



ANNUAL REPORT

2018-19/2019-20



Toward Indigenous Prosperity

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Message from the Chair



“Our AFI network has seen major developments over an exciting and tumultuous time.”

20²¹ will soon be upon us – and what a memorable two years we have had! Our AFI network has seen major developments over an exciting and tumultuous time, including new loan capital in two forms: The Indigenous Growth Fund we have long sought, and Indigenous Business Stabilization Package enabling our response to the COVID-19 economic crisis.

After these many years, our advocacy began to pay off in 2019. The federal budget announced up to \$100 million for an Indigenous Growth Fund (IGF), including \$50 million to be provided through the Business Development Bank of Canada. As our members can affirm, these funds were long overdue.

With support from the AFI network, NACCA worked hard over the past year to make the IGF a reality. We also engaged to build further interest in the Fund. Our efforts resulted in additional commitments of \$60 million from Farm Credit Canada and Export Development Canada, announced at our second Indigenous Prosperity Forum in February 2020. There was indeed much to celebrate at that Forum – our last major event before the COVID-19 crisis hit in March.

Back in 2017, we noted that the story of our grassroots lending movement might be Indigenous Canada’s “best kept secret.” While our Nations value

humility, ours is a story that deserves to be told. And told it we have these past two years, at meetings with a growing number of federal ministers and parliamentary committees, at the United Nations, at the Organisation for Economic Co-operation and Development (OECD) and – last, but by no means least – at our inaugural Indigenous Prosperity Forum in February 2019. What a conference that was! AFIs met with hundreds of government, banking and private sector representatives to share stories and ideas about improving Indigenous access to capital. Focused on Indigenous procurement, our February 2020 conference was even more successful.

Through our conferences, new initiatives like our Harvard training program for AFI executives and women’s and youth projects, our network is steadily gaining profile as a national leader in Indigenous economic development.

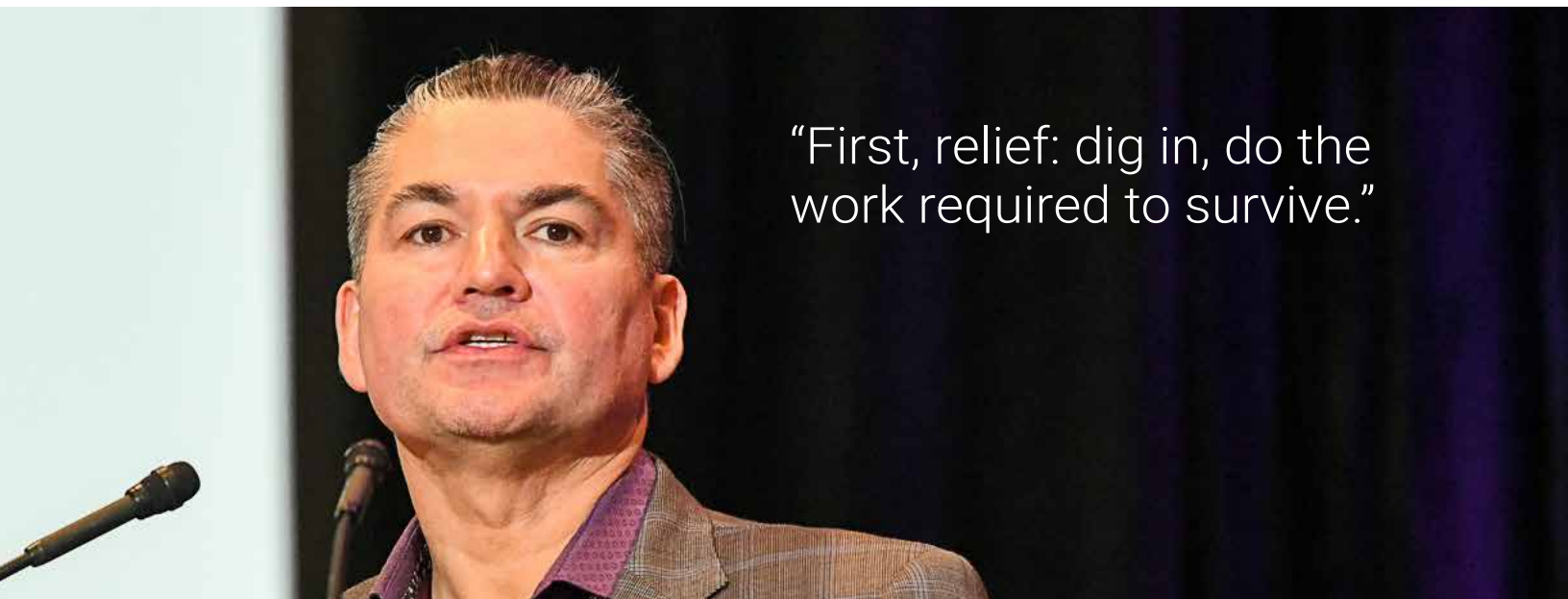
It was as leaders concerned for the economic survival of our clients and communities that we approached the federal government when the COVID-19 economic crisis first emerged in March 2020. Here too, our network rose to the occasion. When the federal government confirmed late in April that it would provide \$307 million in Indigenous-specific relief – including \$204 million in emergency business

loans – our members were ready to deliver. We received the funds late in May. By mid-June we had allocated \$150 million to over 30 AFIs. Within a week, the first AFIs began delivering much-needed emergency relief packages to Indigenous businesses across the country.

The IBSP has proven useful to Indigenous businesses not covered by other programs, and we are grateful for it. As we work with Canada to improve this measure, we will continue ensuring that much-needed relief reaches First Nations, Métis and Inuit entrepreneurs across the country. We will continue advocating for Indigenous-specific support to promote their recovery. And we will keep drawing attention to the lack of access to capital that our Indigenous businesses faced long before the global pandemic hit – and still face in the midst of it. This is the work that our network was created to do. With the help of dedicated staff at NACCA and each AFI, we are delivering on our mission. Equipped with the humility our elders taught us, let’s take pride in our collective achievement.

Jean Vincent
Chair

Message from the CEO



“First, relief: dig in, do the work required to survive.”

Relief, recovery, prosperity. I have had these words in my mind since early March, 2020 – since it became clear that AFIs and Indigenous business owners would have to prove their resilience yet again. There have been many occasions to show it in the past. This time, it would be a global pandemic.

First, relief: dig in, do the work required to survive. This was the mode NACCA and the AFI network found ourselves in back in March 2020. Still elated by the success of our second Indigenous Prosperity Forum, our network found itself mounting an all-out effort to help Indigenous business owners weather this crisis – or risk losing everything we have worked for these past four decades. The result was the \$307 Indigenous Business Stabilization Program, which NACCA and AFIs could begin rolling out in mid-June. The program is filling a gap for small Indigenous businesses that could not qualify for other government support. It will also help AFIs that have forgiven loan payments survive.

Next, recovery. Disproportionate numbers of Indigenous businesses are operating in sectors that have been heavily impacted by social

distancing measures. Many are sole proprietors and employ their own families. Some are large and complex community-owned ventures that will need much larger amounts of capital. What specific supports do First Nations, Metis and Inuit business-owners need to retool and recover? How can we get them more non-repayable capital, in light of the additional barriers that they face? We are now addressing such issues in meetings with government and parliamentary committees. We welcome your further ideas.

Third, prosperity. This crisis is once again proving our network's reason for being. Indigenous business owners face barriers that non-Indigenous ones do not. The legacy of colonialism, impediments in the *Indian Act*, remoteness of many of our communities, distinctness of our heritage groups, and widely varying financial literacy rates – such factors call for tailored supports delivered by lenders who know and work in their communities. AFIs were created to provide just these supports.

This report contains a full record of NACCA's work over the past two years. We have been creating options to access capital via the Growth Fund,

have built up awareness of our network via the Prosperity Forum and media engagements, and have expanded our services through the many initiatives described in this report. Yet, in times like these, one project is especially timely. Just as the global pandemic hit, we received hard-bound copies of our long-awaited legacy book, *Breaking a Trail to Prosperity: The Vision and Resilience of the Indigenous Financial Institutions Movement*. The book traces the history of our AFI network from its beginnings. Though we could not hope to capture every element of it, we found a story of courage, vision and resilience spanning over four decades.

Our network is not merely an association of financial institutions; we are a grassroots Indigenous-led lending movement. As we make our journey from relief, to recovery, to the prosperity we've sought from our earliest days, it is important to recognize the two qualities that we have shown over and over again. Vision. Resilience. They will get us through this time too.

Shannin Metatawabin
Chief Executive Officer

The Network by the Numbers: 2018 to 2020

\$310 in capital committed
to Indigenous SMEs
across the country
MILLION

\$125 in new loans
annually
MILLION

1,200 businesses
receiving loans
annually

59 AFIs serving
Indigenous businesses
across the country

\$31.5 in program funding to
support Indigenous
businesses
MILLION

29% of businesses
supported are
100% owned by
Indigenous women

23% of entrepreneurs
supported are
35 years or younger

95% of all loans
repaid

46,000 loans over
the past
three decades

\$2.75 in loans over
the past three
decades
BILLION

2018-2020 at a Glance

NACCA's Strategic Objectives and Key Activities

Strategic Objectives

Serving NACCA Members

NACCA will prioritize member satisfaction, seeking to engage its members through conferences, webinars and social media platforms.

Inspiring Confidence in the Network

NACCA will tell the network's story to decision-makers and potential partners, its own members, potential clients, and the public. It will also build relationships needed to amplify the network's influence.

NACCA will enhance its reputation by obtaining certification of its own internal processes.

Key Activities

- Contracted with Equifax Canada to provide enhanced credit rating services for members.
 - Piloted IBIS World Canada Business Reports, providing members with comprehensive business performance and economic outlook reports.
 - Initiated development of a comprehensive directory of Indigenous businesses across Canada.
 - With ITK and ISC, co-hosted a 2018 workshop focusing on Inuit economic development and economic reconciliation.
 - With the NIEDB and Public Policy Forum, developed a final report on a series of workshops on economic reconciliation and inclusive growth.
 - Successfully applied to ISSED Women's Entrepreneurship Strategy, with funding of \$1.2M over 4 years.
 - Signed an MOU with Futurpreneur Canada to support Indigenous youth entrepreneurship.
 - Planned and hosted NACCA Indigenous Prosperity Forums in 2019 (on access to capital) and 2020 (on Indigenous procurement).
 - Increased in-person outreach activities with AFIs from across the country and continued to build NACCA's social media presence.
 - Continued work with AFIs to support their transition to a common loan management system.
-
- Expanded reach and influence of NACCA through meetings with Ministers of an expanding range of departments, parliamentary committees, and private sector stakeholders.
 - With key national Indigenous organizations, advanced adoption of an Indigenous procurement target of 5% across the federal government.
 - Initiated an Indigenous Business Circle to discuss alignment of national Indigenous organizations on economic development goals.
 - Contributed to an OECD research initiative and discussions of Indigenous issues in international trade negotiations.
 - Took part in the COVID-19 Indigenous Business Taskforce initiated by the federal government.
 - Completed NACCA's legacy book presenting the history of the Indigenous lending movement.
 - Completed work to obtain ISO 9001 certification and conducted several internal audits.
 - Purchased office building for NACCA.

Strategic Objectives

Expanding AFI Financing

NACCA will work to secure new capital – both loan and equity capital – to allow the network's financing activity to grow.

Key Activities

- Enhanced the business case to support increased investment in the network.
- In Budget 2019, gained commitment of \$100M to establish the Indigenous Growth Fund and \$17M (over 3 years) in programming.
- With BDC venture capital team and Department of Finance, worked out options, completed financial modelling, and concluded a Term Sheet for \$100M investment in the Indigenous Growth Fund (IGF).
- Obtained an additional commitment of \$60 million into the IGF from Farm Credit Canada (FCC) and Export Development Canada (EDC).
- Initiated work to confirm the objectives of the Aboriginal Entrepreneurship Program (AEP).
- Extended ABFP and ADLA programming to more network members.
- Worked with members and ISC to develop the \$307 Indigenous Business Stabilization Program, responding to impacts of COVID-19.

Assessing and Building on the Network's Success

The network as a whole is successful, and has had a significant impact on Indigenous business development in Canada. NACCA will examine the network's successes and work to cultivate AFI leading practices as norms.

- Continued to upgrade NACCA's reporting database to improve collection and reporting on results.
- With the Conference Board of Canada, established methodology for a study of the socio-economic impact of AFIs in the 2020-21 fiscal year.
- Accepted as a readiness support partner of ESDC's 2-year pilot Investment Readiness Program (\$3.1 million to NACCA and AFIs to increase readiness to participate in the social finance market).
- Developed a customized training program for AFIs with the Harvard Business School Executive Education Program.

The AFI Network

What We Are, What We Do

What Is an Aboriginal Financial Institution?

Aboriginal Financial Institutions (AFIs) are autonomous, Indigenous-controlled, community-based financial organizations. AFIs provide developmental loans and business financing to First Nations, Metis, and Inuit entrepreneurs and businesses in all provinces and territories. Within the continuum of lenders that provide loans to Aboriginal entrepreneurs and businesses, AFIs are unique for their grassroots connections to the communities they serve.



AFI is a collective term for describing three types of Indigenous-controlled financial institutions: Aboriginal Capital Corporations (ACCs), primarily supported by Indigenous Services Canada; Aboriginal Community Futures (ACFs) supported by regional development agencies (RDAs); and Aboriginal Developmental Lenders (ADLs), which have been capitalized by provinces or territories.

Many Indigenous entrepreneurs are still often perceived as high-risk borrowers. They face difficulty accessing loan capital from conventional lenders due to legislative and market-based barriers. In the mid-1980s and early 1990s, Indigenous leaders and the Government of Canada created AFIs to address the shortage of available capital to finance Indigenous small-business development.

With 46,000 loans worth almost \$2.8 billion made over the past three decades, the AFI network plays a critical role in filling the financing gaps and unmet needs that Indigenous entrepreneurs continue to face. Beyond loans, clients can access additional supports such as non-repayable contributions, financial and management consulting, and business start-up/aftercare services.

And they can do so from coast to coast to coast across the country.

How does NACCA Support the Network?

NACCA is the national association working with the 59 AFIs across Canada. NACCA serves the network by advocating on behalf of its members and providing them with capacity development, capital and program funding. The vast, diverse network that NACCA represents holds the belief that the AFIs are stronger if they speak together, with a proud voice.

