



FIRST NATIONS MARKET HOUSING FUND



2023 ANNUAL REPORT

First Nations
Prosperity Through
Homeownership

Forward-Looking Statements

The Annual Report of the First Nations Market Housing Fund (“the Fund”) contains forward-looking statements regarding objectives, strategies, and expected financial results. There are risks and uncertainties beyond the control of the Fund that include, but are not limited to, economic, financial, and regulatory conditions. These factors, among others, may cause actual results to differ substantially from the expectations stated or implied in the forward-looking statements.



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Contents

02

Forward-Looking Statements

04

Overview

05

Our First Nations Clients

07

Message from the
Chairperson of the Trustees

08

Message from the
Chief Executive Officer

10

Who We Are & What We Do

11

Governance

2023 Highlights

13

Strategic Directions

14

Special Initiatives

15

Governance

16

Operations & Team
Development

17

Marketing &
Communications

18

Collaborations &
Partnerships

19

Information Technology

19

Investment Management

20

Our Lending Partners

21

Management
Discussion & Analysis

28

Financial Statements

29

Fund Staff

29

Contact Information

Overview

Our Mandate

The Fund's mandate is to facilitate access to financing for loan-based housing in First Nations communities. The Fund helps create the capacity in First Nations communities to support and sustain loan-based housing programs, thereby contributing to the social welfare and civic improvements of First Nations communities and their residents. The overarching goal is to promote a system in which First Nations residents have the same housing opportunities on communally held lands – be they reserve, settlement, or lands set aside – as mainstream Canadians have in their communities.

Our Vision

Our commitment lies in supporting First Nation capacity in housing systems and promoting the concept of on-reserve homeownership, thus, our vision is:

**First Nations Prosperity
through Homeownership.**

Our Values

Our approach values and integrates the unique traditional values and governance structures of each community we serve. The values of the Fund are the seven sacred teachings:

**Love | Humility | Respect
Courage | Honesty
Wisdom | Truth**



Our First Nations Clients

NORTH

- Carcross/Tagish
- Champagne and Aishihik
- Kwanlin Dūn
- Teslin Tlingit Council
- Tr'ondëk Hwëch'in
- Vuntut Gwitchin

BRITISH COLUMBIA

- Adams Lake Indian Band
- ʔaḡam
- Coldwater Indian Band
- Cook's Ferry Indian Band
- Cowichan Tribes
- Esk'etemc FN
- Gwa'Sala-Nakwaxda'xw FN
- Haisla Nation
- Halalt FN
- Heiltsuk Band Council
- Hupacasath FN
- K'ómoks FN
- Katzie FN
- Kispiox Band Council
- Kwantlen FN
- Kwikwetlem FN
- Leq'á:Mél FN
- Lil'wat Nation
- Lower Nicola Indian Band
- Lower Similkameen
- Lytton FN
- Malahat FN
- McLeod Lake Indian Band
- Namgis FN
- Nanoose FN
- Neskonlith FN
- Nooaitch Indian Band
- Nuxalk Nation
- Okanagan Indian Band
- Old Masset Village Council
- Penelakut Tribe
- Penticton Indian Band
- Quatsino FN
- Saulteau FN
- Seabird Island Band
- shíshálh
- Simpcw FN
- Siska Indian Band
- Skeetchestn Indian Band

- Skidegate Band Council
- Skowkale FN
- Skwah FN
- Skwlāx te Secwepemcúlecw
- Spuzzum FN
- Squiala FN
- Sts'ailes Band
- Stswecem'c Xgat'tem FN
- Sumas FN
- T'it'q'et
- Tk'emlúps te Secwépemc
- Tla-o-qui-aht FN
- Tobacco Plains
- Tsal'ah Band
- Tsartlip FN
- Tsawout FN
- Tsawwassen FN
- Tseshaht FN
- Ts'uubaa-asatx
- Uclelet FN
- Upper Nicola Band
- Wet'suwet'en FN
- Witset FN

ALBERTA

- Fort McKay FN
- Peerless Trout FN
- Siksika Nation

SASKATCHEWAN

- Flying Dust FN
- Lac La Ronge Indian Band
- Onion Lake Cree Nation

MANITOBA

- Fisher River Cree Nation
- Long Plain FN

ONTARIO

- Alderville FN
- Algonquins of Pikwakanagan FN
- Atikameksheng Anishnawbek
- Aundeck Omni Kaning
- Batchewana FN
- Beausoleil FN
- Biigtigong Nishnaabeg

- Bingwi Neyaashi Anishinaabek
- Chapleau Cree FN
- Chippewas of Georgina Island FN
- Chippewas of Nawash Unceded FN
- Chippewas of the Thames
- Constance Lake FN
- Couchiching FN
- Curve Lake FN
- Garden River FN
- Henvey Inlet FN
- Hiawatha FN
- Iskatewizaagegan #39 Independent FN
- Lac Seul FN
- M'Chigeeng FN
- Mattagami FN
- Mississauga FN
- Mississaugas of the New Credit FN
- Mohawk Council of Akwesasne
- Mohawks of the Bay of Quinte
- Moose Cree FN
- Nipissing FN
- Oneida Nation of the Thames
- Sagamok Anishnawbek
- Saugeen FN
- Serpent River FN
- Sheshegwaning FN
- Temagami FN
- Wahgoshig FN
- Wahnapiatae FN
- Wahta Mohawks
- Wasauksing FN
- Whitefish River FN
- Wiikwemikoong Unceded Indian Reserve

QUEBEC

- Cree First Nation of Waswanipi
- Cree Nation of Chisasibi
- Cree Nation of Eastmain
- Cree Nation of Mistissini
- Cree Nation of Wemindji
- Mohawk Council of Kahnawà:ke

ATLANTIC

- Lennox Island FN
- Membertou
- Miawpukek FN
- We'koqma'q FN

2023 Annual Report



Message from the Chairperson of the Trustees

The Fund continued the major transformation initiated in 2022 with the underlying goal to support homeownership for First Nations peoples. We took additional measures to strategically position the Fund for significant long-term impact. We continue to do things with an Indigenous lens and, in the spirit of reconciliation, have engaged others who share our vision. Why is homeownership so important? Of course, a home supports the personal infrastructure of a family and community, but it can also become an economic asset that one may use to lever to pursue other endeavors.

In 2023, we continued the major reform exercise with a number of key moves. The underlying themes of these actions was to further enhance Indigenous control of the Fund, build partnerships with other Indigenous organizations, look to enhancing our toolkit and build up the leadership and capacity of the Fund team.

A very significant move was made by the Trustees to choose the new Chief Executive Officer, Travis Seymour, FCPA, FCGA, MBA, CAFM. The role was formerly designated as Executive Director, and the change was made to better align with the Fund's business-oriented nature. Regarding the Trustee selections, three new Trustees, namely Amy Comegan, Walter Schneider, and Earl Commanda, were appointed after undergoing interviews and vetting by the existing Trustees. The Trustees also oversaw the reappointment of Kathleen BlueSky, Chief Sidney Peters, Errol Wilson, and Jean Vincent, all of whom are committed to the new direction the Fund has undertaken. In the past, all such appointments were overseen by the federal government.

The Fund, under Travis Seymour's leadership, has reached out and built alliances with a number of Indigenous organizations. The Fund has entered into MOUs with the First Nations Financial Management Board and the First Nations Housing Professionals Association, establishing collaboration and information-sharing initiatives. The Fund also has established working relationships with the Naut'sa mawt Tribal Council and the Yanonhchia Initiative (NACCA). The Fund is supporting Naut'sa mawt in the further development of their housing toolkit, rather than have the Fund duplicating this work. The Yanonhchia initiative is looking to provide loan capital and capacity support to allow NACCA Indigenous Financial institutions (IFIs) to provide housing loans and services to their borrowers.

In 2023, the COVID pandemic came to a long-awaited end, and the Fund was able to conduct face-to-face meetings. Most significant of these was the Strategic Planning session in April where the Staff and Trustees met in Akwesasne and collaborated to find solutions and to plan for the future. This had not been done in over ten years and solidified the commitment to reform the Fund. The Trustees also had the opportunity to have our September Board Meeting at Sq'ewqel (Seabird Island Band) in B.C. We were able to meet community membership firsthand and view the on-reserve housing stock.



2023 was my first full year as Chair of the Fund. I have always strongly advocated moving First Nation members to private homeownership and have participated in numerous community initiatives which have achieved measurable results. The success of these initiatives can be attributed to the fact that the proponents have taken ownership and maintained control over the development and implementation of housing strategies within their respective First Nation territories. The Fund Trustees and Staff have embraced this same approach with reform exercises currently underway. It is anticipated that this exercise will result in the enhancement of the toolkit that the Fund will have at its disposal to increase home ownership in First Nation communities. The Fund in the past year has been working closely with AFN, CMHC and ISC to move in this direction of Transfer and Control of the Fund to First Nations. The original intent of the Fund back in 2008 was to have First Nations take ownership and control, and now this time has arrived to truly do things with an Indigenous lens given that we are in the era of Reconciliation.

Michael Rice, MBA

Message from the Chief Executive Officer

Reflecting on 2023, I am pleased to report on the progress that has taken place at the Fund. With the support of our Board of Trustees, we were able to make significant changes that will enable the Fund to continue to advance the reform agenda that was put in place in 2022.

In 2023, I was fortunate to be offered the position of CEO (formerly known as Executive Director) after serving in this role in an acting capacity. I am grateful to the Board of Trustees for believing in me and in my team to continue making progress toward the transformation of the Fund. It is my belief that the staff of the Fund are its greatest asset. To enhance the organization's success, we need to fill vacant staff positions with highly qualified individuals. Additionally, we should welcome new members into the organization, incorporating skill sets that complement the existing expertise.

