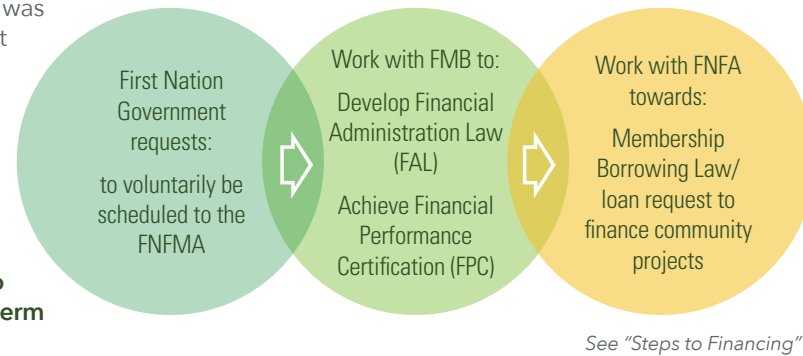
COUNCILLOR **MICHAEL PAUL** Acadia First Nation, NS



Councillor Paul is from the Acadia First Nation which consists of 6 reserves, spanning 300km from Halifax to Yarmouth, along Nova Scotia's south shore. Elected since 2002, Mike's main portfolios are Training and Education, Economic Development, and Finance. Mike believes that with education and wise financial management individuals and communities can develop, thrive and prosper. Mike hopes all communities can achieve their goals and looks forward to serving on the FNFA board.

What We Do

FNFA is a **First Nations owned and operated, not-for-profit, pooled borrowing and investing institution**. FNFA was established under the First Nations Fiscal Management Act (FNFMA or the "Act") and operates under the Act and the Financing Secured by Other Revenues Regulation and various other regulations. Our mandate as set out in the Act and related Regulations is to **secure short and long-term financing for its borrowing members with the best possible credit terms, provide investment services to members and First Nation organizations, and to provide advice regarding development of long-term financing mechanism for First Nations.**



FINANCING: WHY CHOOSE FNFA?

FNFA was created to **provide First Nation governments with access to the same types of affordable financing that all other local and regional governments in Canada use** to ensure equitable quality of life for their citizens. FNFA was formed by a group of successful and forward-thinking First Nations' leaders in 1993 in order to respond to this challenge.

To achieve our goal of providing First Nation governments with loans at the most advantageous rates for their chosen projects, FNFA, with its three investment-grade credit ratings (two for debenture issuance, one for commercial paper issuance), raises these monies by issuing debentures and short-term borrowings in the financial markets (see page 23 for information on FNFA's financing and ratings). **FNFA is modeled after tried and tested pooled government borrowing authorities.**

FNFA has financed social projects, economic ventures, community-owned housing, land purchases, infrastructure on reserve, equity participation and many other projects for its members. All FNFA loans are supported by qualified existing revenue streams.

STEPS TO FINANCING

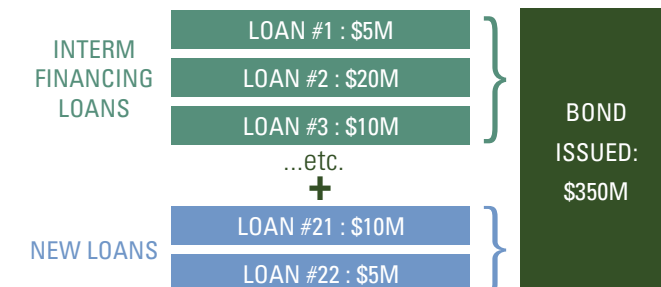
1. The First Nation government requests to be scheduled to the FNFMA.
2. The First Nation government works with FMB to develop a Financial Administration Law and to achieve Financial Performance Certification.
3. Once Certification is achieved, the First Nation can request to be a member of FNFA and, if ready, work with FNFA to prepare a loan request and a Borrowing Law.
4. All membership and loan requests must receive unanimous FNFA Board of Directors approval.
5. Once the First Nation is a member and has an approved loan request, the First Nation can start work on their projects with financing from FNFA.

LOAN PROGRAM FEATURES

Our loan programs work well together to best meet our members' financing needs. The main features of each program are:

- Interim Financing Loan Program - floating rate short-term financing (current rate 2.50% as at June 1, 2022)
 - Immediate financing accessible to members.
 - Interest-only financing with flexible principal repayment.
 - Financing under this program until FNFA issues its next debenture.
 - Financing while project is under construction.
- Debenture Financing Loan Program - fixed rate long-term financing (current rate 4.25% as at June 1, 2022)
 - Planned annual issuance.
 - Locks in the rate to members for the debenture term (currently planned for 10 years) creating budget certainty needed for First Nation government planning.

POOLED BORROWING MODEL



INVESTMENT SERVICES

As FNFA grows and our membership's needs change, we are in the process of setting up our own FNFA investment program to better serve our members. We currently have a "high interest savings account" set up for our members and are working to expand our investment product offering. Visit the "Investment" section of our website and watch for more information in the upcoming year.

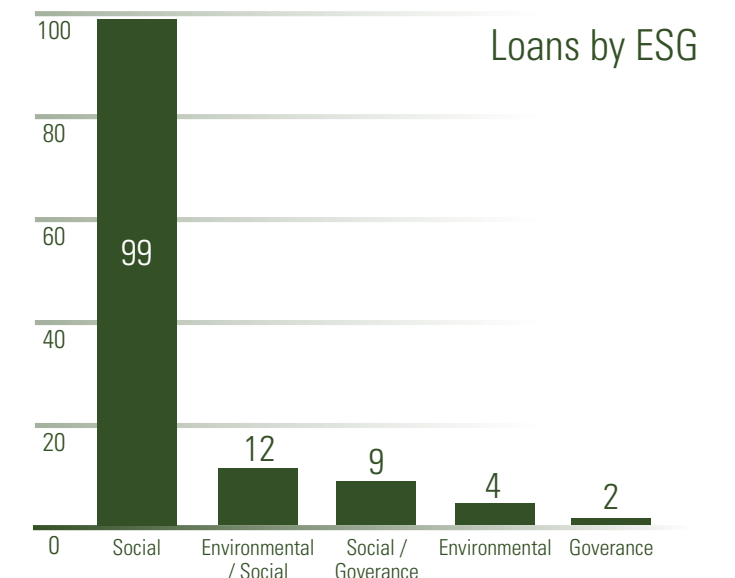
ESG and SDG: FNFA Financed Projects

The Sustainable Development Goals (SDG) were introduced by the United Nations in 2015. This has permeated the financial markets through many investors demanding that a portion of their investment portfolio is held in securities that represent these goals. In the finance world ESG (Environmental, Social and Governance) is the umbrella that these types of investments fit under. We have seen increased requests from investors for more information on projects FNFA finances to determine if FNFA fits with their ESG category under their investment policies. FNFA's bonds fit entirely into these SDG and ESG categories as members' projects focus on communities (social), green energy projects financing (environmental) and administrative (governance). As investor requirements for this type of information increase, we have worked this year with our dealer group to categorize all our current projects into ESG and SDG categories and reported the findings ahead of our most recent bond issuance. Investors received the more statistical categorization for their analysis and consideration prior to our bond issuance. (See category definitions in glossary on page 48.)