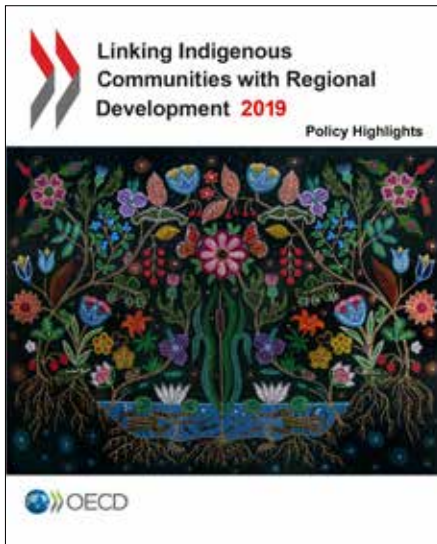


From 2017 to 2019, NACCA researched and developed an illustrated history of the AFI network, *Breaking a Trail to Prosperity: The Vision and Resilience of the Indigenous Financial Institutions Movement* (2019). The book also features the stories of over two dozen successful Indigenous businesses across the country.

“As Canada’s bank for entrepreneurs, we know that access to financing remains the No. 1 issue limiting the growth of Indigenous businesses. This is why NACCA’s contribution is more important and relevant than ever.”

- Michael Denham, President and CEO, BDC

Linking Indigenous Communities with Regional Development: The OECD Study



In 2017, the Organisation for Economic Co-operation and Development (OECD) launched a research project seeking to identify good practices and recommendations to improve economic outcomes for Indigenous communities in regional contexts. The study was to consider evidence from Australia, Canada, Columbia, the European Union, Peru, Sweden and the United States.

OECD studies typically have significant influence in government policy circles. Mindful of this, NACCA joined the consultative committee for the Canadian Project and provided extensive input into the federal government's response to the OECD survey, which comprised a major part of the study. The Association also participated in discussions with the OECD as part of their mission to Canada, addressing the role of AFIs in Indigenous economic development and their need for additional resources and capital.

The final report, Linking Indigenous Communities with Regional Development, appeared in July 2019. Launched in Wendake, QC the region-specific report, Linking Indigenous Communities with Regional Development in Canada (January 2020), mentions the work of NACCA and the AFIs extensively.

The OECD report provides recommendations across four key areas:

1. Improving Indigenous **statistics and data governance**;
2. Creating an enabling environment for **Indigenous entrepreneurship and small business development** at regional and local levels;
3. Improving the **Indigenous land tenure system** to facilitate opportunities for economic development; and
4. Adapting policies and governance to implement a **place-based approach to economic development** that improves policy coherence and empowers Indigenous communities.

Marking the first global comparative study of how Indigenous people can exercise economic rights on their traditional territories, the OECD report marks an important international milestone. NACCA is monitoring Canada's implementation of its recommendations – and will seek to incorporate relevant lessons, best practices, and models from Indigenous peoples in other countries.

“When you look at institutional development – a lot of other countries feel that Canada is in the lead when it comes to having institutions already in place. Our AFI network is the envy of Indigenous people around the world.”

- Dawn Madahbee Leach, Member of the National Indigenous Economic Development Board and General Manager of Waubetek Business Development Corporation

Where We Are

YK	NWT	NU	BC	AB	SK	ON	PQ	AC	MB	TOTAL
1	6	5	11	5	6	8	5	1	11	59



Who We Are

YUKON (1)

1. däna Näye Ventures – Whitehorse

NORTHWEST TERRITORIES (6)

1. Akaitcho Business Development Corporation (ABDC) – Yellowknife
2. Deh Cho Business Development Centre (DCBDC) – Fort Simpson
3. Dogrib Area Community Futures - Wha Ti
4. NWT Métis-Dene Development Fund (MDDF) – Yellowknife
5. Sahtu Business Development Centre – Norman Wells
6. Thebacha Business Development Services (TBDS) – Fort Smith

NUNAVUT (5)

1. Atuqtuarvik Corporation – Rankin Inlet
2. Baffin Business Development Corporation (BBDC) – Iqaluit
3. Kakivak Association – Iqaluit
4. Kitikmeot Community Futures Inc. (KCFI) – Cambridge Bay
5. Kivalliq Business Development Centre – Rankin Inlet

BRITISH COLUMBIA (11)

1. Aboriginal Business and Community Development Centre – Prince George
2. All Nations Trust Company (ANTCO) – Kamloops
3. Burns Lake Native Development Corporation (BLNDC) – Burns Lake
4. CFDC of Central Interior First Nations – Kamloops
5. Haida Gwaii Community Futures – Massett
6. Métis Financial Corporation of BC – West Vancouver
7. Native Fishing Association (NFA) – West Vancouver
8. Nuuchahnulth Economic Development Corporation (NEDC) – Port Alberni
9. Stó:lō Community Futures Corporation (SCF) – Chilliwack
10. Tale'Awtxw Aboriginal Capital Corporation (TACC) – West Vancouver
11. Tribal Resources Investment Corporation (TRICORP) – Prince Rupert

ALBERTA (5)

1. Alberta Indian Investment Corporation (AIIC) – Enoch
2. Apeetogosan (Métis) Development Inc. (AMDI) – Edmonton
3. Community Futures Treaty Seven (CFT7) – Calgary
4. Indian Business Corporation (IBC) – Calgary
5. Settlement Investment Corporation (SIC) – Edmonton

SASKATCHEWAN (6)

1. Beaver River Community Futures Development Corporation (BRCFDC) – Meadow Lake
2. Clarence Campeau Development Fund (CCDF) – Saskatoon
3. Northern Enterprise Fund Inc. (NEFI) – Saskatchewan
4. Saskatchewan Indian Equity Foundation Inc. (SIEF) – Asimakaniseekan Askiy Reserve

5. SaskMétis Economic Development Corporation (SMEDCO) – Saskatoon
6. Visions North CFDC – LaRonge

MANITOBA (11)

1. Arctic Co-operative Development Fund (ACDF) – Winnipeg
2. Cedar Lake Community Futures Development Corporation – The Pas
3. Community Futures North Central Development (CFNCD) – Thompson
4. Dakota Ojibway Community Futures Development Corporation (DOCFDC) – Headingly
5. First Peoples Economic Growth Fund Inc. (FPEGF) – Winnipeg
6. Kitayan Community Futures Development Corporation – Winnipeg
7. Metis Economic Development Fund (MEDF) – Winnipeg
8. Louis Riel Capital Corporation (LRCC) – Winnipeg
9. Northwest Community Futures Development Corporation – Lynn Lake
10. Southeast Community Futures Development Corporation – Winnipeg
11. Tribal Wi-Chi-Way-Win Capital Corporation (TWCC) – Winnipeg

ONTARIO (8)

1. Indian Agricultural Program of Ontario (IAPO) – Stirling
2. Métis Voyageur Development Fund Inc. (MVDF) – Ottawa
3. Nishnawbe Aski Development Fund (NADF) – Fort William First Nation
4. Rainy Lake Tribal Area Business & Financial Services Corporation – Fort Frances
5. Tecumseh Community Development Corporation (TCDC) – Sarnia
6. Two Rivers Community Development Centre – Ohsweken
7. Wakenagun Community Futures Development Corporation – Moose Factory
8. Waubetek Business Development Corporation – Birch Island

QUEBEC (5)

1. Corporation de développement économique montagnaise (CDEM) – Sept-Îles
2. Eeyou Economic Group / CFDC Inc. (EEG) – Waswanipi
3. Nunavik Investment Corporation – Kuujuaq
4. Société de crédit commercial autochtone (SOCCA), Wendake
5. Tewatohnhi'saktha Business Loan Fund – Kahnawake

NOVA SCOTIA, NEW BRUNSWICK, PEI, NEWFOUNDLAND/ LABRADOR (1)

1. Ulnooweg Development Group Inc. (serving all Atlantic provinces) – Truro

A Proud Journey

A Brief History of the Aboriginal Financial Institutions

The pulse of economic self-determination beats down through the generations, as even the earliest history of the Indigenous financial movement demonstrates.

Our network's story begins with James Gladstone, one of the first Indigenous entrepreneurs to be involved with government policy. A member of the Blood Tribe of Alberta, in 1958, James Gladstone was the first status Indian to be appointed to the Senate of Canada. Among the many First Nations issues he championed was the full participation of Indigenous peoples in programs aimed at them – including one offering small business loans through regional offices of the Department of Indian Affairs and Northern Development.

The Indian Equity Foundation

Fred Gladstone, James Gladstone's son, continued his father's push for Indigenous economic self-determination. He was a driving force in creating a fund to assist First Nations people in establishing businesses related to Alberta oil sands development – the Indian Equity Fund.

The Indian Equity Foundation may be the first entity owned and controlled by First Nations to provide financial and advisory services to Indigenous people in Canada. Established in 1976, the foundation received start-up funding from the Department of Indian Affairs and Northern Development and Syncrude Canada. Its goal was to help First Nations-based businesses overcome the obstacles to financing presented by the Indian Act.

The concept of the Aboriginal Capital Corporation (ACC) was born.

Committed to Indigenous Ownership

In the early 1980s, Indigenous leaders recommended the creation of lending institutions designed, governed and managed by Indigenous people. Capitalized by Aboriginal Business Canada, the new institutions would replicate the Indian Equity Foundation model. They were provided with an average capital base of only \$5 million. Many of the new ACCs indicated that they would need a much larger capital base to achieve financial self-sufficiency.

By the early 1990s, some thirty-two ACCs existed. The number of Indigenous entrepreneurs had approximately doubled – to about



A driving force in creating the Indian Equity Fund, Fred Gladstone was also a renowned calf-roping and rodeo judge. At the Calgary Stampede, 1951. Image courtesy of the Glenbow Museum, Calgary AB.



"Fund to Aid Indian Projects." Edmonton Journal, Friday November 24, 1978.

5,000. First Nations, Metis and Inuit people were opening new businesses at unprecedented rates and in a range of sectors. The businesses also ranged widely in size, from home-based sole proprietorships to large-scale First Nations-owned enterprises.

During this period too, Indigenous business and political leaders

stressed barriers besides the Indian Act to the economic development of their peoples. The residential schools had left their legacy too. Beyond providing loans, ACCs would need to deliver additional business support to many of their clients – such things as financial literacy and business skills.

The need for Indigenous lending institutions was more pressing than ever. And yet, those institutions almost ceased to exist in the early 1990s. Concluding that only about a third of the 32 ACCs could become viable, Aboriginal Business Canada sought to end the five-year program that supported them. The plan was that viable ACCs would report in the future to the Business Development Bank of Canada, a Crown Corporation owned wholly by the federal government. Ultimately, intensive discussions with six ACCs convinced the Business Development Bank of Canada to abandon the plan. Indigenous people would retain control of these lending organizations.

“We understood that we were important for communities. There was no capital in communities, no security for loans, and AFIs were the only players out there at that time.”

Cliff Fregin, former CEO, New Relationship Trust. Cited in *Breaking a Trail to Prosperity: The Vision and Resilience of the Indigenous Financial Institutions Movement* (2020).

Finding A National Voice

Already before the issue of reporting to the Business Development Bank of Canada arose, ACCs had discussed forming a national organization. By consolidating their efforts and results, they believed that they could better demonstrate their collective impact. The idea of creating a national organization to support AFIs emerged at a meeting with the federal government and Royal Bank executives in Enoch, Alberta. The Royal Bank issued a letter of interest in providing \$40 to \$50 million of loan capital to a new central corporation, which in turn would lend it to qualified ACCs.

Buoyed by the prospect of obtaining new loan capital, 22 ACCs met in Quebec City in 1996. They resolved to form the National Aboriginal Capital Corporations Association (NACCA), a national body dedicated to providing a collective voice and advocating for their shared interest. NACCA was formally incorporated in 1997. In 1998, NACCA's members officially admitted the Aboriginal Community Futures Development Corporations (ACFDCs) as full members of the association. ACFDCs are smaller lenders receiving modest core funding from regional development agencies. Both ACCs and ACFDCs play important roles in improving the economic prospects of their Indigenous clients.

Winnipeg Free Press

Business



Aboriginal entrepreneur Chris Wastasecoot got the presses rolling at Gooseberry Hill a year ago.

Natives embracing entrepreneurial life

By Martin Gash

CHRIS WASTASECOOT has an advantage that many other Aboriginal Canadians entrepreneurs do not have — a role model who was his father. Wastasecoot owns Gooseberry Hill Press, a one-year-old commercial printing company. He started it after working at his father's print, Douglas communications and publishing company, Doug Communications.

“He was farming and did his printing work, and I figured maybe we could make our own press shop,” said Wastasecoot, 27. He is one of 2,555 self-employed Aboriginal people in the province, whose numbers represented a 7.1 per cent annual increase between 1991 and 1995. A major research report entitled *Aboriginal Entrepreneurship in Canada: Progress and Prospects*, produced by the Institute of Aboriginal Business, released the report in the first solid evidence of the growth of the Aboriginal business community. And the results, as far as entrepreneurship, are significant. “This is a tremendously encouraging, good news story,” Dickson said. “If you look at the growth over the last 19 years, and extrapolate it over the next 10 years, it is a very encouraging target.” The percentage of Aboriginal-owned businesses that are managed in exporting is higher than for all Canadian businesses, and Dickson said most of that has taken place during the last five years. “While the percentage of all Aboriginal adults who own businesses is about half that of the Canadian

Business is booming

There were 128,000 Aboriginal people in Manitoba (45,750 in Winnipeg) in 1996, out of a total of 790,010 across Canada. Here's a snapshot of self-employed Aboriginals in the province.