We were successful in 2023 in building up the Fund's human resources. Key positions that were filled in 2023 include the Director of Finance and Administration (Tae Kim), Corporate Secretary/Senior Operations Analyst (Tracy Tarnowski), Director of Programs and Services (Kelly Bitternose), Senior Program Officers (Jennifer Martin, Erica van der Grinten, and Chris Angecone), Operations Analyst (Crystal Garrow), Administrator (Jonah Keeshig), HR Generalist (Sara Roundpoint), and Marketing and Communications Specialist (Nancy Coloccia). In December 2023, we had one staff member retire. Lucille Michaud worked with the Fund since 2013 as a Senior Program Officer. Her passion for housing and homeownership in First Nations communities dates back to her role as a Band Manager for her own community (Migisi Sahgaingan in Treaty #3 Anishinaabe Territory) in the 1990s. Management and staff acknowledged Lucille for her mentorship and leadership. We wish her all the best in her future endeavors.

Another significant area of change at the Fund was the overhaul and revamping of our marketing and communications. The business plan for 2023 identified marketing and communications as a strategic priority of the Fund. The 2022 survey of Leaders and Administrators highlighted that there was a general lack of awareness about the Fund and the services provided. To address this shortfall, we engaged the communications firm NVision Insight Group, and we hired a full time marketing and communications specialist on staff. Some of the highlights from the marketing work include the launch of our new website and our new corporate logo. The website was launched in June. We also created a new promotional video and implemented a social media strategy to build on our overall goal of increasing awareness about the Fund.

In line with the strategic priority of improving our offerings to support loan-based housing outcomes, the Fund undertook a lean process study in 2023 to identify areas where our internal processes could be improved. In addition to the study, internal staff implemented a pilot project to start redesigning and rebuilding our information system. The first phase of this project was a pilot project to track all correspondence with Lender contacts and to automate the CE loan approval process. Our internal staff were successful at completing this pilot project and we will now use the initial findings from the lean process study to continue making improvements and to work on additional phases of the I.T. redesign project.

Upon assuming the role of CEO, I recognized the importance of cultivating strong relationships with organizations providing access





“I am proud of what was accomplished in 2023, and I am optimistic that even more will be accomplished in 2024.”

to capital for housing loans, such as banks, credit unions, and potentially, Indigenous Financial Institutions associated with NACCA. Their input and feedback are crucial in shaping the future services of the Fund. In 2023, we initiated a Lender Research Project, conducting interviews with banks and credit unions to gather their feedback regarding the Fund's past performance and suggestions for improving our services. This feedback is now being incorporated into our business case for the Fund's reform and transformation. In addition to engaging with traditional lenders, we have established a connection with a promising organization called Yanonhchia. This partnership aims to collaborate with Indigenous Financial Institutions in the future, potentially extending on-reserve housing loans.

Capacity development plays a large role in the work of the Fund. Over the past 15 years, the Fund has actively advocated for and endorsed capacity development initiatives for First Nations. This focus aims to enable them to meet the qualifications for the Fund's CE Facility and effectively administer homeownership programs. In 2023, the Fund initiated a special study on the capacity development program, carried out by the Conference Board of Canada. The findings and recommendations derived from this study will serve as valuable inputs for upcoming strategic planning and will contribute to the business case for the Fund's reform and transformation. Alongside the study on CD, the Fund dedicated efforts to strengthen relationships with like-minded organizations that share a commitment to supporting First Nation capacity development. MOU agreements have been established with organizations like the First Nations Housing Professionals Association, First Nations Financial Management Board, and Housing Resource Services. Moving forward, the Fund hopes to align its capacity development efforts in coordination with these and other like-minded organizations.

All of the work carried out in 2023 was geared towards preparing the Fund for a process of reform and transformation. In November 2023, a working committee comprising representatives from FNMHF, CMHC, ISC and AFN, with expertise in various technical aspects, was established. The committee's purpose is to devise a compelling business case advocating for government intervention to make the Fund more independent, autonomous, and responsive to the homeownership needs of First Nations people.

As we enter 2024, substantial groundwork has been laid to facilitate significant changes within the Fund. The support from the Trustees, Staff, and our Strategic Partners provides us with the momentum to initiate the changes that are needed to better serve First Nation homeowners. I am proud of what was accomplished in 2023, and I am optimistic that even more will be accomplished in 2024.

Travis Seymour, FCPA, FCGA, MBA, CAFM

Who We Are & What We Do

The Fund is a not-for-profit Trust dedicated to empowering First Nations communities and was developed with input from First Nations communities and organizations across Canada. The Fund launched on May 5, 2008, with a one-time federal government investment of \$300 million. The Fund is a standalone, long-term, self-sustaining, non-profit trust established to:

- “...facilitate the availability of financing for and the accessible supply of Market-based Housing in First Nations communities and help create the capacity in First Nations communities to become self-sufficient in developing and sustaining the Market-based Housing...”
- “create a platform for long-term change in housing provision and accommodation, leveraging more private-sector financing, progress in stabilizing the backlog in housing, greater housing investment by First Nations themselves and their members, and enhanced housing capacity in First Nations communities.”
- “...move away from a system that depends almost entirely on government subsidies, to a system that provides to First Nations residents the same housing opportunities and responsibilities in their communities as other Canadians.”

Better housing is a vital and effective way to strengthen communities and promote equality and opportunity. The Fund's principal is used to create more and better housing through the Credit Enhancement Facility which provides a 10% guarantee backing for on-reserve housing loans, in addition to First Nations guarantees, to build, buy, or renovate individual homes and multi-suite rental units.

The Fund is a unique organization with tools to help increase the supply of homes in First Nations communities. We currently work in partnership with First Nations communities in two ways through existing programs for credit enhancement and capacity development.



Governance

The Fund was established through an Indenture of Trust on March 26, 2008 between the Canada Mortgage and Housing Corporation (CMHC) and Trustees. The governance, management, and operations of the Fund are in accordance with the terms and conditions of the Fund’s enabling documents. These documents include an Indenture of Trust and a Funding Agreement with the CMHC. The documents were designed to protect both the Fund’s federal funding and the parameters put in place for the administration of the funding over the long term. The Fund received a one-time contribution of \$300 million from the Government of Canada. Interest and other income earned from investing the contribution is used to pay for the Fund’s administration costs and its Capacity Development Program. The Fund is self-sustaining through the investment of the Government of Canada’s capital contribution and the reinvestment of a portion of its revenues.

The Indenture of Trust and Funding Agreement were revised and restated effective December 31, 2021. The changes represent a significant step towards greater independence, in addition to incorporating improvements for operations. The changes also formally recognized the cessation of the Management Agreement with the CMHC, which was viewed as defunct by the Trustees for many years.

The Board of Trustees works closely with the Government of Canada to seek qualified individuals for recommendation of appointments as Trustees to the First Nations Market Housing Fund. Candidates must be First Nations leaders and visionaries who have strong capacity in the areas of First Nations housing, finance and investments, governance, and organizational development. The Board is comprised of nine Trustee positions with six appointments approved by the Minister for the CMHC and three appointments by the Minister for Indigenous Services Canada (ISC). The Board of Trustees determines their Chairperson and Vice-Chairperson which is recommended to the Minister of the CMHC for concurrence.

The Board and Committees primarily convene through virtual meetings, supplemented by a noteworthy in-person gathering at Sq’éwqel (Seabird Island Band) in British Columbia in 2023. This occasion allowed Trustees and participating staff to host a community feast, interact with members, tour the community, witness numerous fund-backed homes firsthand, and engage in meaningful face-to-face discussions with focused intentions.

Information is provided below regarding Trustee and Committee meetings held in 2023:

Meetings	Number of Members	Number of Planned Meetings	Number of Actual Meetings
Trustees	9	5	6
Audit & Risk Committee	4	5	5
Investment Committee	4	5	5
Governance & HR Committee	5	3	3
Operations & Special Initiatives Committee	5	4	4

Actual expenses incurred during the year for Trustee governance are as follows:

Expense	2023 (\$)
Honoraria	129,112
Travel	38,360
Hospitality	5,545
Room Rentals	105
Total	173,122

Board of Trustees

@ December 31, 2023



Michael L. Rice (Chair)
Kahnawake
QC Region



Kathleen BlueSky
(Vice-Chair)
Nisichawayasihk
Cree Nation
MB Region



Amy Comegan
Anishinabeg of
Naongashiing
ON Region



Earl Commanda
Serpent River First Nation
ON Region



Stacy McNeil
Seabird Island Band
B.C. Region



Chief Sidney Peters
Glooscap First Nation
NS Region



Walter Schneider
Squamish First Nation
B.C. Region



Jean Vincent
Huron Wendat Nation
QC Region



Errol Wilson
Peguis First Nation
AB Region

Committees

Michael L. Rice (Chair) serves as ex-officio member on all Committees.

Audit & Risk

Jean Vincent, *Chairperson*
Amy Comegan
Walter Schneider
Errol Wilson

Governance & HR

Chief Sidney Peters, *Chairperson*
Kathleen BlueSky
Amy Comegan
Earl Commanda
Stacy McNeil

Investment

Errol Wilson, *Chairperson*
Amy Comegan
Walter Schneider
Jean Vincent

Operations & Special Initiatives

Kathleen BlueSky, *Chairperson*
Earl Commanda
Stacy McNeil
Chief Sidney Peters
Errol Wilson

2023 Highlights



Strategic Directions

In 2023, the Fund embraced transformation, change, growth, and evolution. The year started with the Board of Trustees making the decision to adjust their schedule of committee meetings to include a series of meetings dedicated to the Transfer and Transformation Strategy. These meetings provided the Trustees with the opportunity to engage in brainstorming sessions and explore various options for the transformation of the Fund.

The Board of Trustees continues to demonstrate their commitment to make the Fund more autonomous and more responsive to First Nations; more favourable to lenders for on-reserve home loans; open to working with like-minded organizations; creating tools and options for First Nations to obtain homeownership; and increasing autonomy for the Fund.

The strategic planning session held in April 2023 at the head office in Akwesasne marked a significant turning point for the Fund. It represented the first time where strategic planning included both Fund staff, who possess an in-depth understanding of the organization's existing programs, and Board Trustees, who brought external perspectives and ideas regarding potential directions for the Fund.

It is notable that the Fund was successful in executing strategic plans and implementing strategic initiatives, goals, and objectives during the year. The four key strategic directions for 2023 are to:

- Promote loan-based homeownership and the Fund's services.
- Support First Nation individuals to be better prepared and knowledgeable about homeownership.
- Improve the Fund's offerings to support intended loan-based housing outcomes.
- Increase the autonomy and independence of the First Nations Market Housing Fund.