* Did you know: Members of FNFA have 35% elected officials that are female vs. 30.2% elected members of parliament that are female and 19.4% of local government mayors that are female.

FNFA's debenture maturing June 1, 2032 is now considered a "sustainability instrument" on Bloomberg.



Member Project Features

SUPPORTING INDIGENOUS BASED TOURISM

FNFA members across the Nation are active participants in Indigenous based tourism which not only provides economic benefits, but it also contributes toward sustaining and revitalizing our unique cultures. Although impacted by the Covid-19 pandemic, the growing industry has proven to be a sector leader according to the Indigenous Tourism Association. It is vital that the narrative be told by those that live it. Long Plain First Nation in Manitoba, Acadia First Nation in Nova Scotia, and Snuneymuxw First Nation on Vancouver Island, BC are doing just that. Long Plain has built a 76 room Microtel by Wyndham and is in its second year of operation. The addition to this hotel in the area, will now enhance the community's eligibility to bid on larger events and conferences. Snuneymuxw has invested in a 172 room Courtyard Marriott hotel being built on a site of a historic village in Nanaimo and is across the street from the Vancouver Island Convention Centre. Acadia First Nation has opened the Tru Hotel.



PEG Companies image



SOCIAL



Acadia First Nation Tru Hotel (BC)

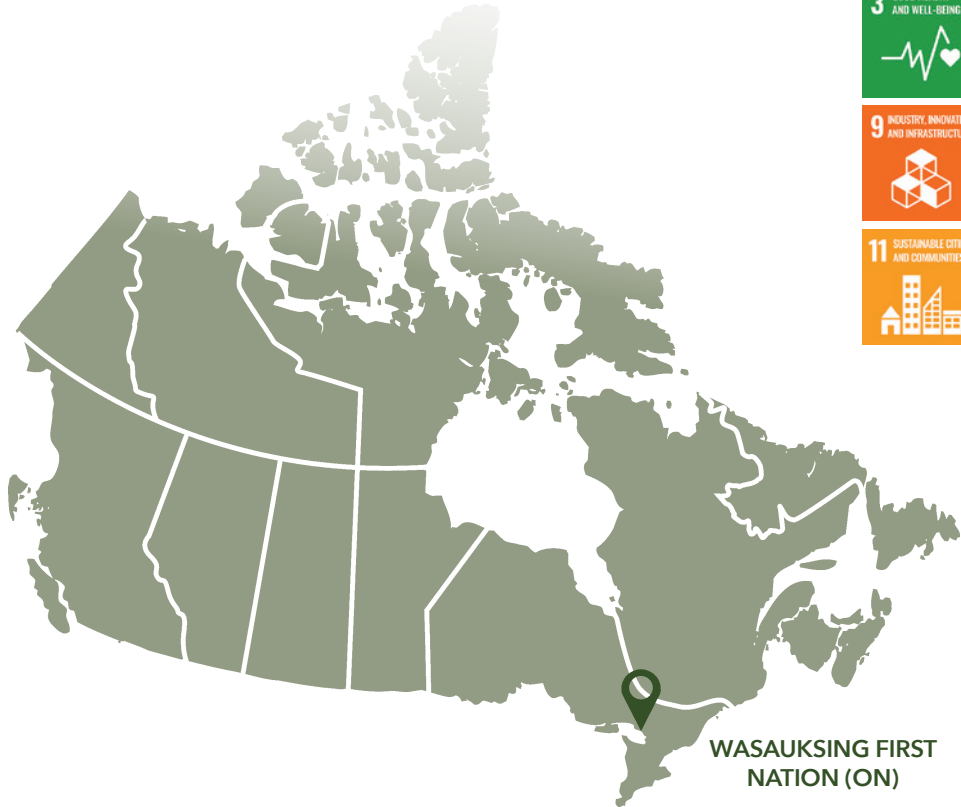
Member Project Features

MULTI USE GATHERING CENTRE

There was a time when First Nation communities were forbidden to practice their cultural dances and traditions for fear of repercussion. Today, our nations pride themselves on the beautiful traditions, cultural practices, and significance of ceremony as a way of life. The importance of coming together to celebrate each other and honour Mother Earth. Wasauksing First Nation has built a beautiful new Gathering Centre at the heart of their community that will house governance, administration, healthy living and cultural gatherings. Overlooking Hyde Bay, this island community is providing a better way of life for its citizens of all ages by building the infrastructure they need.



Elder Joyce Tabobondung and Lila Tabobondung celebrate the opening of the Wasauksing Gathering Centre.



SOCIAL / GOVERNANCE

- 3 GOOD HEALTH AND WELL-BEING
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES



Member Project Features

COMMUNITY INFRASTRUCTURE

Neskonlith First Nation joined FNFA to finance the building and outfitting of the Swtizmalph Daycare Centre located in Salmon Arm, BC. The new daycare offers Secwepemc cultural activities as its core programming and is open to children of all backgrounds. The circular design is like a winter house - Kekuli but also pays acknowledgement to how children are in the middle to nurture and to be raised in a good way. In addition to this incredible building, a partnership was formed with Okanagan College to develop a cohort for the Neskonlith, Adams Lake, Little Shuswap and Spltasin bands, along with local Métis, for the early childhood education (ECE) program. Education and job creation working together for the benefit of all communities and most importantly, enhanced care for children.



NESKONLITH FIRST NATION (BC)

SOCIAL

- 4 QUALITY EDUCATION
- 11 SUSTAINABLE CITIES AND COMMUNITIES



Member Project Features

TRANSPORTATION SYSTEMS

FNFA loans can be used to provide better access to transportation through revitalization, repairs and building of transportation infrastructure including roads, bridges and public transit routes. Beausoleil First Nation has completed a Wharf Reconstruction on both the Christian Island and Cedar Point sides. The work included access to site, removal of existing structures, supply and installation of anchored steel sheet pile walls, supply and placement of rip rap, armour stone and geotextile, site grading, lighting improvements and restoration of the sites. Being an island community, having the ability to transport goods and members is critical to everyday life. Having the appropriate transportation for all season transport is vital to the nation's economy.



BEAUSOLEIL FIRST NATION (ON)



Alex Sandy

Member Project Features

DEVELOPMENT OF SUSTAINABLE POWER SOURCES

Taykwa Tagamou Nation and Wahgoshig First Nation, located in Ontario, formed a company called Kisis Aki Energy and purchased a 37.5% interest in the 40MW Cochrane Solar Projects developed and owned by Northland Power. Both communities' accessed loans from FNFA to refinance the project which resulted in significantly increased cash flow to both communities. The Chief and Council of Taykwa Tagamou Nation have created programs which have been set up to create a youth and elders fund which focuses on much needed community projects and infrastructure. As an example, funds from this project have been used to relocate and rebuild a playground to central location on the reserve.