- Total number: 2,555
- Annual growth rate (1991-95): 7.1 per cent
- North American Indian: 790
- Co-reserve: 355
- Ojibwa: 435
- Male: 1,520
- Female: 105
- Urban: 585
- Rural: 1,970
- Male: 1,525
- Female: 615
- Youth (age 15-24): 215

Source: 1991 and 1996 Census

average, young Aboriginal people are almost two and a half times more likely to be entrepreneurs than Canadians in general. Dickson said that is a relatively recent phenomenon, but one that suggests good things for the future. In the past, there were very few Aboriginal entrepreneurs, role models for young people, he said. “Now, it is being considered as more of an option for Aboriginal youth.” Wastasecoot is also in the minority among his peers in that he has a sociology degree from the University of Winnipeg. The industry Canada study points out that Aboriginal people are only one-quarter as likely to have obtained a university degree as the general population. When he got his business plan together before he borrowed much of the \$25,000 he needed for presses and other equipment — some of it from Aboriginal Business Canada — Wastasecoot was able to show lenders letters of support from Manitoba Aboriginal organizations, as well as Doug Communications, who had hired him to do business with Wastasecoot's new company. “It was rough at first,” he said. “But now I don't have to run around like a chicken with its head

cut off all the time. I can actually take calls from people looking for quotes and get a few things a week to talk to clients.” After less than a year in business, Gooseberry Hill has over 10 employees and has rapidly positioned itself on the Aboriginal market's preferred print lists in Winnipeg, producing quality four-colour and other print work. “Chris Wastasecoot, who like Wastasecoot, is from the Pigeon First Nation, also does much of her business within the Aboriginal community. Co-owns Ontario Training Institute Inc., a private vocational school, along with partner in one-time and about 50 per cent of them are Aboriginal. Last Friday Wastasecoot was graduated in first class of Microsoft-certified systems engineering training.

“We've been getting calls from people already,” she said. “They said it's good work.” Acknowledging its partnering with companies like 24/7, Synchrobase and the Royal Bank of Canada, which is sponsoring a newly designed course in business development, Wastasecoot is an indication of the success that Aboriginal entrepreneurs are making and the economic impact they are already having on development issues for the larger community. BEV WATSON, executive director of the Canadian Council for Aboriginal Business, is one of the organizers of the Aboriginal Business Showcase '98. The event is to take place in early September, will feature and promote 54 Manitoba Aboriginal-owned businesses. “One of the things we have all been amazed at is the number of businesses that are out there,” Watson said. “The idea has come out of discussions by an organization of independent Aboriginal business owners in Winnipeg called Aboriginal Business Leaders and Entrepreneurs, of which Wastasecoot is one of the founders. Watson said one of the things the organization and the showcase intends to accomplish is a greater profile for Aboriginal businesses in the context of mainstream business.

“L'union fait la force — together we are stronger.”

Jean Vincent, Chair of the Board of NACCA and the AFI, Société de crédit commercial autochtone (SOCCA). Cited in *Breaking a Trail to Prosperity: The Vision and Resilience of the Indigenous Financial Institutions Movement* (2020).

Toward Devolution

Throughout the early 2000s, our grassroots lending movement continued to build, proving its value to Indigenous business time and again. An early success was the First Nations and Inuit Youth Business program, managed by NACCA and designed through extensive consultations with a working group of AFIs.

Network members added business service officers to provide pre-care, after-care, and business planning workshops to clients in need of them. Through regular meetings, the network shared best practices, tools, and guides in areas ranging from governance to risk management, human resources management, client success and community impact.

2014 was a watershed year for the network. A process that began in 2008, with program renovation, concluded with the full devolution of federal Indigenous economic development programming to NACCA and the AFIs. After a decade of discussions with government, NACCA was finally able to introduce the Aboriginal Developmental Lending Assistance Program (ADLA), which would be managed by the national organization. The federal government also transferred management of the Aboriginal Entrepreneurship Program to NACCA and fourteen AFIs across the country.

“Natives embracing entrepreneurial life.” Winnipeg Free Press, August 4, 1998.



Thinking Strategically

After program devolution, NACCA's annual budget grew from \$5 million to \$31.5 million. The national organization's responsibilities to its members grew. Enhanced governance became a priority, as did an ever-more urgent need to access more loan capital for the network.

In 2016, the Association commissioned research from the Conference Board of Canada to investigate the cumulative impact of the network's lending. The same year, it hired a new CEO and further improved its database. For the first time, NACCA was able to establish that AFI activity was benefitting not only Indigenous entrepreneurs, but the Canadian economy as a whole.

Buoyed by its track record, in 2017, NACCA developed a five-year strategic plan to guide its activities for the next five years. Among its four priorities would be to tell the network's story – one that many have called "Indigenous Canada's best-kept secret" – and to access more capital for lending to the growing ranks of Indigenous entrepreneurs. With these two goals in mind, NACCA planned and hosted its inaugural Indigenous Prosperity Forum in 2019.

In the same year, the Association researched and developed an illustrated history of the movement. The brief history presented here is based on the book, *Breaking a Trail to Prosperity: The Vision and Resilience of the Indigenous Financial Institutions Movement* (2020).

Canada's Fastest Growing Demographic

In 2017, Statistics Canada stated that the Indigenous population in Canada is growing four times faster than the rest of the country. Likewise, Indigenous people are the fastest growing demographic of entrepreneurs. Using census data, the National Indigenous Economic Development Board reports that the percentage of Indigenous individuals embarking on entrepreneurial and business development grew from 6.8 percent in 2006 to 7.4 percent in 2016 (2019).

NACCA and the AFIS have long sought significant investment of loan and equity capital from the federal government to meet this increased demand.

How we got here

The NACCA Timeline

1976-'85

The first AFIs are formed at the recommendation of First Nations leaders.

1995

6 initial AFIs start a voluntary network.

1997

NACCA, now representing 22 ACCs, is incorporated.

1998-'99

Membership opens to all AFIs across the country. NACCA partners with Industry Canada and Peace Hills Trust to deliver the first components of the Aboriginal Entrepreneurship Program (AEP).

2002

Membership surpasses 50 AFIs.

2009

AFIs provide \$100 million in loans in a single year for the first time in the network's history.

2014

NACCA successfully completes program renovation negotiations with INAC.

2015

Network reaches the \$2 billion milestone in developmental loans to Aboriginal entrepreneurs and businesses. The Aboriginal Developmental Loan Allocation (ADLA) program is added to the AEP. Funding increases to \$10M.

2017

20th Anniversary. Release of the NACCA 2017-22 Strategic Plan honouring past successes and pointing the way to new heights.

2019

NACCA holds its inaugural Indigenous Prosperity Forum, with almost 300 participants. Federal government makes budget announcement of \$100M for a new Indigenous Growth Fund.

2020

NACCA holds its second Indigenous Prosperity Forum, with a focus on Indigenous procurement. NACCA and AFIs negotiate the Indigenous Business Stabilization Program, a \$307M package to support Indigenous businesses and AFIs impacted by COVID-19.

Network Performance

2018-19 and 2019-20: Two Years of Robust Lending

NACCA and the AFI network have again been active lenders over the past two years.

Whereas lending volumes were stagnant for several years, the last three saw a strong increase in the overall value of new loans – peaking at \$141 million in the year ending March 31, 2019. One

overall trend has been an increase in the average size of projects supported, accompanied by a slight decrease in the number of loans.

Why did this trend emerge? On the one hand, the average cost of projects is increasing with inflation. On the other, Indigenous businesses are entering

into larger ventures. At the same time, the access to loan capital for the network has not improved markedly. This has limited the number of clients that AFIs can serve in face of a strong growth in the number of Indigenous businesses.

AFI Highlights ¹	2018	2019	2020 ²
AFI Activity and Impact			
Total loan dollars advanced	\$120,515,857	\$139,907,313	\$126,963,339
To start-ups	\$25,776,277	\$42,027,199	\$29,181,124
To existing businesses	\$93,560,389	\$96,459,722	\$97,762,022
Total number of loans	1,223	1,260	1,156
To start-ups	429	464	478
To existing businesses	794	796	678
Total FTE jobs created or maintained by new loans	3,463	3,720	3,730
AFI Portfolio Metrics			
Total gross loan portfolio (GLP) ³	\$283,389,653	\$304,000,025	\$310,773,087
Average size of new loan (weighted)	\$97,913	\$112,553	\$109,830
Interest yield on GLP (weighted average)	5.81%	5.41%	6.16%
Annual write-offs as % of GLP (weighted average)	2.09%	1.62%	2.07%

Breaking Down the Annual Data

From April 2018 to March 2020, AFIs extended 3,639 loans worth almost \$387.4 million to Indigenous businesses across the country. The loans either created or maintained over 10,914 full-time jobs.

Larger versus Smaller Loans

Compared to the last reporting period, 2018 and 2019 featured a slightly lower number of loans, with a slightly higher average value. In a situation of high demand but stagnant amount of available capital, AFIs appear to have opted to invest in larger projects.

“The results and performance indicators behind the National Aboriginal Capital Corporations Association and its member network across Canada is a winner for the government to get behind and take to the next level.”

Senator Marty Klyne, keynote address at the 2019 Indigenous Prosperity Forum

As the data indicate, the average dollar amount per loan that AFIs issued to Indigenous business owners in 2018 through 2020 was \$106,454. These data make it understandable

why NACCA has pressed for a larger maximum amount for relief loans to Indigenous businesses. If AFIs were able to provide larger relief packages, it would better reflect AFI lending to their clients prior to the crisis. A maximum amount of \$100,000 would also more closely resemble the funds available to the regional development agencies, which have discretion to issue much larger maximum amounts to rural and Northern businesses affected by the pandemic.

NACCA continues to press for larger maximum loan amounts for both the relief and recovery phases of the response to the COVID-19 crisis.

¹ The data here are drawn from AFI audited financial statements, supplemented by annual reporting on lending activities and impacts. Where data were unavailable, we filled in values using an algorithm that aligns the estimated value with data points from the previous and following years. The fiscal years reported are assumed to end on March 31, the fiscal year-end for the vast majority of AFIs.

² The figures for the year ending March 31, 2020 still contain a large number of projections for AFI financial statements and related reporting. As more data are collected, the figures for 2019/20 may see larger corrections than those for prior years.

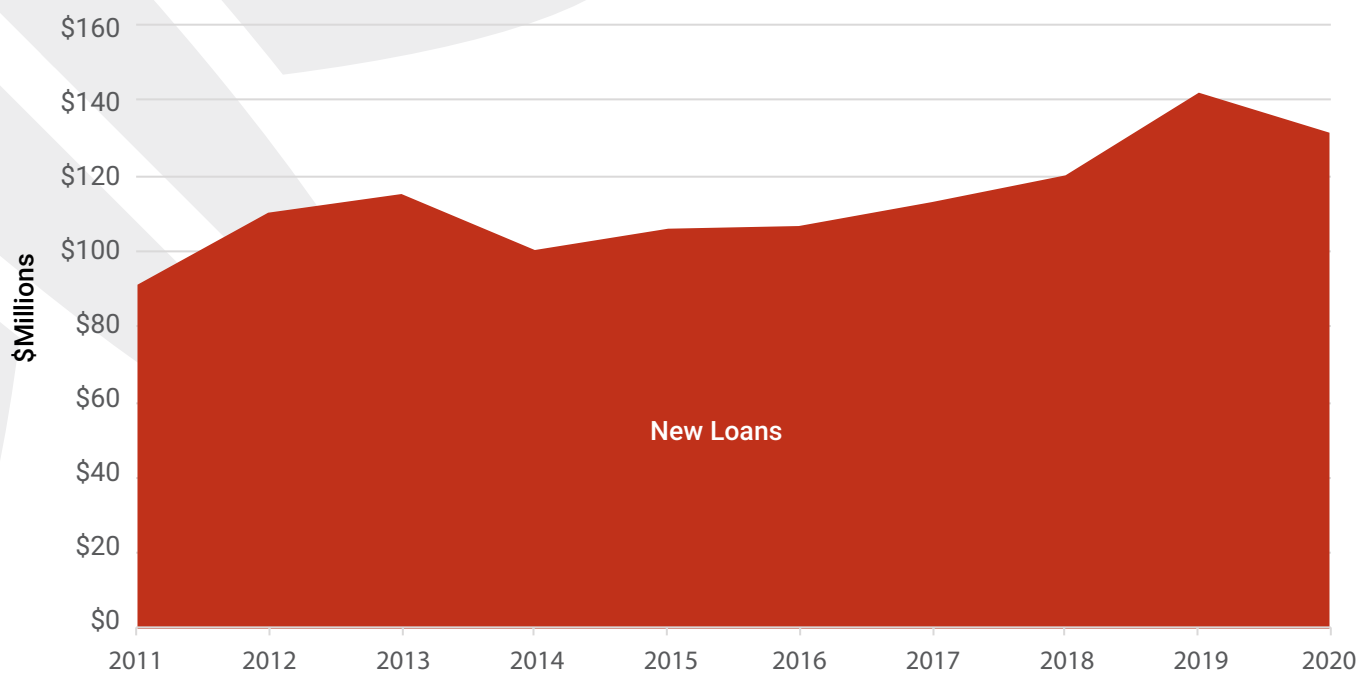
³ NACCA is continually improving our methodology for collecting and compiling our reporting data. As part of this improvement process, we have adjusted which pools of assets are included in the aggregate gross portfolio figures. As a result, figures from this report cannot directly be compared to those from prior reports.

Start-ups and Existing Businesses

A large majority of Indigenous businesses are small- or medium-sized enterprises (SMEs). As the history of our lending movement shows, SMEs – and, in particular, Indigenous-led start-ups – are the core type of businesses AFIs were created to support.



As in past years, the trend has persisted into 2020: almost 40% of total loans went to Indigenous-led start-ups in 2018 to 2020.