Transfer of Care and Control is central to the Fund's Business Plan for 2024-2028, which was submitted to the Minister in the last quarter of 2023. For more information, please review the Business Plan Summary available on our website.

Special Initiatives

In the spirit of progress and growth, the Fund recognizes the need to expand our range of products and services to better meet the evolving needs of our members. We have been diligently working on new initiatives that will provide innovative financing options, technical assistance, and capacity-building support. These new offerings will empower First Nations communities to overcome barriers, pursue attainable housing solutions, and create vibrant, thriving communities.

In December, the results of the research projects undertaken as part of the special initiatives in 2023 were successfully concluded. The results will be thoroughly reviewed and implemented in 2024. It must be noted that some of the valuable information obtained was incorporated into the 2024-2028 Business Plan and will serve to inform the Transfer of Care and Control of the Fund. To facilitate this process, a collaborative working committee was established in late 2023, comprising Fund technical staff, CMHC, ISC, and AFN. The inaugural meeting took place in November, with ongoing efforts slated to extend into 2024.

The research projects undertaken in 2023 include:

Lender Research Project

This initiative started in early 2023 to gather feedback from lender contacts about the Fund's CE program and to generate ideas to make our programs better and easier for lenders to work with us. Data gathering concluded in Q3, followed by the preparation of a final report serving as the foundation for crafting a new program tailored for lenders. A policy document was also drafted specifically for lenders, outlining guidelines and procedures for working with First Nations interested in setting up on-reserve loan programs.

CD Research Project

This research project aims to explore the effects of our initiatives on First Nations homeownership and loan-based housing. Researchers from the Conference Board of Canada conducted case studies with our First Nation clients to learn how initiatives tied to the CD and/or CE programs helped to improve local housing options and increase homeownership among community members. Collaborating with the SPOs, the research team curated a diverse group of First Nations to reflect the breadth and diversity of our impacts. The final report, completed in December, includes reviews of the CE and CD programs, factors affecting homeownership, and key insights and themes.

Lean Process Study

MNP conducted this project through an RFP process, with collaboration from Fund staff via interviews and workshops to evaluate current state processes and devise future strategies. The main objectives were to increase First Nation homeownership by boosting participation in the CE Program and/or other homeowner programs, as well as to improve program efficiency by reducing processing times. All findings were summarized into a final report finalized at the end of 2023, which includes key project recommendations on program design, process, people/KPIs, and technology.



2023 Highlights

Governance

In 2023, the Fund successfully recruited three new Trustees to fill Fund vacancies. Notably, this recruitment process was overseen by a nominating committee established by the Board of Trustees, marking a first in the Fund's history. The Board expressed great satisfaction with the quality of the selected candidates. Recommendations for these appointments, which were presented to the Ministers of ISC and CMHC, received prompt approval.

Additionally, three existing Trustees, whose terms expired in 2023, expressed their interest in reappointment for another term which also received ministerial approval. The Fund now has a full cohort of nine Indigenous Trustees, with no anticipated vacancies until 2025.

The Trustees continue to advocate for the independence and autonomy of the Fund, believing that asserting a stronger Indigenous voice in the governance of the Fund will lead to improved performance and management. This is reflected in the revised committee structure approved in 2023 by the Board of Trustees as follows:

- **Investment Committee** – No change.
- **Audit Committee** – Renamed to Audit & Risk Committee, as risk management is already covered by the Audit Committee and is of utmost importance to the Fund.
- **Human Resources Committee** – Merged with the Governance Committee and renamed the Governance & HR Committee to reduce the overall number of committee meetings, while providing more substantive meeting agendas and eliminating the need to appoint an additional committee chair.
- **Operations Committee** – Renamed Operations & Special Initiatives Committee, as the mandate of the Operations Committee already includes discussing changes to the Funds' service delivery model and avoids the creation of a new committee to oversee special initiatives.

The Trustees conducted a comprehensive review and revision of all committee mandates to align them with the updated structures. Additionally, they established a Calendar of Agenda Items for each committee and the Board of Trustees, ensuring that every meeting incorporates a thorough examination of standing, annual, and bi-annual agenda items, duly included on the respective meeting agendas.

The Fund has proactively enhanced the depth of its reporting against the Business Plan, meticulously monitoring the alignment of goals, expected outcomes, KPIs/ metrics, and activities. These updates are consistently provided on a quarterly basis to the relevant committees and the Board of Trustees.

In 2023, the initiation of a Governance Manual began, encompassing alterations to committee structures, mandate updates, insights from best practices adopted by other organizations, and additional reference information. Completion of this comprehensive manual is anticipated for 2024.



Operations & Team Development

The Board of Trustees collaboratively managed an executive search to fill the position of Chief Executive Officer (CEO). Interviews of short-listed candidates took place in June, culminating in the Board reaching a consensus on their final selection. Travis Seymour was the successful candidate, bringing a wealth of experience to the team. In November, Travis was selected to participate in the Community Shift leadership course through the Ivey Business School at the University of Western Ontario. This is a distinctive leadership development experience tailored for senior leaders in Canadian charity and not-for-profit organizations.

With Travis assuming the role of CEO, the Fund conducted interviews for the position of Director of Finance and Administration. Tae Kim emerged as the successful candidate after serving in the acting capacity since 2022. An additional two employees were added to the Finance and Administration team.

At the outset of 2023, the Fund's Operations team experienced a significant enhancement with the recruitment of a bilingual Marketing and Communications Specialist. Additionally, the team gained valuable support from a summer student from the University of Ottawa, contributing to various ongoing marketing and communications initiatives throughout the year.

Our operational capacity received a further significant boost with the promotion of our Administrator to the role of Operations Analyst. In the latter part of 2023, pivotal steps were taken to enhance our team with the recruitment of key individuals following a thorough posting and interview process. This effort

was aimed at filling crucial positions outlined in the 2023-2027 Business Plan, leading to the appointment of a new Administrator and an HR Generalist. Additionally, the Corporate Secretary function, which had been operating in an acting capacity since 2022, was officially confirmed and promoted to the Senior Operations Analyst role in 2023.

We take pride in the positive shift that has occurred within our workforce as we successfully transition our staff into a cohesive nationwide team. Notably, six of the new team members welcomed in 2023 belong to Indigenous communities, further enriching our organization. This shift reflects our commitment to tailoring our services based on regional nuances, enabling us to better understand and cater to the distinct requirements and ambitions of various First Nations communities across Canada. With the appointment of a Director of Programs and Services to fill the vacant role, along with three new Senior Program Officers, our team now includes staff stationed in Membertou, NS; Saskatoon, SK; West Vancouver, B.C.; and Gibsons, B.C. Notably, one of our Senior Program Officers obtained her FNHPA designation at the national conference held in September.

In 2023, the Fund introduced a performance appraisal tool, marking a milestone in our approach to staff evaluations and goal setting. This initiative has yielded significant benefits, empowering individual staff members to contribute meaningfully to both team objectives and the overarching strategic goals of the Fund. With the augmentation of our staff resources, the Fund is now well-positioned to comprehensively review, update, and refine various Fund and Trustee policies as needed.



Marketing & Communications

In 2023, the Fund underwent a significant rebranding exercise, featuring a contemporary logo, vibrant colors, and a modernized visual identity. This revitalized branding reflects our commitment to progress, innovation, and the empowerment of our First Nations communities. This commitment is evident in the creative development, media and digital strategies, and the rollout of our brand through engaging initiatives.

As part of our rebranding effort, we established a robust online social media presence across platforms such as Google, Facebook, Instagram, LinkedIn, Twitter (X), and YouTube. A compelling social media teaser campaign led up to the launch of our redesigned website in June. The new website is designed to provide an enhanced user experience and easier access to information and resources. Recognizing the significance of effective communication, our revamped website serves as a central hub for members to explore our services, access documents from the Fund and stay updated on the latest news and developments.

Our new corporate video, *Building Strong Foundations: Transforming Lives Through Better Housing*, was presented to the Board of Trustees for the first time at their September meeting and was introduced to the public on YouTube on September 25. This video tells the story of our mission to address the housing crisis in First Nation communities, emphasizing the importance of diverse housing options, and includes first-hand accounts of how our programs have helped support homeownership.

In 2023, the Fund initiated the publication of a quarterly electronic newsletter, *Foundations*, distributed through online registration and to all our First Nation clients. The inaugural edition was unveiled in September, followed by a subsequent release in December. The development of an intranet for staff is underway, with a scheduled launch in early 2024.



Collaborations & Partnerships

Throughout 2023, the Fund actively collaborated with several like-minded organizations and committed to regular meetings to provide updates on recent changes and to identify opportunities for further collaboration. This includes organizations such as the Assembly of First Nations (AFN), First Nation Housing Professionals Association (FNHPA), CMHC, ISC, National Aboriginal Capital Corporations Association (NACCA), First Nations Financial Management Board (FNFMB), and others.

The Fund connected with the Naut'sa mawt Tribal Council to learn about the sample training kit for prospective homeowners called *Gimme Shelter*, and to support updates to their housing toolkit. We have also been working closely with the organizers of the Yanonhchia project. The business case for Yanonhchia shares elements with the CD work undertaken by the Fund to help First Nations qualify for our CE program.

In order to formalize partnerships going forward, extensive research was conducted to develop the criteria for Memorandum of Understanding (MOU) Partnerships with external organizations, gaining approval from the Trustees in September. Subsequently, the Board endorsed three MOUs, solidifying collaborations with the FNHPA, FNFMB, and Housing Resource Services. A goal for the coming year is to continue to identify, collaborate and develop partnerships.