Simon Sutherland



ENVIRONMENTAL / SOCIAL

- 1 NO POVERTY
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES



Member and Investor Protection

Borrowing Pool Credit Quality

- Revenue streams pledged by borrowing members **flow directly from the source** (78% federal/provincial contracts) to FNFA.
- Pledged revenues **cover over 2.35x annual loan principal and interest payments (DCR) and 4.50x interest payments (ICR)**; ICR has exceeded 4x since 2014 (year of first debenture).
- **Unanimous Board approval** required for each member loan request.
- **Minimum DCR are set** and used to calculate borrowing capacity.
- **Annual review** of each borrowing member including debt coverage ratio monitoring and continuing strength of their revenue streams.

Substitution of a Non-performing Revenue Stream

- A member must substitute a performing revenue stream for a non-performing revenue stream.
- FNFA intercepts approximately \$190 million out of \$1.1 billion of our members' revenues available for loan service. This intercept level retains our desired debt coverage ratio.

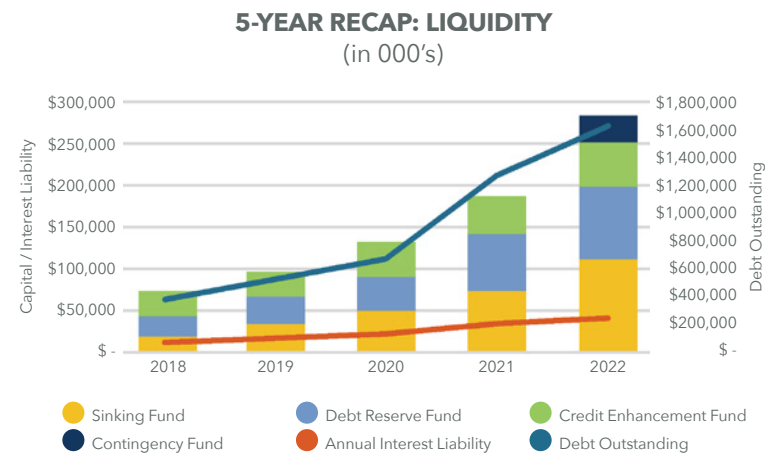
Legislative Protection

- First Nations **must be certified** by FMB prior to becoming borrowing members.
- **Intervention powers** to take over the financial functions of Chief and Council in the event of loan default or imminent default of a borrowing member, leading to full access to the \$1.1 billion in own source revenues.
- **DRF and SF** must be established.

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

Capital of FNFA to Support Loan Obligations

- **Debt Reserve Fund (DRF): FNFA withholds 5% on every loan** for member default protection
 - The DRF balance can service interest payments for 24 months.
 - This 5% plus earnings is returned to the member after the final loan repayment.
- **Credit Enhancement Fund (CEF)** is a secondary capital support for the DRF of **\$52.3 million** deposited with FNFA under agreement with the Federal government. FNFA has experienced **continued support from the Federal government** through increasing the balance of the CEF as FNFA's loan portfolio grows.
- **Contingency Fund (CF) of \$32.5 million** was established in 2021/22 under agreement with the Federal government. The purpose is to **support current borrowing members loan payments in the event of widespread economic shock** (i.e. pandemic or other government mandated closures), **protecting debenture holders.**
- **Sinking Funds (SF)** are established for each debenture issuance. The monthly principal payments made by members' in the portfolio are held in the sinking fund until debenture maturity. The Sinking Fund is **\$111.3 million** at March 31, 2022.



Issuance Highlights and Ratings

BOND ISSUANCE

9 NUMBER OF BONDS ISSUED (FIRST IN 2014)	\$354,000,000 LARGEST SINGLE ISSUANCE
\$1,647,000,000 TOTAL DOLLAR VALUE OF ALL BONDS ISSUED	2.85% LAST COUPON RATE (MARCH 2022)
Aa3 (Stable) MOODY'S INVESTORS SERVICE	A+ (Stable) S&P GLOBAL RATINGS

COMMERCIAL PAPER

September 23, 2021 PROGRAM LAUNCH DATE	\$400,000,000 PROGRAM SIZE
\$200,000,000 ISSUANCE SIZE	Backstopped 1:1 By Credit Facility (Syndicate Of Six Chartered Banks) SECURITY
30 Days TERM	
Ba +1-2 Bps PRICING	R-1 (Middle), Stable Trend DBRS MORNINGSTAR

Our Team Focus

Events, Community Engagement, and Achievements

Webinars

FNFA implemented a business development strategy this year and delivered cross-country webinars in both official languages.

Honour and Awareness for Indigenous Social Issues

FNFA purchased shirts for Orange Shirt Day for staff to honour the survivors and victims of the residential school system and acknowledge National Day for Truth and Reconciliation.

FNFA purchased and wore Red Dress pins, wore red and organized a walk to increase awareness of the disproportionate violence experienced by Indigenous women on the National Day of Awareness and Action for Missing and Murdered Indigenous Women, Girls, and Gender Diverse Peoples.



Achievements

FNFA NAMED BY THE INDIGENOMICS INSTITUTE AS TOP 10 COMPANIES TO WATCH

The Indigenomics 10 to Watch list is an annual list demonstrating excellence and leadership in the emerging 100-billion-dollar Indigenous economy. Started in 2019, the annual list recognizes business leadership in building economic reconciliation, inclusion and designing business relationships to support the growth of the Indigenous economy.

The 10 to Watch Awards are given to ten distinctive businesses, partnerships or initiatives. Each year, the announcement of the annual list marks a moment of celebration within Indigenous economic growth and reconciliation. The annual list illuminates the spirit of Indigenous business resurgence and brings a clear focus on innovation, inclusion, and emerging trends in the Indigenous economy. Each year's winners stand out for successfully building unique and competitive businesses, partnerships and initiatives that are impacting the way we interact, create value and lead within the Indigenous economy.



HEC MONTREAL

HEC Montréal is a French-speaking university establishment whose teaching programs and management research are internationally renowned. The school trains the next generation of managers who have contributed to the growth of the company since 1907. First Nations Executive Education (FNEE) offers leadership programs that have been developed specifically to meet our needs and that reflect who we are.

The purpose is to contribute to developing a circular and sustainable economic model that will ensure our socio-economic development and safeguard our future. FNFA President & CEO, Ernie Daniels was an invited guest speaker during one of the program lectures to share his leadership journey.