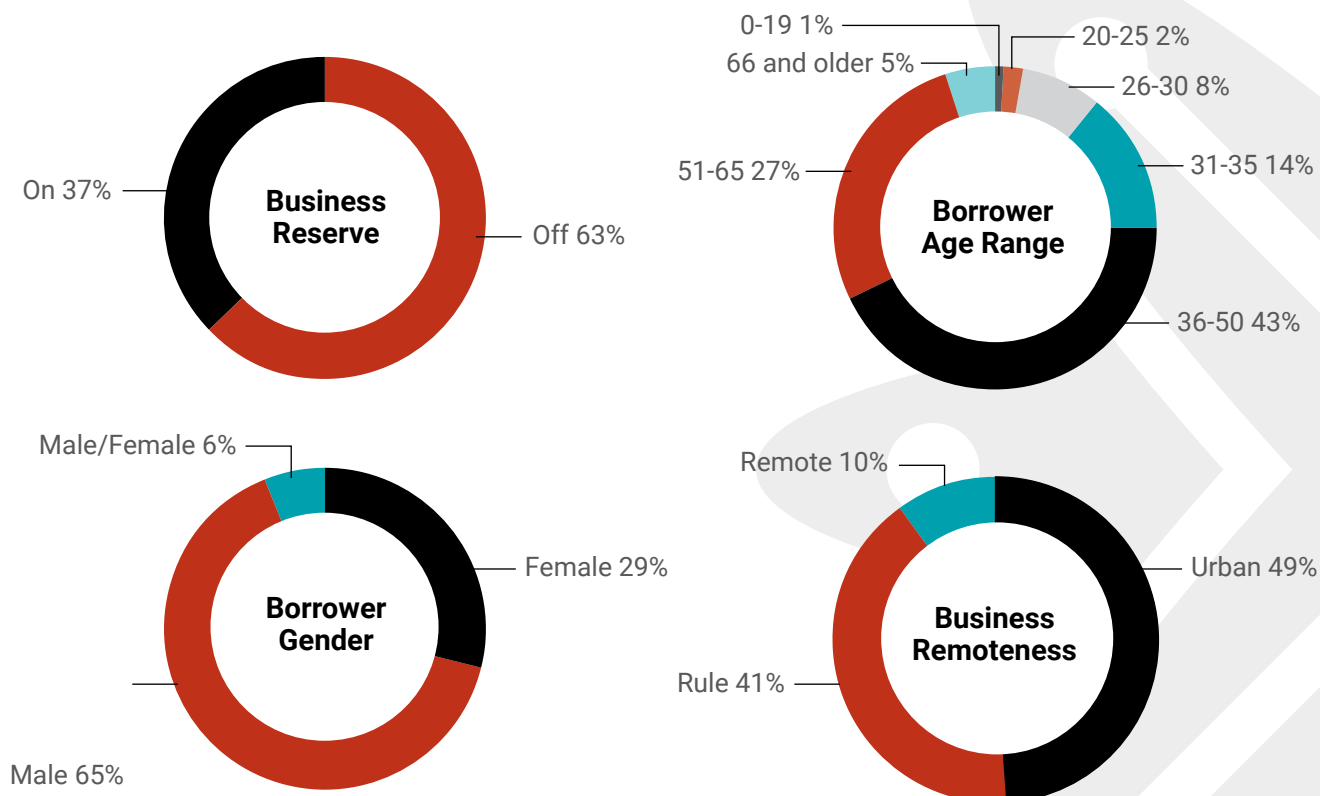
In dollar amounts, start-ups received a smaller – yet still significant – proportion of AFI lending capital. Just over 25 percent of the loan capital that AFIs had available went to start-up businesses in this period.

A Diverse Set of Indigenous Entrepreneurs

In 2015, NACCA began tracking some of the basic demographic characteristics of the clients that AFIs support. The results for 2018 to 2020 are fairly consistent with those for 2017. They indicate that AFIs serve a diverse set of entrepreneurs. The program data also indicate room for improvement in reaching youth and women entrepreneurs.

The Aboriginal Financial Institutions and NACCA: Supporting Diverse Set of Entrepreneurs

(based on the number of business supported by the ADLA and ABFP programs in 2018-20)



In 2018 to 2020:

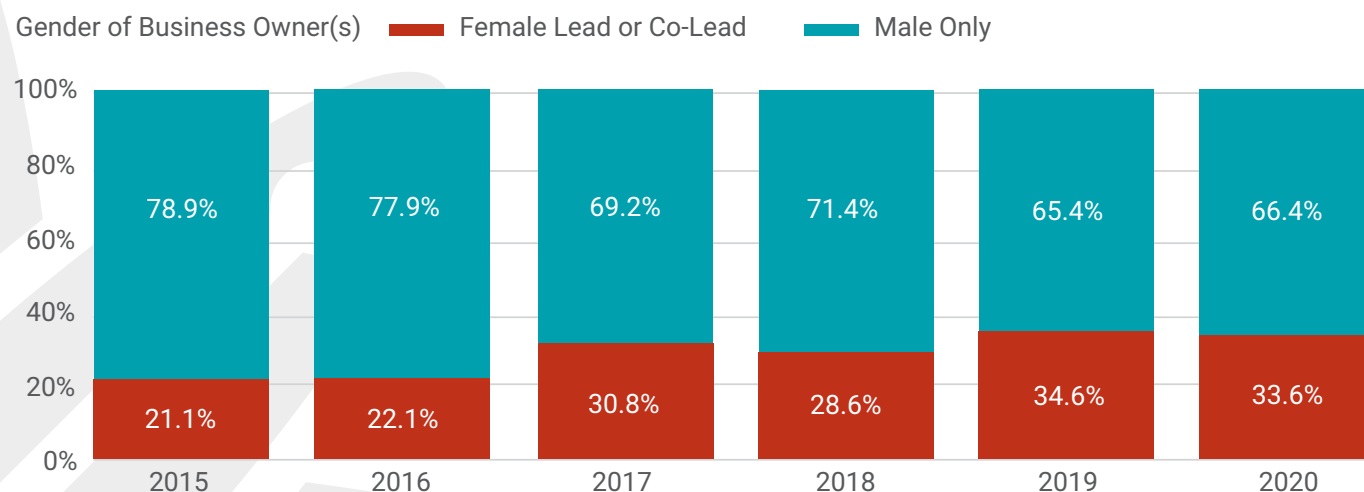
On-/off-reserve: almost two-thirds (63%) of Indigenous business clients were located off-reserve, while 37% were located on reserve. This distribution differs only slightly from 2017, when 40% of loans were to clients located on-reserve.

Business location: about half of AFI loans and financing (49%) went to businesses located in urban settings, while just over half went to Indigenous businesses in rural (41%) or remote (10%) locations. This distribution is almost identical to 2017.

Age: The majority of clients supported by AFIs are over 35. Taken together, three-quarters of AFI clients are over 35. Indigenous youth to age 35, although the fastest-growing demographic of the Indigenous population, comprise only 23% of AFI clients. NACCA has made it a priority to promote lending to youth over the next years.

Gender: Just over a third (35%) of AFI loans went to businesses either solely owned (29%) by Indigenous women or co-owned (6%) with a male. Loans to male-owned businesses comprised 65% of total AFI loans in the 2018 to 2020 period.

As a strategic priority, the network has established a target of gender parity for the network's lending. The following graph indicates that it is on its way to achieving this target. Since 2015, the number of businesses receiving AFI loans that are either led or co-led by women has risen steadily.



Support for Young Entrepreneurs

A 2016 survey by the Canadian Council for Aboriginal Business found that over half of Indigenous businesses had trouble locating potential sources of financing for their businesses. This situation is especially pronounced for Indigenous youth, as young people face barriers to accessing start-up capital in non-Indigenous contexts as well. In its 2017 Strategic Plan, NACCA identified Indigenous youth as a group that the network would consciously reach out to. Its aim was to ensure that this fast-growing population would become aware of AFI services, and to enlist its help in serving them.

The network took a major step at NACCA's Indigenous Prosperity Forum in February 2020, when NACCA formally partnered with Futurpreneur Canada to support Indigenous entrepreneurs aged 18 to 39. With its mission to support young entrepreneurs, Futurpreneur Canada will help NACCA assess the barriers



Destinee Peter, recipient of NACCA's 2020 Indigenous Youth Business Award of Excellence and owner of Tangles Hair and Beauty Salon in Regina, SK. Pictured with Lucy Pelletier, NACCA Board Member for Saskatchewan.

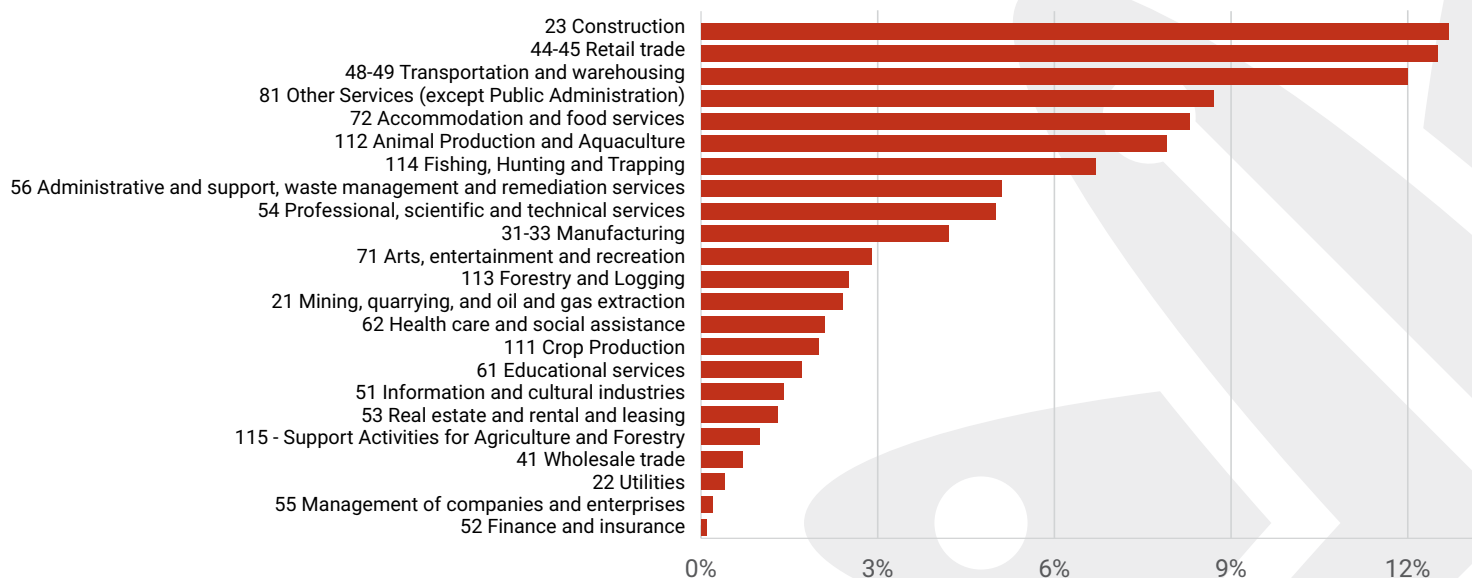
and service gaps that young Indigenous entrepreneurs face, then develop tools to support them.

With support from Futurpreneur, NACCA will convene an Indigenous youth business advisory council and seek to use their insights and business experience to learn how best to support this underserved market. The partners

will also launch an awareness-building campaign showcasing young Indigenous entrepreneurs as success stories and role models. NACCA has also developed a template agreement for individual AFIs to conclude formal agreements with Futurpreneur. This will assist them in promoting Indigenous youth entrepreneurship in their traditional territories.

A Wide Range of Industries

As in previous years, AFI loans supported Indigenous entrepreneurs in a wide range of industries, with large concentrations of business clients in a few key sectors nationally. Construction, transportation and warehousing, and retail trade were the highest, with about 12 percent of total businesses supported each. Food service and accommodation sectors were also well-represented, as were traditional businesses such as fishing, hunting and trapping, with over 7 percent of total businesses supported each.



Notably for the Indigenous economy over the next few years, the sectors where Indigenous businesses are concentrated also tend to be the ones most affected by the social distancing measures put in place to respond to the COVID-19 pandemic. The economic crisis faced by Indigenous businesses overall has been even more acute than the one faced by other Canadian businesses. This trend must be factored into planning measures for the recovery phase.

From Coast to Coast to Coast: AFI Highlights by Region

Key 2020 Statistics	AB	Atlantic & QC	BC	MB	North	ON	SK
AFI Activity and Impact							
Total loan dollars advanced	\$11,921,248	\$9,301,087	\$13,724,294	\$8,263,466	\$53,034,082	\$20,743,242	\$9,975,920
Total number of loans	279	82	201	88	45	164	297
To start-ups	157	23	94	48	12	67	77
To existing businesses	122	59	107	40	33	97	220
Total FTE jobs created or maintained by new loans	804	467	654	270	573	497	465
AFI Portfolio Metrics							
Total gross loan and investment portfolio (GLP)	\$31,611,068	\$26,690,499	\$40,885,081	\$31,143,692	\$102,210,988	\$42,425,817	\$35,805,942
Average size of new loan (weighted)	\$42,728.49	\$113,428	\$68,280	\$97,895	\$1,178,535	\$126,483	\$37,208
Interest yield on GLP (weighted average)	7.38%	6.79%	8.29%	5.91%	5.99%	4.21%	5.19%
Annual write-offs as % of GLP (weighted average)	6.04%	1.67%	0.23%	3.73%	0.34%	4.17%	1.96%

NACCA's Programs at Work: The Aboriginal Entrepreneurship Program

As an administrator of programs supporting businesses and AFIs, NACCA distributes funding to AFIs under the Aboriginal Entrepreneurship Program (or AEP for short). This

program supports most of the loans that AFIs provide to Indigenous businesses. With a budget of \$31.5 million, the program has been oversubscribed for the past several years.

Under the AEP, five programs are individually tailored to meet the needs of Indigenous entrepreneurs, as well as the AFIs that serve them.

Aboriginal Entrepreneurship Program (AEP) ⁴		2018	2019	2020
ABFP	Contributions	\$21,044,109	\$22,214,279	\$19,665,732
	Operations	\$3,751,261	\$3,826,129	\$3,874,096
	ACDP	\$1,029,581	\$1,139,233	\$1,057,190
	ADLA	\$4,669,397	\$5,834,087	\$5,287,250
	EA	\$73,871	\$165,485	\$208,744
	IRB	\$127,972	\$102,873	\$153,724
	TOTAL	\$30,696,192	\$33,282,086	\$30,246,736

1. Aboriginal Business Financing Program (ABFP)

The Aboriginal Business Financing Program or ABFP (also known as the equity program) addresses the many barriers to financing that Indigenous business-owners typically face.

Delivered by 19 AFIs in all regions of the country, the program provides Indigenous entrepreneurs and community-owned business ventures with a non-repayable contribution that they can use toward eligible project expenses. With the contribution in

place, AFIs can provide a loan to finance the remaining portion of a start-up or expansion. Without the contribution from the ABFP, many loans to Indigenous businesses would not be viable. As in previous years, demand for the ABFP continued to be very high.

ABORIGINAL BUSINESS FINANCING PROGRAM (ABFP)	2018	2020
# of AFI Regional Leads	15	19
# of Projects supported	606	524
Contributions to businesses	\$22,214,279	\$19,665,732
Operating support for AFI Regional Leads	\$3,826,129	\$3,874,096
TOTAL ABFP Funding	\$26,040,409	\$23,539,828

2. Aboriginal Developmental Lending Allocation Program (ADLA)

NACCA and AFIs launched the Aboriginal Developmental Lending Assistance program in 2014-15, with support from what is now Indigenous Services Canada. The program marked an important addition to the programs supporting AFI lending. The ADLA program supports the sustainable deployment of loan capital that AFIs have available.