In 2023, the Fund participated in events both virtually and in person, including:

- **January** - NACCA Housing Symposium
- **February** - AFOA National Conference
- **March** - AFN Housing Roundtable
- **April** - National Aboriginal Trust Officers Association (NATOA) National Conference; NACCA Indigenous Prosperity Forum
- **May** - AFN Housing Symposium
- **June** - APC Housing Conference; CANDO Conference; Chiefs of Ontario
- **July** - AFN Annual General Assembly
- **September** - First Nations Housing Professionals Association (FNHPA) Annual National Conference, Mohawk Council of Akwesasne Career Fair; National Land Managers Gathering
- **October** - First Nations Housing Conference; Cree Nation Housing Conference; BCAFN Housing Forum
- **November** - First Nations Financial Management Board Leading the Way Conference; OTC Housing Forum; AFOA SK 23rd Annual Conference and Workshop; AFOA Atlantic Fall Conference
- **December** - AFN Special Chiefs Assembly



2023 Highlights

Information Technology

Information technology plays a multifaceted role in supporting and enabling the overall functioning of the Fund through effective management of technology resources, ensuring data security, providing user support, and contributing to strategic business goals. Security awareness training for staff was consistently conducted throughout the year and saw significant improvement in 2023. This progress is evident through the implementation of quarterly awareness training sessions and frequent phishing simulations.

Key advancements during 2023 include the development and approval of a new Information Security Policy and an Acceptable Use Policy. Quarterly reporting was enhanced in the past year highlighted by the introduction of a new Cyber Security Risk Register report. Additionally, our Manager of Information Security successfully obtained the Certified Information Systems Auditor (CISA) certification, further demonstrating the Fund's commitment to robust information security practices.

Another significant achievement is the creation of the new and innovative HomeHub database system, with the initial launch focussing on the lender and loans section. The Fund has outgrown the old system and has commenced the transition to the new Microsoft Dynamics database and CRM implementation during 2023, which will continue into 2024.

Investment Management

In 2023, the Fund closely monitored market conditions to evaluate whether further portfolio diversification was warranted given market volatility with an emphasis of minimizing capital losses. After a comprehensive analysis, the Fund moved forward with portfolio rebalancing to achieve its target allocations stipulated in the 2023 SIP. Throughout the year, the Fund increased its global equity allocation by purchasing pool fund units of Mawer Investment Management Ltd., its newly selected active global equities fund manager. In addition, holdings in commercial mortgages were increased by the purchase of units in ACM Advisors.

Progress was made in 2023 on building a framework for monitoring and reporting on the Fund's ESG Policy. These areas of progress include providing education and training related to ESG and Indigenous inclusion and reconciliation to staff to support collective knowledge and generate new ideas; engaging and hiring more local consultants to reduce the negative impacts of long-distance travel; and engaging investment institutions and managers that demonstrate interest, commitment and action to sustainable development and reconciliation.



Our Lending Partners



Management Discussion & Analysis

The Fund's management discussion and analysis provides a narrative to accompany the financial statements for the year ended December 31, 2023. The planned activities of the Fund are driven by the multiyear business plan and the Strategic Priorities of the Board of Trustees.

Financial results as compared to plan are as follows:

	2023 Plan (\$) *	2023 Results (\$)	2022 Results (\$)
Cash and Cash Equivalents **	11,713,000	6,103,888	18,754,220
Long-term Investments	357,311,000	373,894,997	343,822,910
Deferred Contributions	367,907,000	379,073,097	361,981,662
Unrealized Loss within Deferred Contributions	(9,661,000)	(1,610,502)	(15,193,028)
Investment Income ****	9,765,000	11,753,673	3,092,811
Administration Expenses	6,682,877	5,966,781	3,874,149
Capacity Development Expenses ***	2,000,000	2,132,655	1,983,911
Funds available for Capacity Development	12,153,939	11,670,019	10,635,782
Credit Enhancement Guarantee Expense	9,000	160,328	154,464
Credit Enhancement Guarantee Liability	80,000	381,358	221,030

* The plan figures noted above are from the approved 2023 Business Plan.

** Cash and cash equivalents include receivables from investments.

*** Budgeted CD expenditures in any given year shall be approved by the Minister responsible for CMHC as part of the annual Business Plan.

**** Investment income includes realized gain (loss) on sale of long-term investments and amortization of premiums/discounts.

The areas discussed include Capacity Development (CD), Credit Enhancement (CE), Investment Management and Fund Administration.



Capacity Development

Capacity Development is one of the core products of the Fund, which entails supporting and facilitating training and guidance to establish robust systems, policies, and practices. Recipients of Fund sponsored CD include First Nations government entities, leadership, administrators, and citizens.

While CD remains an integral part of the Fund’s mandate, the Business Plan for 2023 called for a temporary reduction in the annual budgeted CD spending. Due to the significant losses on sale of investments during 2022, the Fund forecasted that there would be no annual allocation to the CD spending room for 2023. Combined with the plan to prioritize the reform process and to identify gaps in the CD program, it was decided that the budget for 2023 would be \$2 million instead of the \$4 million that had been budgeted in prior years. Indeed, the 2022 “net income” figure as defined in the CD formula was negative and the Fund resorted to the carried forward balance of \$11,670,019 for 2023 CD spendings with no additional allocations from 2022.

As was the case in the past couple of years, the Fund continued to place more emphasis on working with those First Nations already approved for CD to help them to transition to approval for the Fund’s Credit Enhancement Facility. The addition of new Senior Program Officers and a Director, Programs & Services during 2023 also reduced the workload of existing staff and the redistribution of files resulted in a number of reengagements and reassessments to qualify for CE.



As with 2022, staff continued to utilize virtual meeting platforms such as Zoom, Skype, Teams, and other tools to have interactive meetings with First Nations clients; however, with travel restrictions fully lifted, staff were also able to satisfy the demand for in-person meetings and relationship building.

The table below illustrates the frequency of meetings (virtual and in-person) by type for each quarter of 2023 for a total of 172 (2022 – 160). As can be seen, the focus was shifted from CD to CE and relationship building. There were, of course, many other interactions with clients by email, text, and quick phone calls.

Type of Interaction	Frequency of Meetings with First Nations					
	Q1	Q2	Q3	Q4	2023	2022
Assessment	3	3	4	2	12	9
Capacity Development	14	17	9	15	55	86
Credit Enhancement	8	14	14	12	48	31
Relationship Building	10	12	12	23	57	34

Management Discussion & Analysis

Capacity Development (continued)

In 2023, CD expenditures totaled \$2,132,655, an increase from 2022 by \$148,744. During the year, CD funds were used to pay for 74 initiatives in 44 different First Nations communities across Canada compared to 147 initiatives in 52 communities in the prior year. As management made a decision to be more selective in sponsoring CD initiatives, the CD projects of 2023 consisted of some larger projects related to policy and law development as opposed to smaller online training courses and workshops as was the case in prior years. In addition, the Fund incurred a similar level of CE consultant fees as pre-COVID years as travel restrictions were fully lifted, which doubled the cost of 2022.

Some of the larger projects completed in 2023 include development of Comprehensive Community Plan, Land Use Plan and Bylaws, Lot Surveys, Election Code, and Housing Authority.

CD services are funded by investment income from an actively managed investment portfolio. Although sufficient cash flows were generated to finance the Fund's operations, the current formula in which available CD funding is calculated results in a declining balance each year. Furthermore, in years where the Fund's net income – defined in the CD formula to include realized capital gains net of realized capital losses – is negative, as was the case in 2022, there are no additional allocation to the available CD funding for the subsequent year. Given that there was no additional allocation to CD in 2023 from the 2022 operating results, CD carried forward amount for 2024 is \$9,537,364.

As the Fund continues to hear from many First Nations clients with the desire for the Fund to expand the CD support and to provide it over a longer period, the Trustees will make representations to seek changes in the way the available CD funding is calculated in the business case submission to cabinet in 2024. As part of the reform process, the Fund will solidify the types of CD programs that the Fund will support, which it believes will result in increased homeownership.

At December 31, 2023, the Fund had outstanding commitments for CD initiatives of approximately \$1.4 million.

Credit Enhancement Facility

The Credit Enhancement Facility was established to provide additional security to backstop on-reserve housing loans. This facility provides assurances to third-party lenders and insurers that repayment of financing arranged for housing by a qualified First Nations community will be honoured up to the limit of the agreed-upon CE if a First Nation fails to fulfil its responsibility for the repayment of a loan default.

In 2023, one First Nation chose to submit an application to partner with the Fund in the second quarter and qualified for CE in the fourth quarter. In addition, two First Nations who had been qualified for CD only in the past also qualified to participate in the CE program through reengagement and reassessment process. The low intake of First Nations applying for the Fund's CE Facility is more evidence of the need to reform the Fund's mandate.

In addition to work performed by Fund staff, the Fund works with CE Specialists who are external consultants. This has allowed for expanded support in those communities that are determined to advance homeownership. While these CE Specialists focus their efforts strictly on CE and help individuals navigate the loan financing process, fees incurred are considered to be capacity building in nature and thus recorded as CD expenses. During the reform process in 2023, it was determined that some of the work done by the CE Specialists will be performed in-house to better coordinate workflows and to reduce travel by hiring staff in different regions of the country. These new positions are anticipated to be filled in the first half of 2024.

As part of the 2023 Business Plan, the Fund prioritized strengthening its relationships with lenders, both existing partners and potential. By June 2023, the Fund launched a new communications



Management Discussion & Analysis

Credit Enhancement Facility (continued)

protocol through Microsoft Dynamics, which created significant efficiencies in administration for both lenders and the Fund; however, as revealed in the lender research project, there was no direct impact on the number of loans issued under the CE program. In 2023, the Fund provided guarantees on 34 new loans compared to 38 in 2022 and 82 in 2021. While it is very possible that the declining number of new loans may be due to a significant rise in interest rates, our research from 2023 helped us to understand that there are other factors contributing to the declining interest in the Fund's CE program. For example, there is lack of understanding of how the CE facility works, by Lenders and their staff. Another reason is that the CE Guarantee of 10% is perceived as being too small of an incentive when considering the additional work required to access the CE program. A third reason is that there are alternatives to using the Fund's CE facility. The Fund will address these issues in the business case submission to cabinet in 2024 by presenting different options in how the Fund can support market based housing in the future.