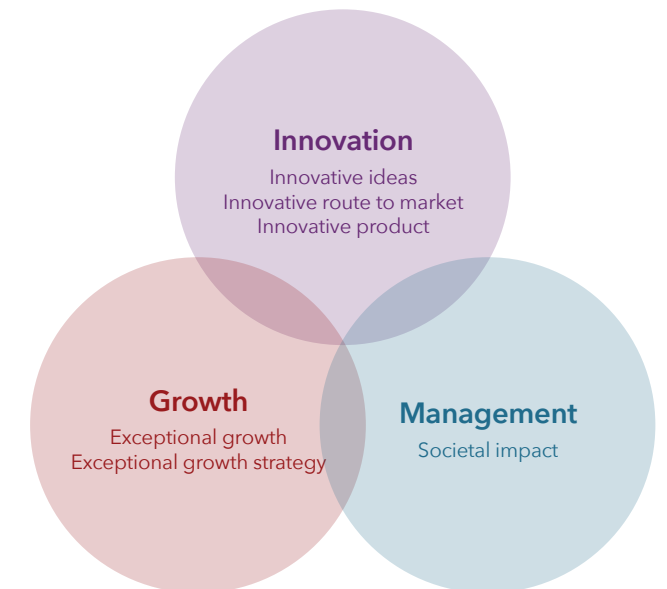
CANADIAN COALITION FOR A BETTER FUTURE

The Coalition for a Better Future seeks to build support for an ambitious plan to strengthen Canada's economic future - with a clear focus on measures to reduce inequality, tackle climate change, raise living standards and tangibly improve the lives of all Canadians. The Coalition includes more than 100 organizations representing a broad range of perspectives. The Summit is critical to informing the Coalition's work by bringing Coalition members together with experts and thought leaders to discuss some of Canada's most pressing challenges. FNFA was asked to speak at the October Conference which hosted over 700 people.

FNFA WAS SELECTED AS ONE THE OF THE TOP ADVICE COMPANIES IN BC

These selections showcased the top picks for the best British Columbia based Advice companies. These companies are taking a variety of approaches to innovating the Advice industry.

Companies were selected across the size spectrum from cutting edge startups to established brands. Companies were selected for exceptional performance in one of these categories:



Leading the Way

Conference 4 *Making Reconciliation a Reality*

FNFA, along with the other FMA institutions, the First Nations Financial Management Board (FMB) and the First Nations Tax Commission (FNTC), and the Lands Advisory Board (LAB) hosted its fourth national meeting, focusing on the topic of “Making Reconciliation a Reality”.

The two-day virtual event was held on March 28 & 29, 2022 with 260 participants. It included presentations and panel discussions, short videos, and entertainment on the themes of “First Nations Success Stories” and “First Nations Economic Resilience in Action.” The presenters included C.T. Manny Jules (Chief Commissioner, First Nations Tax Commission), Harold Calla (Executive Chair, First Nations Financial Management Board), Ernie Daniels (President & CEO, First Nations Finance Authority), and Robert Louie (Chairman, Lands Advisory Board), as well as Chief Trevor Makdahay (Doig River First Nation), Chief Derek Epp (Tzeachten First Nation), Elder Xwechtaal Dennis Joseph (Squamish Nation), the Honourable Marc Miller, Minister

of Crown-Indigenous Relations Canada, Vance Badawey, Parliamentary Secretary, Indigenous Services Canada, representatives of First Nations across Canada and team members from the First Nations fiscal institutions and LAB.

As the National Meeting Host, Chief Warren Tabobondung and Elder Joyce Tabobondung welcomed the delegates on behalf of the Wasauksing First Nation Elder Tabobondung provided an opening prayer and reminded participants that our spirituality as First Nations is what is important when making decisions. Chief Tabobondung spoke of the progressive and positive advancements made by his community through their involvement in the institutions and use of mechanisms provided by the FNFMA. He noted that First Nations elsewhere are also seeing advancements, and together, the institutions and participating First Nations are moving very strongly in the direction of making economic reconciliation a reality.

Minister Miller spoke about joint work to address the impacts of the pandemic and the importance of building economic resiliency, the efforts to create the First Nations Infrastructure Institute (FNII) and close the infrastructure gap, implementation of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) pursuing alternative financing such as the monetization of federal infrastructure transfer to build more infrastructure, and efforts to advance and modernize the Land Code and move away from the Indian Act. Parliamentary Secretary Badawey spoke of the importance of economic growth as a key factor for long-term prosperity and self-determination of First Nations. He noted that he is inspired by the RoadMap project and pointed to the federal financial support towards the realization of FNII as well as the fact that 117 First Nations have now signed on to access 10-year grants.

FNFA AT FIRST NATIONS LEADING THE WAY

The FNFA panel looked at the issue of how ESG is impacting our communities, and featured Chief Derek Epp (Tzeachten First Nation), Councillor Patrick Brennan (Henvey Inlet First Nation), and Jody Anderson (FNFA). Panel members considered key issues related to economic reconciliation; and talked about moving from managing poverty to managing wealth. It was noted that as the communities evolve, so does the investment landscape. With respect to ESG investing, there is an understanding that wealth should be redistributed, and we are wealthy when our lands and waters are healthy. Councillor Brennan spoke about the experience of Henvey Inlet in developing a major wind farm facility, with the support of the institutions, particularly the FNFA, who helped secure loans at a reasonable rate for the development. In the case of Tzeachten, the “little Band that could,” Chief Epp spoke about the difference that achieving financial certification has made for them, as well as access to better interest rates through the FNFA. The fact that the FNFA is First Nations owned and operated and respects First Nations cultures, needs and timelines was very important to both Nations who noted that support from the FNFA helped to ease their capacity development needs.

The FNFA introduced the concept of an Indigenous-owned pooled insurance model which is being explored with BFL Canada, based on shared values of respect, integrity, empowerment and collaboration. The idea is to address the shortfalls of the status quo with respect to insurance. First Nations currently purchase insurance individually, which means they have reduced purchasing power, lack of control, lack of leverage and fragmented representation. A pooled insurance model would change the way First Nations are being insured, providing better access to capital markets and leveraging collective purchasing power. A feasibility study is underway to determine coverage and capacity gaps, and the FNFA would welcome comments and feedback.

Ernie Daniels described the FNFA as an independent, non-profit corporation created by federal legislation that provides short and long-term loans and investment and

capital advisory services. He noted that 141 First Nations have now completed the membership process, and the FNFA has provided \$1.65 billion in loans to date and expect to pass the \$2 billion mark later this year (without a single default). He explained that these loans represent \$3.5 billion in economic impact and generated more than 17,000 jobs. He also indicated that investors have concluded through their own analysis that the FNFA meets ESG standards, and therefore new investors have emerged. He spoke to two priorities of the FNFA – the Indigenous-owned Pooled Insurance Model and monetization to close the infrastructure gap. With respect to the infrastructure gap, he noted that the idea would be to monetize Government of Canada transfers to accelerate infrastructure and economic development. Something needs to change – the existing model leaves First Nations further and further behind, and so the FNFA is proposing a pilot project regarding green energy to replace the dependency on diesel. In closing he noted that he was encouraged by Minister Miller’s comments on looking at monetization to address the infrastructure gap.