Prior to the introduction of the ADLA, many AFIs struggled to break even due to the high costs of their developmental lending, which could not be met by the interest rates that they were able to charge. The ADLA provides AFIs with an incentive to engage any capital they can access by issuing further loans.

As the number and value of loans supported indicates, this activity-driven program achieved its objective of encouraging AFIs to issue more loans to Indigenous businesses over the past two years. The program was over-subscribed again in the past two years.

⁴ Differences in timing of the project-based reporting used for this section of the annual report compared to the reporting on the financial statement results in some differences in the reported totals for each year.

ABORIGINAL DEVELOPMENTAL LENDING ALLOCATION (ADLA)	2018	2019	2020
# of AFIs accessing	23	22	22
# of loans to businesses	638	642	576
\$ Value of developmental loans	\$35,336,765	\$44,798,856	\$40,671,150
\$ ADLA Funding paid to AFIs	\$4,669,397	\$5,834,087	\$5,287,250

3. Aboriginal Capacity Development Program (ACDP)

The Aboriginal Capacity Development Program supports AFIs in their ongoing effort to enhance their capacity and effectiveness. With a budget of just

over \$1 million per year, projects in this period ranged from specialized training for staff members to upgrades to their loan management software.

In 2018 through 2020, the program continued to be widely used. In addition to projects undertaken by individual AFIs, the ACDP also supported capacity for the network at large.

ABORIGINAL CAPACITY DEVELOPMENT PROGRAM (ACDP)	2018	2019	2020
# of individual AFIs supported	34	32	28
# of AFI staff trained	143	179	125
# of AFI Directors trained	94	140	118
\$ of Funding Provided to AFIs	\$1,029,581	1,139,233	1,057,190

4. Enhanced Access Program (EA)

For various reasons, some areas of the country do not have an AFI serving Indigenous businesses there. The EA Loan Fund provides loan capital that other AFIs can access to provide

loans in underserved areas. AFIs that access this additional lending capital are also reimbursed for the operational expenses they incur by serving loans to businesses located outside of their traditional territories.

Funds drawn through the EA program supported 40 new developmental loans in 2018 through 2020.

ENHANCED ACCESS (EA)	2018	2019	2020
\$ EA Loans Receivable	\$3,840,122	\$4,907,881	\$6,072,458
# of AFIs accessing for new loans	4	5	5
# of new developmental loans	8	16	24
\$ value of loans approved	\$738,711	\$1,654,485	\$2,087,442
\$ Value of 10% admin approved	\$73,871	\$165,485	\$208,744

5. Interest Rate Buy-Down Program (IRB)

Faced with a lack of capital to issue new loans, some AFIs establish lines of credit with other financial institutions. The Interest Rate Buy-Down Program offsets the interest costs of accessing capital. It

thus supports AFIs in undertaking additional developmental lending.

Over the past years, the dollar amount claimed under this program has

grown quickly, indicating that AFIs increasingly have to make use of such lines of credit to meet the demand for capital in their regions.

INTEREST RATE BUY-DOWN (IRB)	2018	2019	2020
# of AFIs accessing the program	7	6	5
\$ value of subsidy claimed	\$127,972	\$102,873	\$153,724

The Indigenous Business Stabilization Program

Early in March 2020, NACCA and AFIs understood that the COVID-19 pandemic would have an impact of a kind never before seen on Indigenous businesses, communities and the AFIs that serve them. Beyond the many barriers to access to capital that have long existed for Indigenous entrepreneurs, the social distancing measures that would soon be announced would prove to have a disproportionate impact on the sectors where Indigenous businesses tend to be most active: for example, transport, small retail, tourism, and hospitality/accommodations.

After AFIs predicted a heavy impact on their clients in a member survey, NACCA immediately began working on a response package. The aim was to help both Indigenous businesses and AFIs themselves withstand the coming crisis. On April 18, 2020, the Prime Minister announced a \$307 million relief package.

Among other elements, program components of the IBSP include:

- A \$204 million Emergency Loan Program (ELP), providing Indigenous-owned businesses impacted by COVID-19 with interest-free loans and non-repayable contributions to support their immediate working capital and operational needs. The maximum assistance per business is \$40,000, comprised of a \$30,000 loan and \$10,000 non-repayable contribution.

- A \$23 million Emergency Loan Delivery Program (ELDP), which cover the costs that AFIs incur to deliver and administer the ELP program. Such costs could include hiring staff and other overhead relating to the ELP up to March 31, 2021 as well as ongoing costs to administer it up to 2025. NACCA provides the ELDP funds to AFIs in line with funds for the ELP.
- A \$38 million AFI Portfolio Stabilization Program (PSP), which NACCA may access to cover foregone interest from existing loans and support AFIs facing financial difficulty as a result of COVID-19.

On June 11, 2020, the Minister of Indigenous Services Canada announced an additional \$132 million in relief funding. This funding is to be provided by ISC to community-based businesses, microbusinesses, and Indigenous tourism.

NACCA's annual report for 2020/21 will report on its progress on the IBSP – both on delivering the new relief programing and its on ongoing advocacy for a response that is tailored to the unique situation of Indigenous businesses.



Building on our Success

Reporting on Our Commitments: 2018-20 in Review

A key feature of accountability is reporting back on commitments made in previous years. For 2018 through 2020, NACCA continued advancing the priorities identified in its 2017–22 Strategic Plan. The Association developed the plan through a process that included AFI General Managers, NACCA's Board of Directors and NACCA staff.

Marking an important milestone for the organization, the Strategic Plan continues to guide our work.

Just past the half-way point of its 5-year timeline, NACCA has made significant progress in all priority areas.



PRIORITY 1

Serving NACCA Members

The Strategic Plan stresses NACCA's pledge to prioritize member satisfaction, engaging members through regular meetings and conferences, webinars and social media platforms. It commits the Association to developing tools and applications to assist AFIs in

improving client services, and to enlist its program information to help AFIs to provide the best possible care to the next generation of Indigenous entrepreneurs. The Plan requires NACCA to target training and capacity support to distinct tiers of lenders.

Finally, it entails a special focus on youth and women—identifying their lending needs, holding dedicated forums, and inviting youth to help develop new loan products.

Strategic Directions	Achievements over the past two years
<p>Engage AFIs and potential clients by holding regular conferences and gatherings, improving NACCA's web interface and enlisting social media.</p>	<ul style="list-style-type: none"> With ITK and ISC, co-hosted a 2018 workshop focusing on Inuit economic development and economic reconciliation. Planned and hosted NACCA Indigenous Prosperity Forums in 2019 (on access to capital) and 2020 (on Indigenous procurement). Increased in-person outreach activities with AFIs from across the country and continued to build NACCA's social media presence. Conducted member survey to inform NACCA's response to the COVID-19 economic crisis and intensified outreach to members.
<p>Provide AFIs with tools encouraging them to improve client service, through such things as web-based application processes and more comprehensive pre-and post-loan services.</p>	<ul style="list-style-type: none"> Contracted with Equifax Canada to provide enhanced credit rating services for members. Piloted IBIS World Canada Business Reports, providing members with comprehensive business performance and economic outlook reports. Continued work with AFIs to support their transition to a common loan management system.

Strategic Directions

Focus on youth and women, using research and NACCA data to identify their lending needs, holding dedicated forums, and inviting youth to help develop new products.

Manage and use NACCA's program information by improving its information management systems and using information to drive program and product development.

Help members build capacity by publishing leading practices, implementing new tools and systems, and dedicating resources to accommodate various tiers of AFIs.

Achievements over the past two years

- Successfully applied to ISED Women's Entrepreneurship Strategy, with funding of \$1.2M over 4 years to conduct research, develop workshops and tools, and explore options for a microfinance fund.
- Signed an MOU with Futurpreneur Canada to support Indigenous youth entrepreneurship.
- Continued to upgrade NACCA's reporting database to improve collection and reporting on results.
- With the NIEDB and Public Policy Forum, developed a final report on a series of workshops on economic reconciliation and inclusive growth.
- Developed a customized training program for AFIs with the Harvard Business School Executive Education Program.

Indigenous Women's Entrepreneurship



Sharon Bond-Hogg, owner of Kekuli Café Indigenous Cuisine and recipient of NACCA's 2020 Indigenous Woman Business Award of Excellence (far right). Pictured with NACCA Board Chair Jean Vincent, The Honourable Mary Ng, Yasser Ghazi, Meridian Bank and NACCA CEO Shannin Metatawabin.

Indigenous women are, and always have been, at the very heart of our communities. As a key part of the Indigenous entrepreneurship ecosystem and the AFI market, Indigenous women are valuable investments for communities and

investors. And they are thriving in business, despite the additional challenges they face in pursuing their entrepreneurship dreams.

In 2019, NACCA received funding of \$1.2 million from Innovation, Science

and Economic Development Canada to launch an Indigenous women entrepreneurship initiative. Guided by a working group of AFI representatives across Canada, its goal is to increase the number of Indigenous women engaging in entrepreneurship and business development. Through the initiative, NACCA is building the AFI network's capacity and developing tools, resources, and supports for Indigenous women to build or grow a business.

In July 2020, NACCA published the first research of the initiative – including a literature review, the National Indigenous Women Entrepreneurship Survey, and a summary report prepared by Helen Bobiwash. The research resulted in several recommendations to NACCA and the AFIs, which the network will strive to implement over the next fiscal years. In 2020-21, NACCA will explore opportunities to support a microfinance pilot project to support Indigenous women entrepreneurs.

PRIORITY 2

Inspiring Confidence in the Network

The AFI network's accomplishments are real, but not yet well known. For 2017 to 2022, NACCA committed to telling the network's story to decision-makers and potential partners, as well

as members, potential clients and the public. NACCA will build relationships in order to amplify the network's influence at policy tables, and conclude partnerships with like-minded

organizations to improve its training and capacity-building. Finally, the Strategic Plan commits NACCA to enhancing its reputation by obtaining certification of its internal processes.

Strategic Directions	Achievements over the past two years
<p>Tell the network's story to the government, other lenders, and the public by sending out a delegation of NACCA's most experienced lenders, participating in national events, and taking guest speaking and other opportunities to get the word out.</p>	<ul style="list-style-type: none"> • Appeared at several conferences and parliamentary committees (see events, media and communications section below). • Contributed to an OECD research initiative and discussions of Indigenous issues in international trade negotiations. • Completed NACCA's legacy book presenting the history of the Indigenous lending movement.
<p>Foster beneficial relationships with other Indigenous organizations, federal and provincial politicians, departments beyond INAC and Industry, non-Indigenous professional associations and the private sector.</p>	<ul style="list-style-type: none"> • Initiated an Indigenous Business Circle to discuss alignment of national Indigenous organizations on economic development issues and goals. • With key national Indigenous organizations, advanced a 5% Indigenous Procurement Target to be adopted across the federal government. • Expanded NACCA's reach and influence through meetings with Ministers from an expanding range of federal departments and agencies. • Took part in the COVID-19 Indigenous Business Taskforce initiated by the federal government. • Cultivated relationships with private investment sector stakeholders.
<p>Improve communications with AFIs through regular technical conferences, improving the website, and enhancing the Association's social media presence.</p>	<ul style="list-style-type: none"> • Increased in-person and virtual outreach activities with AFIs from across the country. • Undertook regular online communications with members when COVID-19 crisis hit.
<p>Enhance NACCA's credibility by obtaining certification for the Association.</p>	<ul style="list-style-type: none"> • Completed work to obtain ISO 9001 certification and conducted several internal audits.

Media, Communications and Events

NACCA was busy enhancing its media presence these past two years. Our news releases, newsletters, corporate relations videos, WebTV and social media presence increased, as did our use of social media. We even produced our long-awaited hard-cover legacy book, *Breaking a Trail to Prosperity: The Vision and Resilience of the Indigenous Financial Institutions Movement* (2020).

And, of course, we held conferences. In 2018, NACCA continued a three-part series hosted with the National Indigenous Economic Development Board and the Public Policy Forum. Following up on a February 2017 forum on reconciliation and inclusive economic growth for First Nations, the partners held day-long forums for Metis in June 2018 and Inuit in November 2018. In the same year, NACCA co-chaired AFOA Canada's

19th annual conference addressing human capital. That event was attended by over 1,000 people. In February 2019, the inaugural Indigenous Economic Prosperity Forum brought Indigenous access to capital to the attention of policy makers, financial institutions, and the private sector. The next major conference was in February 2020, when the second Indigenous Prosperity Forum put the spotlight on Indigenous procurement.

Further highlights from these two years:

APRIL 2018	Shannin Metatawabin joined the Canadian delegation to the United Nations Permanent Forum on Indigenous Issues in New York City.
JUNE 2018	NACCA CEO Shannin Metatawabin spoke to delegates at the first Global Conference on Indigenizing Entrepreneurship hosted by Algonquin College in Ottawa.
AUGUST 2018	Shannin conducted an interview for RAW Talks, a non-profit video interview series producer, in partnership with the Canadian Council for Aboriginal Business. The topic was access to capital and economic reconciliation.
NOV 2018 AND 2019	Shannin presented on Indigenous social finance at two successive Social Finance Forums hosted by the MaRS Centre for Impact Investing in Toronto.
FEBRUARY 2019	Andrew Leach, NACCA Board Chair, wrote an op-ed addressing the lack of loan capital for Indigenous businesses. The editorial appeared in the February 7, 2019 edition of The Globe & Mail.
FEBRUARY 2019	Andrew and Shannin testified at the Standing Committee on Agriculture and Agri-Food on the need for further capital and the Indigenous Growth Fund.
SEPTEMBER 2019	Shannin participated in a panel on growing the Indigenous economy at the Inclusion Works '19 conference in Fredericton, NB.
OCTOBER 2019	Shannin was a keynote speaker at the NADF Business Awards in Thunder Bay, Ontario and at the S'ólh Téméxw Indigenous Business Forum at the Village of Harrison Hot Springs, British Columbia.
NOVEMBER 2019	Shannin was part of the Canadian delegation to the Organisation for Economic Co-operation and Development (OECD) European Mission in Paris, France.
FEBRUARY 2020	Shannin was interviewed together with three other Indigenous experts for a podcast addressing Indigenous reconciliation and social finance.