Each year, the Fund estimates the potential liability amount for the CE guarantee. Since its inception, the Fund has provided guarantees on a total of 533 loans under the Credit Enhancement Facility for a guaranteed amount of \$10.1 million for 573 home units. Fortunately, the Fund has no history of any claims paid to lenders at this point. The estimated CE guarantee liability at the end of 2023 was \$381,358 based on the outstanding partial loan guarantees of approximately \$7.44 million.

As at December 31, 2023, there were 40 loans in arrears ranging from 2 to 1,794 days outstanding, of which 12 loans totaling \$1,911,119 were in arrears for more than 121 days. By comparison, 34 loans were in arrears at the end of 2022 ranging from 1 to 1,429 days, of which 13 loans totaling \$2,110,082 were in arrears for more than 121 days.

A loan is considered to be in arrears until all outstanding amounts are paid in full, even if partial payments are being made. The Fund's estimated liability calculation is formula-driven which, for each loan in arrears, is based on the number



of days it is in arrears and the financial strength of the First Nation guaranteeing the loan. As the liability at the end of 2023 (\$381,358) was greater than that at the end of 2022 (\$221,030), the difference of \$160,328 was expensed in 2023 in the Statement of Operations with a corresponding increase to the liability account in the Statement of Financial Position.

Although the overall number and amount of loans outstanding are comparable to 2022, the increase in the 2023 liability was primarily in response to one community where the amount of loans in arrears had increased while the credit rating of the community had decreased. Furthermore, the general number of mortgages in arrears across Canada, which is one of the main driving factors in the formula, has increased slightly from 2022 and thereby increasing the general default rate of all outstanding loans. The credit ratings and data on the general number of mortgages in arrears are obtained from third-party sources.

Investment Management

The Fund's operations and programs are entirely financed through cash flows from investments, which has grown since the initial contribution of \$300 million. In order to earn sufficient income while protecting capital, the Trustees, with advice from management and an independent third-party consultant, review and update the Investment Strategy (IS) and Statement of Investment Policy (SIP) on an annual basis. The various asset classes as permitted in the SIP are managed by professional investment managers who report to the Trustees on a quarterly basis.

As the target asset allocations of the 2022 SIP were not fully attained by the end of 2022, the 2023 SIP and IS did not contemplate significant deviations from the 2022 SIP and IS. While the Fund held 15% of its portfolio in Canadian equities and 7.5% in passively managed global equities to start the year, the majority of its portfolio was invested in fixed income securities. In the first quarter of 2023, the Fund obtained approval of its newly selected managers specializing in commercial mortgages (target of 10%) and global equities (target of 15%) in accordance with the SIP.

Contrary to 2022, the transition to these new asset classes was more gradual and conservative in order to avoid significant losses upon sale of existing fixed income securities, which continued to fall under pressure. As the passively managed global ETFs have increased in value by the first quarter of 2023, these units were sold immediately to finance the purchase of the newly approved global equities fund while crystalizing a gain of \$1.8 million. In the following quarters, the Fund closely monitored market conditions to evaluate whether further diversification in the investment portfolio was warranted to achieve target allocations.

Over the course of the year, the Fund purchased \$51 million in global equities to hit the target allocation and \$30 million in commercial mortgages just under 2% of target. While the Fund incurred additional losses on sale of fixed income securities to purchases these new asset classes, the overall losses were much more manageable than that of 2022 for a total of \$2,948,906 (2022 - \$8,651,007).

As at December 31, 2023, the Fund was invested in the following asset classes:

- Cash and cash equivalents (including income receivables) at 1.4%
- Commercial mortgages at 8.1%
- Bonds at 60.5%
- Canadian equities at 15.1%
- Global equities at 14.9%

Although the Fund has selected a manager for Canadian real estate as contemplated in the 2023 SIP, 5% allocation is pending approval of the legal agreements by the Funder. It should also be noted that the cash and cash equivalents portion is below the minimum threshold of 2% of the investment portfolio in accordance with the SIP. This is due to utilizing the cash reserves to purchase commercial mortgages and global equities to minimize the loss on sale of bonds during the year; however, the absolute value of cash and cash equivalents (including operating bank account) and income receivables on the financial statements is \$6,103,888, which is more than sufficient to finance operations for the first two quarters of 2024. It is anticipated that the cash balance will



Management Discussion & Analysis

Investment Management (continued)

return to 2% with regular income distributions during 2024.

Long-term investments on the financial statements totaled \$373,894,997 with \$1,610,502 unrealized losses on investments measured at fair value. This amount represents a 0.6% decrease in the market values of long-term investments measured at fair value since time of purchase. After another volatile year, the Fund's investments made significant gains and recoveries in December when market participants began to anticipate aggressive rate cuts as early as the first quarter of 2024. Just in December, the Fund increased the value of its investments measured at fair value by \$5.4 million, or 2% of cost where the majority of the gains were from in Canadian equities and fixed income pooled funds. At December 31, 2023, newly added global equities posted 8% unrealized gains or \$4.2 million to partially offset the unrealized losses in the fixed income securities totaling \$5.9 million (or 4%).

It should be noted that units invested in the Canadian fixed income pooled fund and commercial mortgages pooled fund are considered to be equity instruments measured at fair value in accordance with Public Sector Accounting Standards for not-for-profit organizations. For budgeting purposes and as far as the SIP and IS are concerned, these assets totaling \$147.0 million (\$152.9 million at cost) are still considered to be fixed income securities. The remaining half of the fixed income securities totaling \$113.7 million are held directly by the Fund and as such are measured at amortized cost, and fluctuations in the market values do not have an impact on the financial statements. Market values related to these securities totaled \$111.5 million at December 31, 2023.

With a rise in interest rates and the addition of commercial mortgages, the Fund earned \$14,702,579 in investment income (net of amortization of premium/discounts) compared to \$11,743,818 in 2022 even with an increased holdings in global equities, which pays the least amount of distributions. The overall yield on the Fund's investments for the year was 3.91% compared to 3.12% in the prior year and 1.99% in 2021. Accordingly, the Fund's investment management fees have also increased to \$1,090,580 (0.29% of the weighted average cost of the portfolio) in 2023 compared to \$805,160 (0.21%) in 2022 and \$667,459 (0.18%).

Taking into consideration the loss on sale of investments totaling \$2,948,906, the Fund's overall investment income was \$11,753,673 compared to \$3,092,811 in 2022 and this figure exceeded total expenses of \$8,259,764 by \$3,493,909. This amount was also greater than the planned amount of \$9,761,489 (investment income of \$10,354,896 less loss on sale of investments of \$593,407), which used more modest longer term expected returns.

Not accounting for the fluctuations in the market values, the total value of the Fund's investments, consisting of cash and cash equivalents and long-term investments, at December 31, 2023 was \$381,609,387. The comparable 2023 budget amount was \$378,684,991 and the 2022 yearend amount was \$377,770,158, which indicates that the objectives of the Fund's investments to preserve capital while generating sufficient income were met. With a comprehensive asset mix review planned in the first half of 2024, the Fund would not engage in any significant rebalancing activity until completion of the project.

Fund Administration

Fund Administration consists of the following expenses:

- Professional and technical services including salaries to staff, investment management, legal, audit, banking, insurance, and other consulting services;
- Travel;
- Trustee governance;
- Business premises;
- Computer and telecommunications; and,
- Other including marketing and promotion, depreciation, and Fund development.

Total administrative expenses of \$5,966,781 was under the planned amount of \$6,682,877, by 11%. The main variance is from under spendings in investment management fees, Trustee governance and Fund development. While the Fund incurred more than planned marketing expenses, the excess over the budget of \$106K was covered by the contingency budget of \$150K.

Investment management fees were \$186,396 (or 15%) less compared to the 2023 plan of \$1,276,976, at \$1,090,580. The budget expected that new investment managers would be in place by the first quarter of 2023 at higher fees than the existing fixed income managers; however, transition to the new asset classes were very gradual and the real estate manager who charges the highest fees was not in place at all.

Trustee governance expenses were \$144,546 (or 46%) less than the 2023 plan of \$317,668, at \$173,122. The variance is mainly due to the fact that the Trustees did not travel as much as the plan had anticipated. Only two meetings were held in person and actual travel fees per trip were lower than planned.

Management Discussion & Analysis

Fund Administration (continued)

Fund development expenses were \$253,263 (or 99%) less than the 2023 plan of \$255,580, at \$2,317. Surveys and engagement sessions that were planned to complement the reform process were not held due to an array of other research projects conducted during the year. While recorded under general professional services expenses, lender research project, CD research project, and lean process study have provided great insight and value for the Fund's operations and future state development.

When compared to the actual results of 2022, Fund's total administrative expenses was greater by \$2,092,632 (or 54%), which most were in accordance to the 2023 plan. As planned, the Fund doubled the number of staff from 2022 by the end of 2023, which accounts for \$805,938 (or 43%) of the variance. The Fund also incurred \$401,402 (or 211%) more consulting fees than in 2022 with three special research projects as mentioned above. With additional staff and relationship building efforts, travel expenses also increased by \$143,960 (or 301%) although a significant portion would be considered one-time for new staff to meet their clients for the first time. Lastly, marketing expenses increased by \$236,668 (or 393%) with the addition of dedicated staff to coordinate and manage the Fund's marketing efforts.

In 2023, the Fund prepared and reported the following reports and returns in a timely manner:

- Quarterly financial statements to the Funder, per the Funding Agreement for each quarter in 2023.
- Quarterly financial reports to the Federal Government for inclusion in the Public Accounts of Canada.

- Preparation and submission to the Minister of the 2024-2028 Business Plan.
- Preparation and submission to the Minister of the Annual Report for 2022.
- Preparation and submission to the Funder of Quarterly Investment Management Reports.
- Submission to the Funder of Audited Financial Statements for 2022.
- Preparation and Filing of the 2022 Tax Filings.

In 2023, the Fund filed its 2022 T3 Trust Income Tax and Information Returns ["Returns"] showing nil taxable income in a timely manner. The Fund has filed these Returns showing nil taxable income for each of 2008 through 2022. Trust Notices of Assessment and Reassessments ["Notices"] were received from the CRA indicating that the assessed taxable income and taxes payable were nil for each of the fifteen years. The Notices indicate that the CRA can reassess the return at any time within three years of the date of the Notices if it finds an error during a review or audit of the return. The three-year periods on the Notices for the years 2008 through 2019 have now expired. It is anticipated that the Fund will obtain greater clarity about its not-for-profit status through a legislative change with the business case submission to cabinet in 2024.