OTHER MEETING HIGHLIGHTS

Panel presentations were provided on the following topics:

- The First Nation Infrastructure Institute legislative proposal,
- The Fiscal Management Act legislative proposal to expand capacity and service support,
- FAFNLM Amendments and an improved land registry system,
- FAFNLM proposal to directly transfer ATRs to First Nation title,
- An FNFA proposal to create a pool insurance option for First Nations,
- Closing the infrastructure gap through monetization,
- FMA proposals to improve access to capital,
- FNTC proposals for a First Nation resource charge and FACT sales and excise taxes,
- FMB proposals to expand financial management statistics, services, and capacity support,
- A Tulo Centre proposal to expand programs and to build a new training campus,
- The formalization the First Nations Leading the Way communities to develop and advance work on the FMB and FNTC Roadmap Project.



Audited Financial Statements



KPMG LLP
200 - 3200 Richter Street Tel 250-979-7150
Kelowna BC, V1W 5K9 Fax 250-763-0044
Canada www.kpmg.ca

Statement of Management Responsibility

The financial statements of First Nations Finance Authority (the "FNFA") for the year ended March 31, 2022 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 the 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 1, 2022

Independent Auditors' 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, 2022
- 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, 2022, 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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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

June 1, 2022 | Kelowna, Canada

Statements of Financial Position

March 31, 2022 with comparative information for 2021
(in thousands)

	2022	2021
Financial Assets		
Cash and cash equivalents	\$ 405,117	\$ 20,555
Debt Reserve Funds investments (note 2(a))	86,795	68,535
Sinking Funds investments (note 3)	110,870	73,179
Loans to members (note 4)	1,540,542	1,234,793
Restricted cash and cash equivalents: (note 5)		
Funds held due to members	19,834	16,589
Principal and interest payments received in advance	40,046	13,866
Other	324	324
	2,203,528	1,427,841
Liabilities		
Accounts payable and accrued liabilities	878	380
Accrued interest payable	12,728	9,411
Deferred contributions (note 13)	-	115
Due to members (note 2(b))	86,795	68,535
Funds held due to members	19,834	16,589
Principal and interest payments received in advance	40,046	13,866
Short-term indebtedness (note 6)	400,000	31,239
Debentures: (note 7)		
Principal	1,626,000	1,272,000
Unamortized premium	12,006	14,951
Unamortized debenture issuance costs	(8,354)	(7,158)
	2,189,933	1,419,928
Net Financial Assets	13,595	7,913
Non-Financial Assets		
Credit Enhancement Fund (note 8)	53,163	45,500
Contingency Fund (note 9)	32,550	-
Capital assets (note 10)	1,986	1,047
Prepaid expenses	494	342
	88,193	46,889
Commitments and contingencies (note 11)		
Accumulated surplus	\$ 101,788	\$ 54,802
Accumulated surplus is comprised of:		
Accumulated surplus (note 12)	101,690	\$ 54,722
Accumulated remeasurement gains	98	80
	\$ 101,788	\$ 54,802

See accompanying notes to the financial statements.

On Behalf of the Board:

CHIEF WARREN TABOBONDUNG
Chair

ERNIE DANIELS
President & CEO

Statements of Operations and Accumulated Surplus

Year ended March 31, 2022 with comparative information for 2021
(in thousands)

	2022 Budget (note 1(g))	2022	2021
Revenue			
Grants and contributions: (note 13)			
Funding and grant arrangements	\$ 4,376	\$ 4,810	\$ 4,054
Deferred contributions	-	-	(115)
Interest from loan programs	40,892	38,796	28,672
Debt issuance premium amortization	2,888	2,888	2,351
Investment	3,419	2,981	1,276
Management fees	565	811	381
Other	23	132	23
	52,163	50,418	36,642
Expenses (note 1(h))			
Interest on financing	35,516	34,397	26,891
Debt issuance discount amortization	354	357	353
Debt issuance costs amortization	1,201	1,177	924
Financing fees	1,642	1,220	930
Professional fees	695	840	496
Travel and workshops	322	211	100
Salaries and benefits	3,088	3,084	2,302
Operations and management	501	524	475
Investment revenue due to members	2,325	2,312	1,535
Amortization of capital assets	159	166	104
	45,803	44,288	34,110
Operating surplus	\$ 6,360	\$ 6,130	\$ 2,532
Credit Enhancement Fund contribution (note 8)	-	7,663	2,970
Contingency Fund contribution (note 9)	32,500	32,489	-
Net realized remeasurement gains (losses)	-	686	(3,953)
Surplus	38,860	46,968	1,549
Accumulated surplus, beginning of year	54,722	54,722	53,173
Accumulated surplus, end of year	\$ 93,582	\$ 101,690	\$ 54,722

See accompanying notes to the financial statements.

Statement of Changes in Net Financial Assets

Year ended March 31, 2022 with comparative information for 2021
(in thousands)

	2022 Budget (note 1(g))	2022	2021
Surplus	\$ 38,860	\$ 46,968	\$ 1,549
Changes to non-financial assets			
Credit Enhancement Fund contributions	-	(7,663)	(2,970)
Contingency Fund contributions	(32,500)	(32,550)	-
Acquisition of capital assets	-	(1,105)	(917)
Amortization of capital assets	159	166	104
	(32,341)	(41,152)	(3,783)
Net change in prepaid expenses	-	(152)	(36)
	(32,341)	(41,304)	(3,819)
Net remeasurement gains	-	18	1,131
Increase (decrease) in net financial assets	6,519	5,682	(1,140)
Net financial assets, beginning of year	7,913	7,913	9,053
Net financial assets, end of year	\$ 14,432	\$ 13,595	\$ 7,913

Statement of Remeasurement Gains and Losses

Year ended March 31, 2022 with comparative information for 2021
(in thousands)

	2022	2021
Accumulated remeasurement gains (losses), beginning of year	\$ 80	\$ (1,051)
Net remeasurement gains (losses) realized and reclassified to the statement of operations from:		
Derivative contracts	686	(3,953)
Unrealized gains (losses) generated and reversed during the year from:		
Derivative contracts	(668)	5,084
Net remeasurement gains	18	1,131
Accumulated remeasurement gains, end of year	\$ 98	\$ 80

See accompanying notes to the financial statements.