Indigenous Prosperity Forum 2019: Access to Capital, Unlocking Community Potential

In February 2019, NACCA held its first Indigenous Economic Prosperity Forum at the Lac Leamy Casino in Gatineau, Quebec with the theme of improving access to new capital for Indigenous businesses. Over 275 delegates attended to hear from 28 speakers and panelists. NACCA also presented several Indigenous Business Success awards to businesses across the country.



Pictured 3rd and 4th from the left, Colombe Bourgue, General Manager and Haskan Sioui, President, Hôtel-Musée Premières Nations, accepting the NACCA 2019 Business excellence award. Pictured with SOCCA Chair Jean Vincent, President and CEO of the BDC Michael Denham, CDEM General Manager, Jean Gauthier and Andrew Leach, NACCA Chair.



Kendall Netmaker, owner of Neechie Gear, recipient of NACCA's 2019 Indigenous Youth Business Award of Excellence. Pictured with Andrew Leach, then-Chair of NACCA's board, and Jay-Ann Gilfoy of Vancity Community Investment Bank.

Indigenous Prosperity Forum 2020: The Road Ahead

NACCA held its second Forum in February 2020. An even larger success than the previous year, the event garnered over 400 delegates and focused on increasing Indigenous participation in procurement, a cause that NACCA has long championed. Commitments from partners in the Indigenous Growth Fund were also celebrated, including a \$50 million-dollar commitment from the Business Development Bank of Canada and a \$10 million-dollar commitment from Farm Credit Canada.



David Hart Band performing at the 2020 Indigenous Prosperity Forum.



The Honourable Marc Miller, Minister of Indigenous Services Canada, addressing delegates to the 2020 Indigenous Prosperity Forum.



Michael Hoffort, President and CEO of Farm Credit Canada, committing \$10 million to the Indigenous Growth Fund in his address to delegates of the 2020 Indigenous Prosperity Forum.

"Farm Credit Canada is working with NACCA as a key supporter of the development of an Indigenous Growth Fund. I think this is a very exciting initiative. The road ahead is promising. We are excited to explore the possibilities with you, and continue down this road together."

PRIORITY 3

Expanding AFI Financing

NACCA identified securing new capital for the network – both loan and equity capital – as a core strategic priority. The Strategic Plan commits the Association to developing and distributing the case for further investment; sending a

delegation of experienced lenders to decision-makers; and identifying social financing umbrellas that could allow the AFI network to become a leader in socially responsible investment. The Association has also

committed to working with its TAG Working Group to maximize the benefits of the capital the network already receives.

Strategic Directions	Achievements over the past two years
<p>Seek new capital for the network, including accompanying program funding by developing and distributing the investment case for the network's developmental financing; sending out a delegation of experienced lenders to decision-makers; and identifying social financing umbrellas.</p>	<ul style="list-style-type: none"> Enhanced the business case to support increased investment in the network. In Budget 2019, gained commitment of \$100M to establish the Indigenous Growth Fund and \$17M (over 3 years) in programming. With BDC venture capital team and Department of Finance, worked out options, completed financial modelling, and concluded a Term Sheet for \$100M investment in the Indigenous Growth Fund (IGF). Obtained additional investment of \$60M into the IGF from Farm Credit Canada (FCC) and Export Development Canada (EDC). Worked with members and ISC to develop the \$307M Indigenous Business Stabilization Program, responding to impacts of COVID-19.
<p>Optimize the use of existing capital by developing a tiered approach to allocating capital among AFIs</p>	<ul style="list-style-type: none"> Extended ABFP and ADLA programming to more network members. Began investigating broad design changes to the AEP to be actioned over the next two years. Engaged a private consultant to review the current suite of programs, confirm objectives, develop a logic model and identify opportunities for improvement.
<p>Promote diversifying the network's funding sources by allowing AFIs to support projects exceeding \$250,000, developing tools that will enable them to expand, and facilitating their exploration of options in social finance, innovation and housing.</p>	<ul style="list-style-type: none"> Explored development of a housing finance pilot project spearheaded by ABSCAN and potentially across the AFI network.

The Indigenous Growth Fund

Over the past two decades, NACCA's members have called for a central fund to support Indigenous business and economic development. In the 2017/18 fiscal year, work on the Indigenous Growth Fund began, and NACCA established important partnerships with several key stakeholders.

In Budget 2019, the Federal Government announced \$117M in new resources allocated to support NACCA and the AFI network. This amount included support for the establishment of the \$100M Indigenous Growth Fund in partnership with Business Development Bank of Canada (BDC). Work on making the Fund a reality continued in 2019/20 with the assistance of BDC's Venture Capital team.

NACCA received funding from Employment and Social Development Canada (ESDC)

under its Investment Readiness Program (IRP) which is being used, in part, to negotiate the formation of the Fund, establish the Fund's legal structure and prepare draft policies and procedures. As a result of our collective efforts, NACCA and the BDC were able to conclude a term sheet for a \$100M investment in the Fund. A ceremonial signing of the term sheet took place at NACCA's 2020 Indigenous Prosperity Forum.

Throughout 2020, NACCA engaged to build further awareness and interest in the Fund. Our efforts resulted in an additional combined commitment of \$60 million from Farm Credit Canada (FCC) and Export Development Canada (EDC). The Fund, which now sits at \$160M committed, will launch next year.



Jean Vincent, NACCA Board Chair, and Michael Denham, President and CEO of the Business Development Bank of Canada, signing the Term Sheet for the IGF at the 2020 Indigenous Prosperity Forum.

"This is the first fund of its kind in Canada and will open more doors to capital for more Indigenous entrepreneurs. We are proud of our fruitful partnership and we are looking forward to continuing working together for the benefit of Indigenous businesses owners."

Michael Denham, President and CEO - Business Development Bank of Canada

PRIORITY 4

Assessing and Building on the Network's Success

The AFI network has had a significant impact on Indigenous business development in Canada. Yet there is still scope better to understand, benchmark and measure the network's successes and to cultivate leading AFI practices as norms. The Strategic

Plan commits NACCA to sharing leading practices of AFIs at conferences, events and online. The Association will also assess the network's impact on Indigenous business by collecting and analyzing relevant data about its activities.

NACCA's board has committed to investing in the network by funding quality management systems (e.g. ISO) for interested AFIs and tailoring capacity resources to assist AFIs in meeting this goal. NACCA has actively been seeking ISO-9001 certification over the past two years.

Strategic Directions	Achievements over the past two years
<p>Share leading practice of AFIs by identifying and publicizing them at conferences, major national events, and online.</p>	<ul style="list-style-type: none"> Completed NACCA's legacy book presenting the history of the Indigenous lending movement and highlighting business success stories identified by participating AFIs.
<p>Assess the network's impact on Indigenous business in Canada by collecting and analyzing relevant data about the network's activities.</p>	<ul style="list-style-type: none"> Concluded a methodology with the Conference Board of Canada for a planned study of the socio-economic impact of AFIs in 2020-21. Renewed the performance measurement framework, allowing collection of data on NACCA's programs.
<p>Develop, adopt and promote standards for the network by developing criteria for a tiered allocation approach, offering AFI certification, and pursuing certification for NACCA within the next year.</p>	<ul style="list-style-type: none"> Developed a customized training program for AFIs with the Harvard Business School Executive Education Program.
<p>Invest in members' pursuit of certification and target capacity development funding to assist them in achieving it.</p>	<ul style="list-style-type: none"> Were accepted as a readiness support partner of ESDC's 2-year pilot Investment Readiness Program, which will increase the readiness of NACCA and the AFIs to participate in the social finance market.

Investment Readiness Program

In 2019, NACCA was recognized as one of five partners delivering the Investment Readiness Program. Announced in Budget 2019 and funded through Employment and Social Development Canada, the \$50M pilot program seeks to promote readiness for social purpose organizations to access new forms of social finance funding. NACCA received \$3.1 million over

two fiscal years. Other readiness support partners are Community Foundations of Canada, National Association of Friendship Centres, Le Chantier de l'économie sociale and the Canadian Women's Foundation.

The program will help AFIs strengthen, support and scale the Indigenous businesses they serve while also

helping ready them to access impact investment capital through the Indigenous Growth Fund (IGF).

Throughout 2019/20, NACCA engaged to build further awareness and interest in the Fund.

Relief, Recovery, Prosperity

2021 and Beyond

The two-year period reported on in these pages ended in March 2020 – the same month when Indigenous businesses in Canada first felt the impacts of the COVID-19 pandemic. In some senses, everything changed in those few weeks. In others, the challenges that AFIs and Indigenous business owners continue to face are all-too familiar.

Our work in 2020/21 will focus on ensuring that AFIs and Indigenous businesses receive much-needed relief to survive this crisis. But we will also look to their recovery and thriving. Our organization will stay the course in addressing its key priorities, which the current COVID-19 crisis has shown to be more pressing than ever.

Indigenous Business Stabilization Program

As a national leader in Indigenous economic development, NACCA began seeking a response tailored to Indigenous entrepreneurs when the economic crisis resulting from COVID-19 first hit. In mid-March, as the potential impacts of the response to COVID-19 were coming into focus, NACCA conducted a survey of its members. Over 95% of AFIs indicated that their clients would be negatively impacted by the social distancing measures taken in response to it.

Working with Indigenous Services Canada, NACCA immediately put forward a plan to help Indigenous businesses survive and recover. The Prime Minister announced the long-awaited relief on April 18, 2020: a targeted stimulus package of \$307 million for Indigenous businesses, delivered by NACCA and the AFI network. The Indigenous Business Stabilization Program (IBSP) includes:

- \$204 million under an Emergency Loan Program, providing Indigenous-owned businesses impacted by COVID-19 with interest-free term loans and a non-repayable contribution to a maximum of \$40,000 to support their immediate working capital and operational needs.
- Totalling \$38 million, a Portfolio Stabilization Program that NACCA can use to cover foregone interest from existing loans for which payments have been stopped and AFIs have forgiven accrued interest from March 15, 2020 to March 31, 2021.

Since receiving the emergency loan funds late in May, NACCA has allocated \$165 million to over 40 AFIs across the country.

NACCA is also actively seeking to improve the Indigenous-specific relief measures, making them more consistent

with those available to rural businesses via the regional development agencies. For example, many Indigenous businesses require capital amounts far greater than \$40,000 to survive the crisis. And, in recognition of the greater hurdles to acquiring capital that our entrepreneurs have always faced, a greater portion of the funding needs to be non-repayable. The Association will continue advocating for improved terms to relief targeted to Indigenous businesses throughout this fiscal year.

From Relief to Prosperity

As we deliver the relief programming, our eyes also remain trained on recovery and beyond.

- The Indigenous Growth Fund will remain a key priority in 2020/21. Eager to regain the momentum built in 2019 and 2020, we will be completing work required to launch the IGF in 2020/21. Tasks will focus on developing the limited partnership agreement, further financial modelling by KPMG, and the development of lending and operating policies for the Fund. NACCA will also explore staffing requirements to support delivery of the Fund.
- Indigenous Procurement is an abiding priority this year. NACCA will continue advancing a mandated Indigenous Procurement Target of



5% percent in the federal government together with key national Indigenous organizations. This target must be met during COVID-19 and after, to create greater wealth and employment for Indigenous communities.

- The Women's Initiative will continue to be a priority for both NACCA and network members. Our working group of AFIs will build on the research conducted over the past year to develop tools for Indigenous women entrepreneurs as well as a micro-finance framework. NACCA will explore opportunities to support a micro-finance pilot project.
- Capacity-building remains key. Under the Investment Readiness Program, NACCA will put in place agreements with AFIs totaling

\$1.95M to provide client support services, create deal flow, and ensure that AFI lending policies and procedures meet IGF requirements. NACCA will also build further on work to deliver services in greatest demand among members (i.e. Equifax) and to explore options for AFIs interested in financing the housing sector. All interested AFIs will be supported to attend our customized Harvard Business School program in June 2021. NACCA anticipates obtaining full ISO certification by the end of the 2020/21 fiscal year.

- Program optimization and performance measurement remain a priority. Following its AEP Evaluation and ABFP Optimization Review, NACCA will work closely with the network to find efficiencies in delivery of the

program. NACCA will also make further upgrades to its loan management system, to support ongoing program management and timely, accurate reporting under the COVID-19 programming.

- Research to support the story of our network's impact remains a pressing need. Although NACCA has collected metrics on AFI activities and outputs for the past two decades, we are limited in knowing the impact that AFIs are making in the communities they serve. In 2019/20, NACCA developed a methodology for an AFI Socio-Economic Impact Study with the Conference Board of Canada. We are planning to conduct the broader study in 2020/21.

Since receiving the emergency loan funds late in May, NACCA has allocated \$165 million to over 40 AFIs across the country.



In Closing

Vision and Resilience

As an Indigenous-led network, we are well acquainted with resilience. In the midst of this economic crisis, our vision, to promote thriving, prosperous Indigenous businesses with equitable access to capital and care, has proven itself more relevant than ever.

“*What is our greatest accomplishment? We are still here! We’ve kept giving loans and kept our heads on, even when we should have floundered.*”

Lucy Pelletier, NACCA Board Member for the past 10 years. Cited in *Breaking a Trail to Prosperity: The Vision and Resilience of the Indigenous Financial Institutions Movement* (2020).

From our founding by a small group of ACCs, to our present with 59 AFIs providing tailored COVID-19 relief to Indigenous clients across the country, we have remained sensitive to their unique needs. We have because we are among them, an Indigenous-owned and -led network. Our lending is motivated by a determination to invest wisely – and above all to make a difference in our communities.

As for the national organization, NACCA is guided by our mission to serve as the national voice of the AFIs, as a national advocate for Indigenous business development, and a provider of capacity and professional development support to our members. It is not always easy to balance the community-basis of AFIs with

achieving shared national objectives, or to ensure that all heritage groups and regions are fully accommodated. But despite – indeed, because of – our network’s diversity, NACCA always remains aware of the diverse rights, aspirations and needs of our Indigenous clients. This too is a strength.

The sheer determination of our founders, builders and clients have ensured that AFIs throughout the country remain active today despite the odds. We are still here – still able to provide relief, recovery and business support services to Indigenous entrepreneurs throughout our lands.

We have survived. We will thrive again. And we will do it together, loan by loan.