The Fund continued to strengthen its IT environment with a focus on database development in 2023. The workload for all levels of staff was redistributed and as such a team of dedicated staff members was formed to develop the new database with minimal assistance from external consultants, which saved approximately \$100,000 for the year that was then utilized in other projects.



Financial Statements

For the Year Ended
December 2023



Financial Statements

Management's Responsibility for Financial Reporting

The First Nations Market Housing Fund management is responsible for the integrity and objectivity of the financial statements and related financial information presented in this annual report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and consequently include amounts which are based on the best estimates and judgement of management. The financial information contained elsewhere in this annual report is consistent with that in the financial statements.

The First Nations Market Housing Fund maintains appropriate systems and related internal controls to provide reasonable assurance that financial information is reliable, assets are safeguarded, transactions are properly authorized and in accordance with relevant legal documents governing the Fund, resources are managed efficiently and economically, and operations are carried out effectively.

The Board of Trustees, through an Audit Committee, oversees management's responsibilities for financial reporting and internal control systems. The Board of Trustees, upon the recommendation of the Audit Committee, has approved the financial statements.

The financial statements have been audited by KPMG in accordance with Canadian generally accepted auditing standards. KPMG has full access to, and meet periodically with, the Audit Committee to discuss their audit and related matters.

Travis Seymour, FCPA, FCGA, MBA, CAFM

Tae Kim, CPA, CA, CAFM

Contact Information

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Market Housing Fund**

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Fund Staff

@ December 31, 2023

Travis Seymour
Chief Executive Officer

FINANCE & ADMINISTRATION

Tae Kim
Director of Finance & Administration

Oriyomi Bakare
Controller

Mike Britton
Manager Information Security

Carl Kanjilal
Treasurer

Almaz Kifleyesus
Senior Finance & Compliance

Jocelyn Zhou
Financial Accountant

OPERATIONS

Nancy Coloccia
Communications & Marketing

Crystal Garrow
Operations Analyst / Database
Support

Jonah Keeshig
Administrator

Ieronhenehtha Lazore
Jr. Communications Officer

Sara Roundpoint
HR Generalist

Tracy Tarnowski
Senior Operations Analyst

PROGRAMS & SERVICES

Kelly Bitternose
Director of Programs & Services

Christopher Angecone
Senior Program Officer

Jason Haskett
Senior Program Officer

Jennifer Martin
Senior Program Officer

Lucille Michaud
Senior Program Officer
(retired Dec. 31, 2023)

Nancy Pine
Senior Program Officer

Erika van der Grinten
Senior Program Officer

Independent Auditor's Report



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Independent Auditor's Report

To the Trustees of the First Nations Market Housing Fund

Opinion

We have audited the financial statements of the First Nations Market Housing Fund (the Fund), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- the statement of cash flows 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 the Fund as at December 31, 2023, and its results of operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

We are independent of the Fund 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.

Other Information

Management is responsible for the other information. The other information comprises:

- Information, other than the financial statements and the auditor's report thereon, included in the First Nations Market Housing Fund Annual Report

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the First Nations Market Housing Fund Annual Report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.



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

Management is responsible for the preparation and fair presentation of the 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 the Fund'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 the Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund 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.

Comptables professionnels agréés,
experts-comptables autorisés
Ottawa, Canada
Le 28 février 2024

Statement of Financial Position

December 31, 2023, with comparative information for 2022

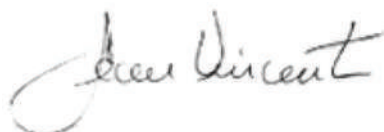
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 5,185,661	\$ 17,898,145
Restricted cash (note 4)	–	249,147
Receivables from investments	918,227	856,075
Prepaid expenses	88,252	77,960
Accounts receivable	358	13,025
	6,192,498	19,094,352
Long-term investments (note 5)	373,894,997	343,822,910
Capital assets (note 6)	275,930	330,285
	\$ 380,363,425	\$ 363,247,547
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (note 12)	\$ 855,897	\$ 950,169
Capital lease obligations (note 13)	23,682	22,840
Deferred lease inducements (note 7)	7,195	18,773
	886,774	991,782
Credit enhancement guarantee liability (note 12)	381,358	221,030
Capital lease obligations (note 13)	22,196	45,878
Deferred lease inducement (note 7)	–	7,195
Deferred contributions (note 8, schedule)	379,073,097	361,981,662
	379,476,651	362,255,765
Commitments and contingent liabilities (note 12)		
	\$ 380,363,425	\$ 363,247,547

See accompanying schedule and notes to financial statements.

On behalf of the Trustees:



Michael Rice, Chairperson



Jean Vincent, MSC, FCPA, FCA, CAFM
Audit Chairperson

Statement of Operations

December 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Recognition of deferred contributions related to current year operations	\$ 8,259,764	\$ 6,012,524
Expenses:		
Administrative (notes 6, 7, and 9)	5,966,781	3,874,149
Capacity development (note 11)	2,132,655	1,983,911
Credit enhancement (note 12)	160,328	154,464
	8,259,764	6,012,524
Excess of revenue over expenses for the year	\$ —	\$ —

See accompanying schedule and notes to financial statements.



Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in)		
Operating activities:		
Excess of revenues over expenses	\$ —	\$ —
Items not affecting cash		
Depreciation of capital assets	97,273	81,791
Amortization of deferred lease inducement	(18,773)	(18,773)
Credit enhancement	160,328	154,464
Amounts related to investments (schedule):		
Realized loss on sale of long-term investments	2,948,906	8,651,007
Amounts reclassified to realized loss on sale of long-term investments	352,982	4,386,617
Unrealized loss (gain) on long-term investments	(13,935,508)	18,991,019
Non-cash amortization of premiums and discounts	(191,116)	259,078
Net change in non-cash working capital balances related to operations (note 10)	95,098	199,777
Net increase (decrease) in deferred contributions	17,091,435	(26,297,349)
	6,600,625	6,407,631
Capital activities:		
Acquisition of capital assets	(42,918)	(151,684)
Investing activities:		
Purchase of long-term investments	(216,830,257)	(475,094,700)
Sale of long-term investments	197,582,906	467,022,205
Maturity of long-term investments	—	4,009,052
	(19,247,351)	(4,063,443)
Financing activities		
Principal payment under capital leases	(22,840)	(15,727)
Net increase (decrease) in cash	(12,712,484)	2,176,777
Cash, beginning of the year	17,898,145	15,721,368
Cash, end of the year	\$ 5,185,661	\$ 17,898,145

See accompanying schedule and notes to financial statements.

Notes to Financial Statements

Year ended December 31, 2023

1. Nature of business

The First Nations Market Housing Fund (the “Fund”) was established on March 31, 2008 through an Indenture of Trust in the Province of Ontario. The purpose of the Fund is to facilitate the availability of financing for, and the accessible supply of, market-based housing in First Nations communities. The Fund also helps to create the capacity in First Nations communities to become self-sufficient in developing and sustaining market-based housing, thereby contributing to the social welfare and civic improvement of First Nations communities and their residents. An over-arching goal is to move to a system that provides to First Nations residents the same housing opportunities and responsibilities in their communities as other Canadians. The Fund operates on a not-for-profit basis. The beneficiary of the Fund is His Majesty the King in right of Canada.

The Fund’s vision statement is that “First Nation prosperity through homeownership”.

- On April 28, 2008, the Fund entered into a Funding Agreement with Canada Mortgage and Housing Corporation (“CMHC”), which sets out the terms and conditions for the transfer and use of a \$300 million contribution from CMHC on behalf of the Government of Canada to the Fund. This agreement provides additional direction of the Fund’s not-for-profit activities, reporting obligations, permitted use of funding and duties of Trustees.

The Indenture of Trust and Funding Agreement were amended and restated as at December 31, 2021.

2. Significant accounting policies:

These financial statements are prepared in accordance with the Public Sector (“PS”) Accounting Handbook including the use of the standards for government not-for-profit organizations that include sections PS 4200 to PS 4270, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada (“GAAP”). The significant accounting policies used in the preparation of these financial statements are summarized as follows:

(a) Financial instruments:

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs. Financial instruments are subsequently measured at cost, fair value, or amortized cost using the effective interest rate method. Included in financial assets are cash and cash equivalents, restricted cash, accounts receivable, receivables from investments, and long-term investments. Included in financial liabilities are accounts payable and accrued liabilities, and capital lease obligations.

Financial instruments that are measured at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid investments that are readily convertible to known amounts of cash subject to an insignificant risk of changes in value. These funds are expected to be used in operations and normally mature within three months or less from the date of acquisition.

The fair value of cash equivalents is disclosed in note 3.

Notes to Financial Statements

Year ended December 31, 2023 (continued)

2. Significant accounting policies: (continued)

(c) Long-term investments:

Long-term investments comprise fixed income and equity investments held for investing purposes. Transaction date accounting is used to record the purchase and sale of long-term investments. Premiums and discounts are amortized to income using the effective interest rate method over the period to maturity. Gains and losses on disposal and impairments are recorded in income in the period incurred. Unrealized gains and losses resulting from the difference between acquisition cost and the fair value of long-term investments that are subsequently measured at fair value are recognized in deferred contributions.

The fair value of long-term investments is disclosed in note 5.

(d) Capital assets:

Capital assets comprise furniture and equipment, leasehold improvements made to the Fund's office space, and intangible properties such as software and licenses. Capital assets are recorded at acquisition cost. Depreciation of furniture and equipment is provided on a declining balance basis over the assets' estimated useful life at a rate of 20%. Depreciation of leasehold improvements is provided on a straight-line basis over the term of the lease. Intangible properties are expected to be in use in perpetuity and as such are not amortized.

Included in furniture and equipment are computer equipment under capital leases. In case of assets under capital leases, expected useful lives are determined by reference to comparable owned assets or over the lease term, if shorter.