Statement of Cash Flows

Year ended March 31, 2022 with comparative information for 2021
(in thousands)

	2022	2021
Cash provided by (used in):		
Operating transactions:		
Operating surplus	\$ 6,130	\$ 2,532
Debenture issuance premium amortization	(2,888)	(2,351)
Debenture issuance discount amortization	357	353
Debenture issuance costs amortization	1,177	924
Amortization of capital assets	166	104
Net realized remeasurement gains (losses)	686	(3,953)
Net change in non-cash assets and liabilities	3,600	3,000
	9,228	609
Investing transactions:		
Acquisition of investments	(56,012)	(51,344)
Increase in amounts due to members	18,260	27,682
Net increase in restricted cash and cash equivalents	(29,425)	(5,217)
Increase in funds held due to members	3,245	760
Increase in principal and interest payments received in advance	26,180	4,457
	(37,752)	(23,662)
Financing transactions:		
Loans to members issued	(345,001)	(553,665)
Repayment of loans to members	39,271	31,002
Debenture issued, principal	354,000	594,000
Premium (discount) on debenture issuance	(414)	6,270
Debenture issuance costs	(2,372)	(3,756)
Proceeds from short-term indebtedness	400,000	31,294
Repayment of short-term indebtedness	(31,294)	(74,968)
	414,191	30,177
Capital transactions:		
Purchase of capital assets	(1,105)	(917)
Increase in cash and cash equivalents	384,562	6,207
Cash and cash equivalents, beginning of year	20,555	14,348
Cash and cash equivalents, end of year	\$ 405,117	\$ 20,555
Supplemental cash flow information:		
Interest paid	\$ 31,081	\$ 23,955
Credit Enhancement Fund contribution	7,663	2,970
Contingency Fund contribution	32,489	-

See accompanying notes to the financial statements.

Notes to Financial Statements

Year ended March 31, 2022 | (all tabular figures reported in thousands of dollars)

First Nations Finance Authority ("FNFA") was announced April 1, 2006 as a result of Bill C-20 and operates under the First Nations Fiscal Management Act (the "Act") as a not for profit corporation without share capital to develop borrowing capacity for First Nations governments and to provide investment pooling arrangements for its investing members. FNFA, through an agreement with the Municipal Finance Authority of British Columbia ("MFA"), acts as a non-assignable corporate investment vehicle with MFA for the provision of investment services for FNFA unit holders. 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 the COVID-19 pandemic or other widespread adverse economic events.

Sinking Funds:

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

Debt Reserve Funds:

Under the Act, FNFA is required to establish Debt Reserve Funds. FNFA withholds 5% of the loan amount requested under a member's borrowing law. If at any time, FNFA lacks sufficient funds to meet the principal, interest or sinking fund payments due on its obligations because of a default in payment by the payor of the intercepted revenue stream or from a borrowing member using its own source business revenues, the 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 funds 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.

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.

Notes to Financial Statements (continued)

Year ended March 31, 2022 | (all tabular figures reported in thousands of dollars)

1. Significant accounting policies (continued):

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

(d) Financial instruments:
Financial instruments are initially classified upon initial recognition as a fair value or an amortized cost instrument. The fair value category includes investments in equity instruments that are quoted in an active market, freestanding derivative instruments that are not in a qualifying hedging relationship and any other items elected by FNFA to be recorded at fair value. All other financial instruments, including cash and cash equivalents, government and corporate bonds, short-term indebtedness, and debentures are recorded at amortized cost. Corporate bonds held by FNFA are chartered bank investments as consistent with investment requirements under the Act. Transaction costs directly attributable to the acquisition or issuance of a financial instrument are added to the amortized cost or expensed if related to instruments recorded on a fair value basis. The effective interest rate method is used to measure interest for financial instruments recorded at amortized cost.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss, calculated as the excess of the net recoverable amount of the asset and its carrying value, is reported in the statement of operations. Any unrealized gain or loss for financial assets or liabilities measured at fair value is recorded through the statement of remeasurement gains and losses. When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed, and the realized gain or loss is recognized in the statement of operations.

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

Asset	Basis	Rate
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30-45%
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 20, 2021. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net financial assets.

(h) Segmented disclosure:
A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. FNFA has determined that it had only one operating segment for the years presented. Accordingly, segmented disclosures have not been presented in these financial statements.

Notes to Financial Statements (continued)

Year ended March 31, 2022 | (all tabular figures reported in thousands of dollars)

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 Fund assets, as at March 31, 2022 consist of the following:

	2022	2021
Cash and cash equivalents	\$ 72,004	\$ 66,593
Government and corporate bonds	14,791	1,942
	\$ 86,795	\$ 68,535

Government and corporate bonds include bonds with maturities to December 2031, with coupon rates of 2.25% and have a total principal of \$15.0 million (2021 - \$1.9 million). The market value as at March 31, 2022 was approximately \$14.0 million.

b) Due to members:
Amounts due to members in the Debt Reserve Fund will be repaid to a member when the member has satisfied all obligations related to the applicable loan agreement. The balance owing to members as at March 31, 2022, 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 fulfil the repayment obligations of the debentures. Funds included in the Sinking Fund may be invested only in securities, investments or deposits specified under the Act.

The Sinking Fund assets, as at March 31, 2022 consist of the following:

	2022	2021
Cash and cash equivalents	\$ 69,448	\$ 61,868
Government and corporate bonds	41,422	11,311
	\$ 110,870	\$ 73,179

Government and corporate bonds include bonds with maturities from April 2024 to December 2032, with coupon rates from 1.25% to 6.65% and have a total principal of \$36.9 million (2021 - \$10.9 million). The market value as at March 31, 2022 was approximately \$39.0 million.

The Sinking Fund investment portfolio includes FNFA issued bonds. At March 31, 2022, the book value of these investments was \$5.6 million (2021 - \$5.7 million) and related investment income during the year was \$0.2 million (2021 - \$0.2 million).

Notes to Financial Statements (continued)

Year ended March 31, 2022 | (all tabular figures reported in thousands of dollars)

4. Loans to members:

	2022	2021
Debt financing loans	\$ 1,516,892	\$ 1,203,728
Interim financing loans	23,552	30,985
	1,540,444	1,234,713
Unrealized gain (loss) on derivative contracts	98	80
	\$ 1,540,542	\$ 1,234,793

The aggregate maturity of loans to members as at March 31, 2022 are as follows:

2023	\$ 68,307
2024	44,872
2025	44,872
2026	44,872
2027	44,872
Thereafter	1,292,649
	\$ 1,540,444

- (a) **Debt financing loans:**
Debt financing loans to members consists of loans to eighty (2021 - seventy-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 3.79%.
- (b) **Interim financing loans:**
Interim financing loans as at March 31, 2022, consists of loans to nine (2021 - eight) borrowing members, bearing interest at a floating rate of 1.75% to 2.40%, payable monthly. Loans to seven 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.
- (c) **Secured Revenues Trust Account:**
FNFA determines, after reviewing contractual and other supporting revenue stream documents, 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 established by FNFA's Board. 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, 2022 (2021 - \$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.