NACCA BOARD of DIRECTORS

Jean Vincent

Quebec, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, and New Brunswick Region
Chair

Cameron Alexis

Alberta Region
Vice-Chair

Ron Marano

Ontario Region
Secretary

Wayne Flamand

Independent Director
Treasurer

Elaine Chambers

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Director

Carol Johnston

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Director

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Director

Lucy Pelletier

Saskatchewan Region
Director

Cory McDougall

Independent Director

NACCA Staff

Shannin Metatawabin

Chief Executive Officer

Debbie Leclair

Executive Coordinator

Gerry Huebner

Chief Strategy Officer

Frank Richter

Manager – Funds and Analytics

Relay Tangie

Finance Manager

André Jetté

IM/IT and Facilities
Manager

Kevin Rose

Interim Program
Manager

Kristen Morris

Human Resources
Advisor

Mark Dokis

Special Projects

Magnolia Perron

Indigenous Women &
Youth Program Officer

Sarah MacNeil

Investment Readiness
Officer

Stacey Fox

Junior Financial Analyst

Emma Fairbrass

Products & Services
Administrator

Marshall Ballard

Products & Services
Administrator

Valerie Shecapio

Finance Clerk



Annex A

NATIONAL ABORIGINAL CAPITAL
CORPORATIONS ASSOCIATION (NACCA)

Financial Statements

Year Ended March 31, 2020



INDEPENDENT AUDITOR'S REPORT

To the Members of the National Aboriginal Capital Corporations Association

Opinion

We have audited the financial statements of National Aboriginal Capital Corporations Association (NACCA), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Aboriginal Capital Corporations Association (NACCA) as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 association'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 association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the association'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 these 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:

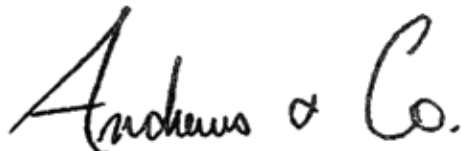
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

- 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 association'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 association'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 association 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.

We 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.

Ottawa, Ontario
August 25, 2020



**CHARTERED PROFESSIONAL ACCOUNTANTS
PROFESSIONAL CORPORATION
LICENSED PUBLIC ACCOUNTANTS**

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
As at March 31, 2020

	Unrestricted Fund	Internally Restricted Fund	Enhanced Access Fund	ADLA	ABFP	IRP	WES	2020	2019
CURRENT ASSETS									
Cash (Note 15)	\$ 10,205,885	\$ 1,940,793	\$ -	\$ -	\$ -	\$ 888,198	\$ 82,167	\$ 13,117,043	\$ 4,199,229
Funding receivable	61,981	-	1,291	80,705	403,523	-	-	547,500	3,392,000
Short-term investments (Note 7)	-	-	-	-	-	-	-	-	3,722,751
Accounts receivable	155,878	-	-	-	768,861	-	-	924,739	1,105,957
Loans receivable (Note 3)	-	-	5,459,073	-	-	-	-	5,459,073	4,410,595
Prepaid expenses	260,465	-	-	-	-	-	-	260,465	26,425
	<u>10,684,209</u>	<u>1,940,793</u>	<u>5,460,364</u>	<u>80,705</u>	<u>1,172,384</u>	<u>888,198</u>	<u>82,167</u>	<u>20,308,820</u>	<u>16,856,957</u>
LONG-TERM ASSETS									
Capital assets (Note 5)	29,338	-	-	-	-	-	-	29,338	48,507
Long-term investments (Note 7)	-	1,818,325	-	-	-	-	-	1,818,325	-
Investment in subsidiary company (Note 4)	-	155,549	-	-	-	-	-	155,549	-
	<u>29,338</u>	<u>1,973,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,003,212</u>	<u>48,507</u>
TOTAL ASSETS	<u>\$ 10,713,547</u>	<u>\$ 3,914,667</u>	<u>\$ 5,460,364</u>	<u>\$ 80,705</u>	<u>\$ 1,172,384</u>	<u>\$ 888,198</u>	<u>\$ 82,167</u>	<u>\$ 22,312,032</u>	<u>\$ 16,905,464</u>
CURRENT LIABILITIES									
Accounts payable and accrued liabilities	\$ 879,362	\$ -	\$ -	\$ 1,864,235	\$ 1,571,947	\$ -	\$ -	\$ 4,315,544	\$ 2,416,337
Deferred contributions (Note 6)	1,006,612	-	-	-	2,605,485	781,879	-	4,393,976	655,001
Interfund (Note 15)	8,309,436	34,444	(3,772,616)	(1,783,530)	(3,005,048)	106,319	110,995	-	-
	<u>10,195,410</u>	<u>34,444</u>	<u>(3,772,616)</u>	<u>80,705</u>	<u>1,172,384</u>	<u>888,198</u>	<u>110,995</u>	<u>8,709,520</u>	<u>3,071,338</u>
UNAMORTIZED EXTERNAL CAPITAL CONTRIBUTIONS (Note 9)	<u>29,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,338</u>	<u>48,507</u>
TOTAL LIABILITIES	<u>10,224,748</u>	<u>34,444</u>	<u>(3,772,616)</u>	<u>80,705</u>	<u>1,172,384</u>	<u>888,198</u>	<u>110,995</u>	<u>8,738,858</u>	<u>3,119,845</u>
FUND BALANCE	<u>488,799</u>	<u>3,880,223</u>	<u>9,232,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,828)</u>	<u>13,573,174</u>	<u>13,785,619</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,713,547</u>	<u>\$ 3,914,667</u>	<u>\$ 5,460,364</u>	<u>\$ 80,705</u>	<u>\$ 1,172,384</u>	<u>\$ 888,198</u>	<u>\$ 82,167</u>	<u>\$ 22,312,032</u>	<u>\$ 16,905,464</u>

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the board

Director, Jean Vincent

Director, Wayne J.D. Flanagan

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
STATEMENT OF OPERATIONS
 Year ended March 31, 2020

	Unrestricted Fund	Internally Restricted Fund	Enhanced Access Fund	ADLA	ABFP	IRP	WES	2020	2019
REVENUE									
Amortization of external capital contributions	\$ 34,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,224	\$ 46,427
AANDC funding	3,604,223	-	80,000	5,293,684	22,770,967	-	-	31,748,874	35,686,244
ESDC funding	-	-	-	-	-	294,592	-	294,592	-
FedDev Ontario funding	-	-	-	-	-	-	211,815	211,815	-
Conference income	301,818	-	-	-	-	-	-	301,818	242,575
Interest and other income	384,687	66,261	-	-	-	5,825	415	457,188	304,977
Membership fees	153,000	-	-	-	-	-	-	153,000	150,000
	<u>4,477,952</u>	<u>66,261</u>	<u>80,000</u>	<u>5,293,684</u>	<u>22,770,967</u>	<u>300,417</u>	<u>212,230</u>	<u>33,201,511</u>	<u>36,430,223</u>
PROGRAM COSTS									
ABFP equity	-	-	-	-	18,896,871	-	-	18,896,871	22,183,686
ABFP operating support cost	-	-	-	-	3,874,096	-	-	3,874,096	3,826,129
ADLA costs	-	-	-	5,293,684	-	-	-	5,293,684	5,801,819
Enhanced access	-	-	329,878	-	-	-	-	329,878	239,229
Interest rate buy down	152,382	-	-	-	-	-	-	152,382	105,733
ACDP costs	1,118,833	-	-	-	-	-	-	1,118,833	1,095,095
Research and program development	167,481	-	-	-	-	-	-	167,481	257,228
	<u>1,438,696</u>	<u>-</u>	<u>329,878</u>	<u>5,293,684</u>	<u>22,770,967</u>	<u>-</u>	<u>-</u>	<u>29,833,225</u>	<u>33,508,919</u>
	<u>3,039,256</u>	<u>66,261</u>	<u>(249,878)</u>	<u>-</u>	<u>-</u>	<u>300,417</u>	<u>212,230</u>	<u>3,368,286</u>	<u>2,921,304</u>
EXPENSES									
AEP committee	77,201	-	-	-	-	-	-	77,201	67,558
Advertising and promotion	61,942	-	-	-	-	-	-	61,942	61,567
Amortization (Notes 2 & 5)	34,224	-	-	-	-	-	-	34,224	46,427
Audit and legal	110,426	-	-	-	-	2,072	-	112,498	69,619
Bank and processing fees	17,368	-	-	-	-	-	-	17,368	8,312
Board (Schedule 1)	331,571	-	-	-	-	-	-	331,571	270,985
Conference	301,397	-	-	-	-	-	-	301,397	219,706
IT upgrade	20,604	-	-	-	-	-	-	20,604	19,388
Insurance	12,112	-	-	-	-	-	-	12,112	6,825
Office and administration	76,366	-	-	-	-	-	-	76,366	55,144
	<u>77,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,201</u>	<u>67,558</u>
	<u>61,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,942</u>	<u>61,567</u>
	<u>34,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,224</u>	<u>46,427</u>
	<u>110,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,072</u>	<u>-</u>	<u>112,498</u>	<u>69,619</u>
	<u>17,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,368</u>	<u>8,312</u>
	<u>331,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,571</u>	<u>270,985</u>
	<u>301,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>301,397</u>	<u>219,706</u>
	<u>20,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,604</u>	<u>19,388</u>
	<u>12,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,112</u>	<u>6,825</u>
	<u>76,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,366</u>	<u>55,144</u>
	<u>264,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,128</u>	<u>153,693</u>	<u>533,019</u>	<u>305,436</u>
	<u>89,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,299</u>	<u>3,780</u>	<u>99,963</u>	<u>102,640</u>
	<u>11,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,536</u>	<u>26,072</u>
	<u>24,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,519</u>	<u>37,362</u>
	<u>21,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,272</u>	<u>763</u>	<u>23,678</u>	<u>22,350</u>
	<u>2,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>430</u>	<u>2,777</u>	<u>3,501</u>
	<u>227,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,987</u>	<u>34,602</u>	<u>268,744</u>	<u>175,021</u>
	<u>1,354,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,659</u>	<u>47,790</u>	<u>1,571,212</u>	<u>1,519,330</u>
	<u>3,039,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,417</u>	<u>241,058</u>	<u>3,580,731</u>	<u>3,017,243</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES									
	<u>\$ -</u>	<u>\$ 66,261</u>	<u>\$ (249,878)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (28,828)</u>	<u>\$ (212,445)</u>	<u>\$ (95,939)</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
STATEMENT OF FUNDS BALANCES
Year ended March 31, 2020

	Unrestricted Fund	Internally Restricted Fund	Externally Restricted					2020	2019
			Enhanced Access Fund	ADLA	ABFP	IRP	WES		
BALANCE, BEGINNING OF YEAR	\$ 488,799	\$ 3,813,962	\$ 9,482,858	\$ -	\$ -	\$ -	\$ -	\$ 13,785,619	\$ 13,881,558
Excess of revenues over expenditures	-	66,261	(249,878)	-	-	-	(28,828)	(212,445)	(95,939)
BALANCE, ENDING OF YEAR	<u>\$ 488,799</u>	<u>\$ 3,880,223</u>	<u>\$ 9,232,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (28,828)</u>	<u>\$ 13,573,174</u>	<u>\$ 13,785,619</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
STATEMENT OF CASH FLOWS
 Year ended March 31, 2020

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ (212,445)	\$ (95,939)
Items not effecting cash		
Amortization	34,224	46,427
Amortization of external capital contributions	(34,224)	(46,427)
Provision for impaired loans	116,100	73,742
Total adjustments	<u>116,100</u>	<u>73,742</u>
	<u>(96,345)</u>	<u>(22,197)</u>
Change in non-cash working capital items		
Funding receivable	2,844,500	-
Prepaid expenses	(234,040)	16,918
Accounts payable and accrued liabilities	1,899,207	(4,208)
Accounts receivable	181,218	(677,022)
Deferred contributions	3,738,975	(995,588)
	<u>8,333,515</u>	<u>(1,682,097)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to capital assets	15,056	15,129
Deferred capital contribution received	(15,056)	(15,129)
Advance to subsidiary company	(155,449)	-
Issuance of new EAF loans receivable	(2,073,442)	(1,688,928)
Repayments of EAF loans receivable	908,864	1,044,711
Sale of short-term investments	3,722,751	-
Purchase of long-term investments	(1,818,325)	-
Purchase of subsidiary common shares	(100)	-
	<u>584,299</u>	<u>(644,217)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,917,814	(2,326,314)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,199,229</u>	<u>6,525,543</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 13,117,043</u></u>	<u><u>\$ 4,199,229</u></u>

The accompanying notes are an integral part of the financial statements.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2020

1. NATURE OF OPERATIONS

National Aboriginal Capital Corporations Association (NACCA), incorporated under the Canada Corporations Act to facilitate the provision of products and services to Aboriginal Financial Institutions (AFIs), is a not-for-profit corporation without share capital and is exempt from taxation under paragraph 149(1)(l) of the Federal Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Fund accounting

The association uses fund accounting for financial reporting purposes.

The Internally Restricted Funds consist of funds received from National Aboriginal Capital Corporations Support Incorporated (NACSI) upon its dissolution. The organization has chosen to internally restrict the funds. Future decisions on the use of the funds will be made by the NACCA Board of Directors. The fund includes internally restricted investments and reports the investment income received on these investments. In late 2019, the NACCA Board of Directors agreed to move ahead with a plan to use a portion of these restricted funds, currently held in GICs, to invest in real estate. This move from GICs to real estate provides the Association and its members with a stronger investment base. Prior to the end of the fiscal year, the NACCA Board had approved the purchase of an office building in downtown Ottawa, with the transaction being completed in April 2020, the new fiscal year (Notes 2h, 4 and 14a).

The Unrestricted Fund accounts for the daily operating activities of the association, the Aboriginal Capacity Development Program (ACDP) and the Interest Rate Buy-down Program (IRB). The Aboriginal Capacity Development Program (ACDP) builds the capacity of AFIs to deliver better lending services to Aboriginal businesses served. The Interest Rate Buy-Down (IRB) helps lower interest costs related to accessing additional capital. The Unrestricted fund includes the revenue, expenses, assets, liabilities and net assets of the other operations of the association including interest income, membership fees and conference income.

The Enhanced Access (EA) loan fund provides 0% interest loans to participating Aboriginal Financial Institutions to fund loan capital to viable, qualified, Aboriginal businesses for areas not serviced by AFIs across Canada. The Enhanced Access Fund reports the revenue, expenses, assets and net assets of the fund's activities.