(e) Revenue recognition:

The Fund follows the deferral method of accounting for contributions. Initial contribution and subsequent investment income are deferred and recognized as revenue in the period in which the related expenses are recognized.

(f) Leases:

The Fund classifies leases as operating or capital based on the substance of the transaction at inception of the lease.

An operating lease is a lease in which a significant portion of the risks and rewards of ownership is retained by the lessor. Payments under an operating lease are recognized as an expense on a straight-line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

Leases in which substantially all the risks and rewards of ownership are transferred to the lessee are classified as capital leases. Assets meeting capital lease criteria are capitalized at the lower of the present value of the related lease payments plus incidental payments or the fair value of the leased asset at the inception of the lease. Minimum lease payments are apportioned between the finance cost and the liability. The finance charge is recognized in income within administrative expenses and is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(g) Deferred lease inducement:

Deferred lease inducement comprises the unamortized portion of the reimbursement of costs incurred by the Fund on leasehold improvements as part of the lease extension agreement. Lease inducements are an inseparable part of the lease agreement, and accordingly, are accounted for as reductions of the lease expense over the term of the lease.



Notes to Financial Statements

Year ended December 31, 2023 (continued)

2. Significant accounting policies: (continued)

(h) Credit enhancement guarantees:

Under its Credit Enhancement Facility, the Fund provides guarantees to third-party lenders and insurers that repayment of financing arranged for housing in qualified First Nations communities will be honored up to the limit of the agreed upon Credit Enhancement in the event that a First Nation fails to fulfill its responsibility for the repayment of a loan default. The Fund's accumulated Credit Enhancement coverage cannot exceed the net worth of the Fund, with the Fund defining net worth as the difference between what the Fund owns and what it owes. As long as the Fund remains a going concern, the deferred contribution is not considered an amount owing by the Fund.

The Fund's credit enhancement guarantees are considered to be loan guarantees and as such are accounted for and reported as contingent liabilities. A provision for losses on credit enhancement guarantees is made when it is determined that a loss is likely, and is accounted for as a liability in the statement of financial position and in the statement of operations as an expense. The Fund's provision for losses on credit enhancement guarantees is formula-driven, which for each loan in arrears, is based on the amount in arrears, the number of days it is in arrears and the financial strength of the First Nation that is guaranteeing the loan. The formula is reviewed on an annual basis. Any change in the liability relating to the provision for losses is recorded in the statement of operations.

(i) Income taxes:

The Fund is accounted for as a Fund that, pursuant to section 149 of the *Income Tax Act* (Canada) (the "Act"), is not subject to income taxes.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

(k) Adoption of new accounting standards:

On January 1, 2023, the Fund adopted Public Sector Accounting Standard PS 3280 – Asset Retirement Obligations. This new accounting standard addresses the reporting of

legal obligations associated with the retirement of certain tangible capital assets by public sector entities.

The implementation of this standard did not require the Fund to reflect any adjustments in these financial statements as the Fund does not have any significant legal obligations with respect to the retirement of its tangible capital assets.

3. Cash and cash equivalents:

The following table shows the composition of cash and cash equivalents:

	2023	2022
Cash	\$ 2,821,534	\$ 2,241,240
Government of Canada treasury bills	2,364,127	15,656,905
	\$ 5,185,661	\$ 17,898,145

As at December 31, 2023, the fair value of the Fund's investments in Government of Canada treasury bills was \$2,364,127 (2022 - \$15,656,905). The fair value of the Fund's cash equivalents is determined by reference to published price quotations in an active market.

4. Restricted cash:

The amount recorded as restricted cash of \$Nil (2022 - \$249,147) is in reference to an escrow account established by the Trustees in 2018. The establishment of this escrow account is a condition of employment arrangements and secures the obligations of the Fund.

5. Long-term investments:

The following table shows the composition of long-term investments:

	2023	2022
Measured at amortized cost		
Fixed income	\$ 113,697,514	\$ 134,120,629
Measured at fair value		
Equities	260,197,483	209,702,281
	\$ 373,894,997	\$ 343,822,910

Long-term investments that are subsequently measured at fair value are grouped into Level 2 at December 31, 2023 (2022 - Level 2). During the year, fixed income and equity securities quoted in an active market were liquidated to purchase units of various pooled fund vehicles. The Fund's investment in these pooled fund units represent a proportionate interest in the net assets of the pooled funds, which derive value from the market price of the underlying assets that are held within. There were no transfers in or out of Level 3.

Notes to Financial Statements

Year ended December 31, 2023 (continued)

5. Long-term investments: (continued)

The following table shows the contractual maturity structure and average yield for the fixed income portion of long-term investments, which are measured at amortized cost using the effective interest rate method:

	Within 1 Year \$	1 to 3 years \$	3 to 5 years \$	Over 5 years \$	2023 \$	2022 \$
Corporate bonds	813,386	15,583,773	13,263,218	17,028,981	46,689,358	59,832,146
Municipal bonds	—	—	—	3,783,957	3,783,957	6,865,091
Provincial bonds	—	1,472,543	4,568,040	32,533,337	38,573,920	38,525,631
Government of Canada bonds	611,183	2,509,133	5,986,537	15,543,426	24,650,279	28,897,761
Total	1,424,569	19,565,449	23,817,795	68,889,701	113,697,514	134,120,629
Yield	2.80%	4.43%	4.36%	3.57%	3.87%	3.46%

As at December 31, 2023, the fair value of the Fund's fixed income portion of long-term investments was \$111,498,119 (2022 - \$124,836,419). The fair value of the Fund's fixed income portion of the long-term investments is determined by reference to published price quotations in an active market.

6. Capital assets:

	Balance at December 31, 2022	Transfers and additions	Transfers, disposals and adjustments	Balance at December 31, 2023
Cost				
Furniture and equipment	\$ 429,442	\$ 42,918	\$ —	\$ 472,360
Leasehold improvements	465,813	—	—	465,813
Equipment under capital lease	73,601	—	—	73,601
Intangible properties	21,571	—	—	21,571
Total	\$ 990,427	\$ 42,918	\$ —	\$ 1,033,345

	Balance at December 31, 2022	Depreciation expense	Transfers, disposals and adjustments	Balance at December 31, 2023
Accumulated depreciation				
Furniture and equipment	\$ 272,568	\$ 35,534	\$ —	\$ 308,102
Leasehold improvements	379,854	38,183	—	418,037
Equipment under capital lease	7,720	23,556	—	31,276
Intangible properties	—	—	—	—
Total	\$ 660,142	\$ 97,273	\$ —	\$ 757,415

Notes to Financial Statements

Year ended December 31, 2023 (continued)

6. Capital assets: (continued)

	Net book value December 31, 2022	Net book value December 31, 2023
Furniture and equipment	\$ 156,874	\$ 164,258
Leasehold improvements	85,959	47,776
Equipment under capital lease	65,881	42,325
Intangible properties	21,571	21,571
Total	\$ 330,285	\$ 275,930

Depreciation expense is included in administrative expenses in the statement of operations. Included in intangibles properties are costs to obtain SIEMS (security information and event management system).

7. Deferred lease inducement:

The Fund received \$105,751 in 2018 from the lessor of its office space as reimbursement of a portion of the leasehold improvement costs pursuant to the 2018 lease extension agreement. This amount is deferred and amortized on a

straight-line basis as a reduction to rental expenses over the term of the lease, which is six years. Reduction to rental expenses was \$18,773 (2022 - \$18,773).

8. Capital management:

The Fund includes deferred contributions in the definition of capital. As at December 31, 2023, the deferred contributions were \$379,073,097 (2022 - \$361,981,662). These contributions were primarily invested in long-term investments, with the balance being held in cash and cash equivalents to meet short-term operating requirements.

The Fund's objectives when managing capital are to minimize volatility of expected investment results and cash flows in order to earn sufficient returns so that the Fund can fulfill its objectives, maintain sufficient liquidity to meet business requirements as they arise and to preserve capital.

The deferred contributions comprise the initial contribution of \$300 million from the Funder along with any investment income net of any expenses incurred by the Fund. The Indenture of Trust requires that any income, gains and accretions, after expenses, shall be added to this initial contribution and be

devoted exclusively to the objectives of the Fund. The Indenture of Trust also requires that the Fund's contingent and actual obligations under the credit enhancement facility not exceed the net worth of the Fund, with the Fund defining net worth as the difference between what the Fund owns and what it owes. The Fund is in compliance with these conditions as set out in the Indenture of Trust. The unrealized gains portion of deferred contributions represent fluctuations in the fair value of the Fund's equity investments from one year to another.

The Fund continued to diversify its portfolio with a more conservative approach compared to the prior year as market volatility persisted. With increased holdings in long-term investments measured at fair value, the Fund has greater exposure to the fluctuations in the market prices, which made significant recoveries and gains in the fourth quarter of 2023. Management and Trustees continue to pursue diversification strategies while avoiding significant losses.

Notes to Financial Statements

Year ended December 31, 2023 (continued)

9. Administrative expenses:

The following table presents the composition of administrative expenses.

	2023	2022
Professional and technical services (a)	\$ 4,575,965	\$ 2,986,462
Travel	191,794	47,834
Trustee governance (b)	173,122	121,049
Business premises (c)	346,206	301,826
Computer and telecommunications	258,920	205,855
Other (d)	420,774	211,123
	\$ 5,966,781	\$ 3,874,149

(a) Professional and technical services include the following services: all staff (salaries and fringe benefits), investment management, legal, audit, banking, custodial, insurance, consulting and other miscellaneous services.

(b) Trustee governance includes honoraria and travel expenses for up to nine Trustees.

(c) Business premises mainly include office rental expenses and utilities.

(d) Other expenses mainly include marketing and promotion, depreciation of furniture and equipment, office supplies, postage and courier, contingencies, and Fund development.