Notes to Financial Statements (continued)

Year ended March 31, 2022 | (all tabular figures reported in thousands of dollars)

5. Restricted cash and cash equivalents:

	2022	2021
Funds held due to member	\$ 19,834	16,589
Principal and interest payments received in advance	40,046	13,866
Members capital (note 12(b))	324	324
	\$ 60,204	\$ 30,779

6. Short-term indebtedness:

	2022	2021
Commercial paper issued	\$ 400,000	-
Revolving credit facility	-	31,294
Deferred credit facility fees	-	(55)
	\$ 400,000	\$ 31,239

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

The revolving credit facility terms were amended in the fiscal year to include refinancing loans to members initially financed under the commercial paper program established by FNFA to act as a backstop to the Commercial Paper Program. The revolving credit facility continues to be available to FNFA through the issuance of bankers' acceptance notes or the issuance of loans bearing interest calculated in relation to the lender's prime. The aggregate of \$400 million outstanding between the revolving credit facility and the commercial paper program may not be exceeded. 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, 2022.

7. Debentures:

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

The maturity of debenture financing as at March 31, 2022 is as follows:

2024	\$ 251,000
2028	427,000
2030	594,000
2032	354,000
	\$ 1,626,000

Notes to Financial Statements (continued)

Year ended March 31, 2022 | (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 Fund.

During the year ended March 31, 2022, FNFA recognized Credit Enhancement Fund contributions of \$7.66 million (2021 - \$2.97 million).

The Credit Enhancement Fund, as at March 31, 2022 consist of the following:

	2022	2021
Cash and cash equivalents	\$ 14,553	\$ 29,992
Government and corporate bonds	31,017	12,602
Contribution receivable	7,663	2,970
Due to Operating Fund	(72)	(64)
	\$ 53,163	\$ 45,500

Government and corporate bonds include bonds with maturities of June 2030 to December 2032, a coupon rates of 1.25% to 4.25% and have a total principal of \$29.0 million (2021 - \$12.0 million). The market value as at March 31, 2022 was approximately \$28.9 million.

9. Contingency Fund:

The Contingency Fund was created and funded in the 2022 fiscal year by contributions of \$32.49 million from CIRNAC. The purpose of the Contingency Fund is to provide repayable financial support for FNFA's borrowing members encountering difficulties due to COVID-19 pandemic or subsequent 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, 2022, no loans from the Contingency Fund were made to borrowing members.

Fund activity for the year ended March 31, 2022 is as follows:

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

Notes to Financial Statements (continued)

Year ended March 31, 2022 | (all tabular figures reported in thousands of dollars)

10. Capital assets:

March 31, 2022	Furniture and equipment	Computer equipment	Leasehold improvements	Computer Software	Total
Cost:					
Balance, beginning of year	\$ 170	\$ 104	\$ 700	\$ 262	\$ 1,236
Additions	42	89	333	641	1,105
Disposals	(4)	(26)	-	-	(30)
Balance, end of year	208	167	1,033	903	2,311
Accumulated amortization:					
Balance, beginning of year	34	65	90	-	189
Amortization	30	38	93	-	161
Disposals	(1)	(24)	-	-	(25)
Balance, end of year	63	79	183	-	325
Net book value, end of year	\$ 145	\$ 88	\$ 850	\$ 903	\$ 1,986

March 31, 2021	Furniture and equipment	Computer equipment	Leasehold improvements	Computer Software	Total
Cost:					
Balance, beginning of year	\$ 59	\$ 91	\$ 78	\$ 111	\$ 339
Additions	117	26	623	151	917
Disposals	(6)	(13)	(1)	-	(20)
Balance, end of year	170	104	700	262	1,236
Accumulated amortization:					
Balance, beginning of year	19	59	27	-	105
Amortization	19	16	63	-	98
Disposals	(4)	(10)	-	-	(14)
Balance, end of year	34	65	90	-	189
Net book value, end of year	\$ 136	\$ 39	\$ 610	\$ 262	\$ 1,047

Computer software consist of costs incurred for software that is in the development phase. As it was not available for use as at March 31, 2022, no amortization was recorded to March 31, 2022.

11. Commitments and contingent liabilities

(a) Commitments:

The FNFA entered into a lease agreement for office space, which expires February 2023 and various office equipment leases expiring October 2025. Total estimated operating lease commitments to maturity are as follows:

2023	\$ 285
2024	262
2025	5
2026	3
	\$ 555

Notes to Financial Statements (continued)

Year ended March 31, 2022 | (all tabular figures reported in thousands of dollars)

11. Commitments and contingent liabilities (continued):

(b) Derivative financial instruments

At March 31, 2022, the FNFA had the following outstanding derivative financial instruments:

- Interest rate swap contract with a notional value of \$6.6 million (2021 - \$ 6.6 million) whose settlement extends to June 1, 2035.
- Interest rate swap contract with a notional value of \$2.3 million whose settlement extends to June 18, 2040.

The contracts were entered into as devices to control interest rate risk. They were entered into at the request of a borrowing member to provide a fixed lending rate for a predetermined period of time, commencing at the specified future date. At the specified future dates, the 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 unwind 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 unwind. 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.

The 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.

The derivative contracts and investments is considered a level 2 financial instrument.

During the year ended March 31, 2022, one bond forward contract was settled for a cash payment of \$0.69 million. The cash payment is recorded as a remeasurement gain and is recognized on the statement of operations.

The unrealized gain on outstanding derivative contracts at March 31, 2022, of \$0.10 million (2021 - \$0.08 million) has been reflected in the statement of remeasurement gains and losses and as an offset to loans to members.

12. Accumulated surplus:

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

	2022	2021
Credit Enhancement Fund	\$ 53,163	\$ 45,500
Contingency Fund	32,550	-
Operating Fund:		
Invested in tangible capital assets	1,986	1,047
Unrestricted	13,991	8,175
	15,977	9,222
	\$ 101,690	\$ 54,722

(b) Members capital:

On April 1, 2006, assets and liabilities of the FNFA Inc., a predecessor organization which was controlled by the same Board as the FNFA, were transferred to the FNFA. The FNFA's Board of Directors has resolved by way of a bylaw that, upon dissolution of the FNFA, the total contribution to the FNFA of \$324,035, being tangible capital assets and retained earnings of the FNFA Inc. on April 1, 2006, shall be first distributed to the public bodies having an interest in members' capital. The members' capital has been recorded as restricted cash and cash equivalents.

Notes to Financial Statements (continued)

Year ended March 31, 2022 | (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		
			Invested in capital assets	Unrestricted	Total
Balance, March 31, 2020	\$ 42,529	\$ -	\$ 234	\$ 10,410	\$ 53,173
Annual operating surplus (deficit)	495	-	(104)	2,140	2,532
Contributions	2,970	-	-	-	2,970
Net realized remeasurement loss	-	-	-	(3,953)	(3,953)
Acquisition of capital assets	-	-	917	(917)	-
Transfers	(495)	-	-	495	-
Balance, March 31, 2021	\$ 45,500	\$ -	\$ 1,047	\$ 8,175	\$ 54,722
Annual operating surplus (deficit)	638	61	(166)	5,597	6,130
Contributions	7,663	32,489	-	-	40,152
Net realized remeasurement gain	-	-	-	686	686
Acquisition of capital assets	-	-	1,105	(1,105)	-
Transfers	(638)	-	-	638	-
Balance, March 31, 2022	\$ 53,163	\$ 32,550	\$ 1,986	\$ 13,991	\$ 101,690

13. Grants and contributions:

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

	2022	2021
Comprehensive Funding Arrangement	\$ 4,310	\$ 3,554
Grant Agreement	500	500
Deferred contributions	-	(115)
	\$ 4,810	\$ 3,939

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 the FNFA.