The Aboriginal Developmental Lending Assistance (ADLA) relates to the association's program destined to enhance the capacity of individual AFI's by contributing funds to alleviate the cost of providing, managing and deploying developmental loans. The ADLA Fund reports the revenue, expenses, assets and net assets of the fund's activities.

The Aboriginal Business Financing Program (ABFP) relates to the association's program destined to increase the number of Aboriginal businesses in Canada by offering non-repayable contributions to eligible Aboriginal entrepreneurs and community-owned Aboriginal businesses. The ABFP Fund reports the revenue, expenses, assets and net assets of the fund's activities.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The above funds are a suite of products and services under the title of Aboriginal Entrepreneurship Program (AEP) which is funded by Aboriginal Affairs and Northern Development Canada (AANDC).

The Investment Readiness Program (IRP) is a pilot program that aims to promote access to new forms of social finance funding for social purpose organizations. The program is delivered via grants to AFIs to ready them for access to impact investment capital through the Indigenous Growth Fund (IGF). This is funded by Employment and Social Development Canada (ESDC) and the maximum contribution available is \$3.1 million until project completion on March 31, 2021.

The Indigenous Women's Entrepreneurship Initiative (WES) is a four-year project aiming to increase the number of Indigenous women engaging in entrepreneurship and business development in Canada. This is funded by the Federal Economic Development Agency for Southern Ontario (FedDev Ontario) and the maximum contribution available is \$1.2 million until project completion on March 31, 2023.

(b) Revenue recognition

The association follows the restricted fund method of accounting for contributions. The association has seven funds, and revenue recognition is as described in Note 2(a).

Restricted contributions for activities other than through the restricted funds are recognized as revenue of the Unrestricted fund in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis.

(c) Cash and cash equivalents

Cash and cash equivalents are defined as cash, bank overdrafts, and short term deposits with term maturity of three months or less at the date of purchase.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial assets and liabilities

(i) Measurement of financial instruments

The association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the carrying amount or exchange amount, as appropriate.

The association subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash, term deposits, accounts receivable, funding receivable and long term investments. Enhanced access fund loans receivables are carried at the amount disbursed less principal repayments and provisions for loan impairment sufficient to reduce their carrying amount to estimated realizable amounts, which approximate fair value.

Investments in common shares of a controlled subsidiary are recognized using the equity method.

Financial liabilities measured at amortized cost include accounts payable, and accrued liabilities.

(ii) Impairment

For financial assets measured at cost or amortized cost, the association determines whether there are indications of possible impairment. When there is an indication of impairment, and the association determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess (deficiency) of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess (deficiency) of revenues over expenditures.

(iii) Transaction costs

Transaction costs are recognized in income in the period incurred, except for financial instruments that will be subsequently measured at amortized cost.

(e) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to the financial statements. These estimates are based on management's best knowledge of current events and actions that the association may undertake in the future. Actual results could differ from those estimates. Significant estimates include the allowance for impaired loans, amortization of fixed assets and accrued interest on short and long-term investments.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Capital assets

Capital assets, which include computer equipment and furniture and fixtures are amortized over their estimated useful lives according to the straight-line method over a period of 3 years.

Leasehold improvements are amortized using the straight-line basis over the term of the lease.

(g) Allowance for impaired loans

The association maintains a general allowance for impaired loans that reduces the carrying value of the EAF receivable portfolio to its estimated realizable value.

The allowance for loan losses is updated annually with estimates prepared by management based on historical loan loss experience in the Enhanced access loan portfolio.

(h) Investment in subsidiary company

The equity method is used to account for the association's investment in its wholly owned subsidiary company. This method of accounting brings into consolidated earnings the company's share in earnings of the subsidiary corporation, which is also added to the carrying value of the investment. The excess of cost over the underlying share of equity in the investment since the date of acquisition is being amortized against the company's share of earnings of the associated corporation.

(i) Related parties

Related party transactions are in the normal course of operations and have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

3. LOANS RECEIVABLE

	2020	2019
Loans receivable	\$ 6,072,459	\$ 4,907,881
Less: Allowance for impaired loans	<u>(613,386)</u>	<u>(497,286)</u>
	<u>\$ 5,459,073</u>	<u>\$ 4,410,595</u>

Enhanced access fund loans are made to participating Aboriginal Financial Institutions to fund loans to Aboriginal businesses under the terms of the fund's agreement with the Government of Canada. During the year, the association receives or becomes entitled to funding from the Government of Canada. The association also issues new loans and receives payments from pre-existing loans

The association does not require security from, or charge interest to, participating Aboriginal Financial Institutions who receive Enhanced access fund loans. Loans are due on demand, but participating Aboriginal Financial Institutions are required to repay Enhanced access fund loans when they receive repayment from their clients.

The association also prepares an estimated allowance for impaired loans if deemed necessary, based on historical portfolio performance and specific analysis of each loan.

4. INVESTMENT IN SUBSIDIARY COMPANY

On March 10, 2020, a wholly-owned subsidiary: 2747534 Ontario Corporation was incorporated by the organization. This for-profit subsidiary is reported as an investment under the equity method in these financial statements.

The purpose of the subsidiary is to purchase a new office building and lease space to the association and other third party tenants. This purchase was completed after year-end and the balance of the investment is made up of expenses and deposits related to the building that were paid by the association on the subsidiary's behalf.

The accounts of 2747534 Ontario Corporation are not consolidated with the association's financial statements. There was no income or expenses in the period, nor any cashflow. A financial summary of the non-consolidated entity is as follows:

Summarized Statement of Financial Position	2020
Assets	
Prepaid expenses	\$ 30,549
Deposits	<u>125,000</u>
Total Assets	155,549
Liabilities and net assets	
Due to NACCA	(155,449)
Share Capital	<u>(100)</u>
Total liabilities and net assets	(155,549)
Net Assets	<u>\$ -</u>

5. CAPITAL ASSETS

	2020 Cost	2020 Accumulated amortization	2020 Net book value	2019 Net book value
Office equipment	\$ 54,738	\$ 52,180	\$ 2,558	\$ 8,684
Leasehold improvements	57,248	57,248	-	1,251
Computer equipment	202,127	175,347	26,780	38,572
	<u>\$ 314,113</u>	<u>\$ 284,775</u>	<u>\$ 29,338</u>	<u>\$ 48,507</u>

Amortization in the year amounted to \$34,224 (2019 - \$46,427).

6. DEFERRED CONTRIBUTIONS

	2020	2019
Balance, beginning of year	\$ 655,001	\$ 1,650,589
Contributions received during the year	35,782,441	34,690,656
Contributions recognized as revenue during the year	<u>(32,043,466)</u>	<u>(35,686,244)</u>
Balance, end of year	<u>\$ 4,393,976</u>	<u>\$ 655,001</u>

Deferred contributions represent amounts received under the funding agreements with Aboriginal Affairs & Northern Development Canada (AANDC) and ESDC that have not yet been spent on operations or programming. At the end of the current year, these amounts are \$3,612,097 and \$781,879, respectively.

Under the 5-year agreement with AANDC, contributions that are unspent at the end of each fiscal year can be deferred and spent in subsequent fiscal years. Any remaining unspent funds at the end of the five year agreement are repayable under the terms of the agreement. Fiscal year 2020 is the third of five years under the current agreement.

Under the two-year agreement with ESDC for the IRP fund, contributions unspent in the first year can be deferred and spent in the second. Any unspent funds after fiscal year 2021 are repayable under the terms of the agreement.

7. SHORT TERM AND LONG TERM INVESTMENTS

	2020	2019
Term certificate, maturing August 24, 2019 with an interest rate of 2.00%	\$ -	\$ 3,722,751
Term certificate, maturing May 14, 2021 with an interest rate of 2.70%	1,800,000	-
Accrued interest income receivable	18,325	-
Total	<u>\$ 1,818,325</u>	<u>\$ 3,722,751</u>

8. EMPLOYEE BENEFIT PLAN

The association is an employer member of the Native Benefits Plan, which is a multi-employer, defined benefit plan. The Plan is being accounted for as a defined contribution plan since information specific to the association's portion is unavailable. Total cash payments for employee future benefits, consisting of cash contributed by the association to its funded pension plan during the year ended March 31, 2020 were \$131,716 (2019 - \$106,687). This amount is included in wages and benefits on the statement of operations.

9. UNAMORTIZED EXTERNAL CAPITAL CONTRIBUTIONS

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 48,507	\$ 79,805
Received during the year	15,055	15,129
Recognized during the year	<u>(34,224)</u>	<u>(46,427)</u>
Balance, end of year	\$ <u>29,338</u>	\$ <u>48,507</u>

10. COMMITMENTS

The association has entered into a short-term lease agreement expiring October 31, 2020 for the rental of office space which calls for a minimum aggregate lease payment of \$23,097.

The minimum lease payments in fiscal year 2021 are \$23,097.

11. ECONOMIC DEPENDENCE

The association derives 96% (2019 - 98%) of its total revenues from a funding agreement with Aboriginal Affairs and Northern Development Canada (AANDC).

12. CONTINGENCY

Certain program revenues of the association are subject to conditions regarding the expenditures of the funds. The association's accounting records are subject to audit by funding agencies to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Any adjustments to the financial statements as a result of these audits will be recorded in the future period in which they become known.

13. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The association's main financial risk exposure and its financial risk management policies are as follows:

(a) Interest rate risk

The association manages its exposure to interest rate risk through acquiring fixed rate investments. Interest rate risk is the risk that the company has interest rate exposure on its bank account balances and investments. This exposure may have an effect on its earnings in future periods. In the opinion of management the interest rate risk exposure to the company is low.

(b) Credit risk

The financial instruments that potentially expose the association to credit risk are primarily loans receivable. Credit risk relating to loans receivable is generally diversified since the association negotiates with a large number of institutions. The association ensures that its member financial institutions have undertaken appropriate credit investigations into the ultimate loan recipients. Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. In the opinion of management the credit risk exposure to the company is low.

(c) Concentration risk

The association's cash is subject to concentration risk because the majority of its cash is held by one financial institution and exceeds the maximum deposit coverage provided by the Canada Deposit Insurance Corporation.

There is no significant change in the risk profile for the financial instruments of the association compared to the prior fiscal year.

14. SUBSEQUENT EVENTS

Several events occurred after the end of the fiscal year which do not impact these financial statements, but of which users of these statements should be aware.

(a) Purchase of 338 Somerset Street

On April 6, 2020, the association purchased an office building at 338 Somerset Street in Ottawa, Ontario through its subsidiary, 2747534 Ontario Corporation. This building was purchased for \$2.7 million and financed with a \$1.0 million mortgage, the remaining \$1.7 million having been paid in cash from the association's internally restricted fund.

(b) COVID-19 Pandemic

Beginning in mid-March 2020, the Governments of Canada and Ontario, as well as a number of foreign governments, instituted emergency measures as a result of the COVID-19 virus. The virus has had a major impact on Canadian and international securities and currency markets, as well as consumer activity, which may significantly impact the association's financial position, its results of operations and its cash flows. It is not currently possible to accurately quantify or estimate that impact. No adjustments have been made to these financial statements in relation to the COVID-19 pandemic.

(c) Indigenous Business Stabilization Program

In response to the COVID-19 crisis, the Government of Canada announced a number of emergency relief measures to support businesses across Canada. Working closely with Indigenous Services Canada (ISC), the association developed the Indigenous Business Stabilization Program (IBSP), a \$306.8 million initiative to support Indigenous businesses and AFIs impacted by COVID-19. The organization estimates 40 AFIs across the country will seek access to the programming. Of this, the organization is responsible for the delivery of the emergency loan program.

Emergency Loan Program

The \$204.0 million ELP provides Indigenous owned businesses impacted by COVID-19 with interest-free term loans and a non-repayable contribution to support their immediate working capital and operational needs. While the focus is on supporting current and previous AFIs clients, other Indigenous businesses can also be supported where the AFI has the willingness and capacity to provide assistance.

\$22.95 million is also being made available to AFIs to deliver and administer the ELP by covering eligible costs to 2025.

The organization will receive \$1.8 million over 5 years to support the delivery and administration of the program.

(d) Portfolio Stabilization Program

The program funding totals \$38.0 million and can be accessed by the association through application to Indigenous Services Canada.

This fund can be used to cover forgone interest from existing loans for which payments have stopped and accrued interest is forgiven by AFIs.

15. INTERFUND AND UNRESTRICTED FUND CASH

The purpose of this note is to explain the relation between the interfund account and the excess monies in the unrestricted fund cash account.

The interfund account represent monies payable and receivable from the unrestricted fund to the various other funds including the internally restricted fund and the restricted program funds. The interfund balances in the Enhanced Access Fund, ADLA Fund and ABFP Fund, have arisen due to the fact that these restricted funds do not have individual bank accounts (due to operational efficiencies gained), and thus the majority of the organization's cash is being held in the unrestricted fund bank account. It is important to take this into consideration as it may appear that the unrestricted fund has excess cash when in reality this money is dedicated to these other funds. The amounts due back to the unrestricted fund from the remaining funds have arisen because certain restricted fund expenditures were paid by the unrestricted fund on behalf of those funds.

Below is a breakdown of what is owed to and from the unrestricted fund:

Amounts owed by the unrestricted fund to other funds:

- Enhanced Access Fund \$3,772,616
- ADLA \$1,783,530
- ABFP \$3,005,048

Amounts owed to the unrestricted fund by other funds:

- Internally restricted fund \$34,444
- IRP \$106,319
- WES \$110,995

If the restricted funds had individual bank accounts and the above amounts were settled, the unrestricted fund cash balance would decrease from \$10,205,885 at the end of the fiscal year to \$1,896,449.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION

Schedule 1 - Board Committees Expenses

Year ended March 31, 2020

(unaudited)

	2020	2019
Honorarium by meeting		
Board of Directors	\$ 63,375	\$ 59,500
Executive Committee	2,700	3,300
Governance Committee	15,675	5,425
Audit and Finance Committee	9,600	10,650
Annual General Meeting	16,225	6,600
General Manager's Meeting	2,500	3,300
Event Meetings	17,600	16,075
Individual Meetings	8,250	5,500
Other	5,625	7,450
	<u>141,550</u>	<u>117,800</u>
Airfare and Meals	109,778	106,455
Accommodations	63,687	36,714
Other	16,556	10,015
	<u>331,571</u>	<u>270,985</u>



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