10. Statement of cash flows:

The net change in non-cash working capital balances related to operations consists of the following:

	2023	2022
Decrease (increase) in restricted cash	\$ 249,147	\$ (30,112)
Decrease (increase) in receivables from investments	(62,152)	765,029
Increase in prepaid expenses	(10,292)	(19,001)
Decrease (increase) in accounts receivable	12,667	(9,749)
Decrease in accounts payable and accrued liabilities	(94,272)	(506,390)
	\$ 95,098	\$ 199,777

Notes to Financial Statements

Year ended December 31, 2023 (continued)

11. Capacity development:

The maximum amount available for capacity development in any given year shall not exceed 50% of the preceding period's net income. For purposes of determining the amount of capacity development available, the Fund defines net income as investment and other income less any expenses incurred during the year. Any unexpended amounts at the end of the year can be carried forward to be spent in subsequent years.

Changes in funds available for capacity development are as follows:

	2023	2022
Balance, beginning of year	\$ 11,670,019	\$ 10,635,782
Add		3,018,148
Allocations during the year (50% of prior year's net income)	—	
	11,670,019	13,653,930
Less		
Funds expended towards capacity development	2,132,655	1,983,911
Balance, end of year	\$ 9,537,364	\$11,670,019

12. Commitments and contingent liabilities:

Commitments

The Fund leases office premises and certain computer equipment under long-term operating leases expiring up to August 31, 2027. Future minimum annual lease payments for the office premises over the next four years are as follows (see note 13 for computer equipment lease commitments):

2024	\$ 101,273
2025	36,000
2026	36,000
2027	24,000
	\$ 197,273

As at December 31, 2023, the Fund had entered into contracts with suppliers to provide capacity development services. The work performed by these suppliers to December 31, 2023 but not yet paid by the Fund of \$223,458 (2022 - \$139,116) is included in accounts payable and accrued liabilities. The balance owing on these contracts for work that was not yet performed as at December 31, 2023 is approximately \$1,374,117 (2022 - \$2,142,000).

Credit enhancement guarantee:

As at December 31, 2023, the Fund has approved maximum housing loan guarantee credit to First Nations communities of \$1 billion (2022 - \$1 billion) based on an estimated 7,150 units (2022 - 7,004).

Since its inception, the Fund has provided guarantees on a total of 533 loans (2022 - 497) for 573 units (2022 - 539), including both single and multiunit rental properties, under the Credit Enhancement Facility for a maximum guaranteed amount of \$10,147,435 (2022 - \$9,430,502). The amortization period of the loans ranges from 5 to 25 years. The First Nations have indemnified the Fund for any amounts that may be paid by the Fund to the lender under the Credit Enhancement Facility. As at December 31, 2023, the maximum guaranteed amount outstanding was \$7,442,756 (2022 - \$7,013,270).

An estimate of the Fund's liability on the guaranteed amount of \$7,442,756 in place at December 31, 2023 (2022 - \$7,013,270) is \$381,358 (2022 - \$221,030). The Fund has no history of any claims paid to lenders at this point. As at December 31, 2023, there were 40 loans in arrears (2022 - 34 loans). The outstanding amounts of loans in arrears total \$6,705,151 (2022 - \$5,595,217) and range from 2 to 1,794 days in arrears (2022 - 1 to 1,429 days). Of the total outstanding loans in arrears, twelve (2022 - thirteen) loans for a total of \$1,911,119 (2022 - \$2,110,082) were in arrears for more than 121 days. As the liability established at the end of 2023 was \$381,358, which is greater than the estimated liability at the end of 2022 of \$221,030, the difference of \$160,328 was expensed in 2023 (2022 - \$154,464) in the statement of operations with a corresponding increase to the liability account in the 2023 statement of financial position.

Notes to Financial Statements

Year ended December 31, 2023 (continued)

12. Commitments and contingent liabilities:(continued)

Income taxes

The Fund had discussions with the Rulings Directorate (“CRA Rulings”) of the Canada Revenue Agency (“CRA”) about its non-taxable status. At the conclusion of the most recent round of discussions in 2009, CRA Rulings was not prepared to support the Fund’s position that it is non-taxable pursuant to subsection 149(1) of the Act.

The Fund has filed T3 Trust Income Tax and Information Returns showing nil taxable income for each of 2008 - 2022. Trust Notices of Assessment and Reassessment (“Notices”) were received from the CRA indicating that the assessed taxable income and taxes payable were nil for each of these 15 years. The Notices indicate that the CRA can reassess the return at any time within three years of the date of the Notices if it finds an error during a review or audit of the return. The three-year time periods on the Notices for the years 2008 - 2019 have now expired. The 2020 Notice was dated June 16, 2021, the 2021 Notice was dated September 28, 2022, and the 2022 Notice was dated July 26, 2023.

The Fund plans to pursue all available avenues to support its position with the CRA, and the courts, if necessary, to ultimately determine that the Fund is exempt from Part I tax under the Act. Should it ultimately be determined that the Fund is subject to income tax, any income taxes owing since 2020 by the Fund would be approximately \$4,661,000 (2022 - \$4,375,000).



13. Capital lease obligations:

The Fund leases certain computer and office equipment under long-term leases, which have been capitalized. The Fund leases printers on a sixty-six-month term, which will end in February 2027. The Fund also leases personal computers on a three-year term, which will end in October 2025.

Future minimum annual lease payments over the next three years are as follows:

2024	\$ 24,935
2025	21,039
2026	1,563
Total minimum lease payments	47,537
Less amounts representing interest	1,659
Present value of net minimum capital lease payments	45,878
Less current portion	23,682
Total long-term capital lease payments	\$ 22,196

Total interest on leases for the year was \$2,095 (2022 - \$788).

14. Related party transactions:

The Fund is related to the Government of Canada through the Funding Agreement, which provided the \$300 million contribution by CMHC in 2008 as agent of and on behalf of the Government of Canada. The net equity of the Fund is consolidated annually with the financial results of the Government of Canada in the Public Accounts.

Any payments to CMHC are made in the normal course of business, measured at the exchange amount and are made in accordance with the terms of the Funding arrangement.

In 2023, the Fund received funding of \$15,000 as part of the CMHC’s Housing Internship for Indigenous Youth program (2022 - \$Nil). As at December 31, 2023, the Fund did not have any amounts owing to CMHC (2022 - \$Nil).

Notes to Financial Statements

Year ended December 31, 2023 (continued)

15. Financial instruments and risk management:

The Fund has the following financial risks from its financial instruments:

(a) Market risk:

Market risk is the risk of adverse financial impact, encompassing fluctuations in the fair value or future cash flows of a financial instrument, arising from changes in underlying market factors, including currency risk, interest rate risk and other price risk.

The Fund limits its exposure to various market risks through its diversification strategy and asset allocation within its actively managed investment portfolio in accordance with the Fund's Statement of Investment Policy and Investment Strategy, governed by the Minister of Finance Investment Management Framework for Up-front Funding. This strategy has not significantly changed in the current year.

(i) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is not subject to significant foreign currency risks.

(ii) Interest rate risk:

The following tables illustrate the potential impact on the market values of the Fund's longterm investments from reasonable changes in interest rates as at December 31, 2023.

Change in interest rate	-1%	-0.5%	-0.25%	0.25%	-0.5%	1%
Change in market value	(20,419,151)	(10,209,575)	(5,104,788)	5,104,788	10,209,575	20,419,151

(ii) Other price risk:

The following tables illustrate the potential impact on the market values of the Fund's long-term investments from reasonable changes in market prices as at December 31, 2023.

	S&P/TSX		World Markets	
Change in market price	-5%	5%	-5%	5%
Change in market value	(2,853,317)	2,853,317	(2,378,798)	2,781,083

The Fund's market risk remained elevated in 2023 due to the volatility in market prices and mixed economic data.



Notes to Financial Statements

Year ended December 31, 2023 (continued)

15. Financial instruments and risk management: (continued)

(b) Credit risk:

Credit risk is the risk of loss arising from counterparty's inability to fulfill its contractual obligations. Credit risk includes the risk of default and encompasses both the probability of loss and the probable size of the loss, net of recoveries and collateral, over time.

The Fund's maximum exposure to credit risk is the fair value of its fixed income investments and various accounts receivable as well as Fund's guarantee of loans under the Credit Enhancement Facility. It is management's opinion that the Fund is not exposed to significant credit risks arising from these financial instruments. The Fund's credit risk associated with investments is managed through the implementation of policies, which includes limits to the permitted investments and minimum credit ratings. As at December 31, 2023, investments held by the Fund were issued by the Government of Canada, a province, a municipality, a national bank, a Canadian corporation, or a Canadian investment fund. The Fund's credit risk associated with guarantee of loans under the Credit Enhancement Facility is mitigated through annual reviews

of First Nations communities' financial strength and ongoing communication with community leaders to ensure that the First Nations communities continue to be in compliance with terms and conditions of Credit Enhancement Facility agreements.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund would have insufficient cash flows to meet its obligations associated with financial liabilities.

The Fund has a cash flow planning process in place to ensure sufficient resources meet current and projected cash requirements. Liquidity sources include cash and cash equivalents, accounts receivable, investment income and the sale and maturity of long-term investments.

The Fund's credit risk and liquidity risk have not changed from the prior year and are not considered to be significant by management.



Schedule of Changes in Deferred Contributions

December 31, 2023, with comparative information for 2022

	2023	2022
Deferred contributions, beginning of year	\$ 377,174,690	\$ 380,094,403
Investment income	14,893,695	12,002,896
Other income (note14)	15,000	—
Non-cash amortization of premium sand discounts	(191,116)	(259,078)
Realized loss on sale of long-term investments	(2,948,906)	(8,651,007)
Recognized as revenue to match expenses	(8,259,764)	(6,012,524)
	380,683,599	377,174,690
Unrealized gains (losses), beginning of year	(15,193,028)	8,184,608
Unrealized gains (losses) attributable to:		
Equity portion of long-term investments	13,935,508	(18,990,901)
Foreign exchange	—	(118)
	13,935,508	(18,991,019)
Amounts reclassified to realized loss on sale of long-term investments	(352,982)	(4,386,617)
Net unrealized losses, end of year	(1,610,502)	(15,193,028)
	\$ 379,073,097	\$ 361,981,662





“

The over-arching goal is to promote a system in which First Nations residents have the same housing opportunities on communally held lands — be they reserve, settlement, or lands set aside — as mainstream Canadians have in their communities.”



FIRST NATIONS MARKET HOUSING FUND

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