Under the terms of the Grant Agreement, which is for the purpose of covering costs associated with the FNFA's core business, the FNFA is to receive an annual maximum of \$500,000. This arrangement expires on March 31, 2022. The Grant Agreement was increased to \$1,000,000 and has been renewed for the March 31, 2023 fiscal year.

Notes to Financial Statements (continued)

Year ended March 31, 2022 | (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, 2022, 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 nonfinancial 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:

	2022			
	On demand	Within 1 year	Greater than 1 year	Total
<i>Non-derivative financial liabilities</i>				
Accounts payable and accrued liabilities	\$ -	\$ 878	\$ -	\$ 878
Accrued interest payable	-	12,728	-	12,728
Deferred contributions	-	-	-	-
Principal and interest received in advance	-	40,046	-	40,046
Funds held due to members	19,834	-	-	19,834
Due to members	86,795	-	-	86,795
Short-term indebtedness	400,000	-	-	400,000
Debentures	-	-	1,626,000	1,626,000
<i>Derivative financial liabilities (assets)</i>				
Derivative contracts	-	-	(98)	(98)
	\$ 506,696	\$ 53,652	\$ 1,625,902	\$ 2,186,250
	2021			
	On demand	Within 1 year	Greater than 1 year	Total
<i>Non-derivative financial liabilities</i>				
Accounts payable and accrued liabilities	\$ -	\$ 380	\$ -	\$ 380
Accrued interest payable	-	9,411	-	9,411
Deferred contributions	-	115	-	115
Principal and interest received in advance	-	13,866	-	13,866
Funds held due to members	16,589	-	-	16,589
Due to members	68,535	-	-	68,535
Short-term indebtedness	31,239	-	-	31,239
Debentures	-	-	1,272,000	1,272,000
<i>Derivative financial liabilities (assets)</i>				
Derivative contracts	-	-	(80)	(80)
	\$ 116,363	\$ 23,772	\$ 1,271,920	\$ 1,412,055

Notes to Financial Statements (continued)

Year ended March 31, 2022 | (all tabular figures reported in thousands of dollars)

14. Financial instruments (continued):

(b) Credit risk:

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

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

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

(c) Interest rate risk:

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

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

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

Fair value sensitivity analysis for fixed rate instruments

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

A 100 basis point change in interest rates would have a parallel change in annual operating surplus, at the reporting date, by \$43,000 (2021 - \$16,000).



Our Team



edaniels@fnfa.ca

Ernie Daniels CPA, CGA, CAFM
PRESIDENT & CEO

As President and Chief Executive Officer, Ernie Daniels manages the business affairs of FNFA. He is a Chartered Professional Accountant and a Certified Aboriginal Financial Manager.

Ernie moved from Ottawa to Kelowna in 2011 to work with FNFA as Director of Finance and was subsequently appointed as President & CEO in June 2012. Prior to FNFA, he was the President and Chief Operating Officer of the Aboriginal Financial Officers Association (AFOA) of Canada for 7 years and the Director of Assessment and Finance Operations at the Aboriginal Healing Foundation (AHF) for 5 years. Ernie has worked for Indigenous non-profit organizations in various leadership and management positions. He has served on numerous boards and committees: member of the Canadian Institute of Chartered Accountants (CICA) Research Study Group looking at financial reporting by First Nations; Chair of the NWT Legislative Assembly Society; Vice-Chair of the NWT Development Corporation; Board member of the First Nations Financial Management Board (FMB) and Chair of the Audit Committee and was a member of the Standards, Approvals, and Certification Committee. He was also a Board member of the Canadian Executive Service Organization (CESO).



sberna@fnfa.ca

Steve Berna CPA, CA
CHIEF OPERATING OFFICER

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

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

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Sarah Nieberle CPA
FINANCIAL ANALYST

BUSINESS ANALYSTS

Don Morin
SENIOR BUSINESS ANALYST

INFORMATION TECHNOLOGY

Stephen Blancher
IT MANAGER

ADMINISTRATION

Kellie MacGregor
OFFICE ASSISTANT

Salina Hazle
JR. ADMINISTRATIVE ASSISTANT



21
EMPLOYEES



523LBS
OF COFFEE CONSUMED
ANNUALLY BY FNFA
EMPLOYEES



90+
PRESENTATIONS

Glossary

Commercial Paper (CP) Program: Issuance of short-term promissory notes to support FNFA's Interim Financing Program.

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

Credit Enhancement Fund (CEF): Backup support for the DRF replenishment in the event it is used for member defaults. CEF is under an agreement with the Federal government.

Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC): Arm of the Federal government dedicated to renewing the relationship between Canada and First Nations, Inuit and Métis.

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

Debt Reserve Fund (DRF): Withholding of 5% on each loan to support loan payments in the event of a member default; it is returned with any earnings to the member upon loan extinguishment.

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

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

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

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

First Nations Fiscal Management Act (FNFMA): Federal Act that FNFA was first established and operates under.

Financing Secured by Other Revenues Regulation (ORR): Regulation developed to expand FNFA's mandate to allow for loans to members utilizing other revenues (under FNFMA, FNFA could only utilize Property Tax revenues).

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

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

Sustainable Development Goals (SDG): Adopted by all United Nations Member States in 2015, the SDGs are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth - all while tackling climate change and working to preserve our oceans and forests. The goals are:

1. No poverty: End poverty in all its forms everywhere.
2. Zero hunger: End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
3. Good Health and Well-being: Ensure healthy lives and promote well-being for all at all ages.
4. Quality Education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
5. Gender Equality: Achieve gender equality and empower all women and girls.
6. Clean Water and Sanitation: Ensure availability and sustainable management of water and sanitation for all.
7. Affordable and Clean Energy: Ensure access to affordable, reliable, sustainable, and modern energy for all.
8. Decent Work and Economic Growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
9. Industry, Innovation and Infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
10. Reduced Inequalities: Reduce inequality within and among countries.
11. Sustainable Cities and Communities: Make cities and human settlements inclusive, safe and resilient and sustainable.
12. Responsible Consumption and Production: Ensure sustainable consumption and production patterns.
13. Climate Action: Take urgent action to combat climate change and its impacts.
14. Life Below Water: Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
15. Life on Land: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
16. Peace, Justice and Strong Institutions: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
17. Partnerships for the Goals: Strengthen the mean of implementation and revitalize the global partnerships for sustainable development.



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