

# How Financial Institutions Use Financial Statements

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# But First a Little About Me

- Have worked in the financial Services industry for 25 years
- Worked with First Nations from across Canada (Québec, Ontario, Manitoba, Saskatchewan and BC)
- Family roots deep in Saskatchewan



# Financial Statements

Why do we need them?

- A snapshot of financial health
- Requirement for borrowing
- Identifies future needs



# Financial Statements

What do we do with the information?

- Positive and negative trends
- One year is not make a trend
- Working capital position
- CMHC reserves



# Other Factors

- Band-owned businesses
- Positive or negative impacts?
- Member advances – collectability
- Audit opinion



# Red Flags

Most common....

- Frequent over-limits
- Under-funded capital expenditures / projects
- Payables consolidation



# Debt Service Coverage

What is it?

- Servicing debts from cash resources
- Formula:
  - $EBIDA / \text{principal} + \text{interest payments on term debt}$
- Denominator may include payment guarantees
- Guarantees sometimes removed from calculation
- Minimum threshold of 1.20 to 1.25 x

# Other Key Ratios

- INAC also looks at 3 ratios to determine financial health of the First Nation:
  - Liquidity
  - Sustainability
  - Working Capital to Revenue



# The Affinity Difference

- Criteria
- Minimum DSC for direct lending is 1.00x
- Consideration given to:
  - Senior Management qualifications
  - Tenure of Chief and Council
  - Success of Band-owner businesses

# Time to Work!!

- Let's look at the example on the board
- From this, can you determine the following:
  - Can the Band service its current debt
  - Are there any Red Flags that we need to be aware of?
  - Is there cause for concern?

# Innovation

## Challenges

- **FNs are governments**
  - Political process
  - Relationship building
  - Trust
- **AANDC peculiarities**
  - Holdbacks and under-funding
- **Recruitment to Credit Union**
  - Training
  - Partnerships
  - Aboriginal mentorship program



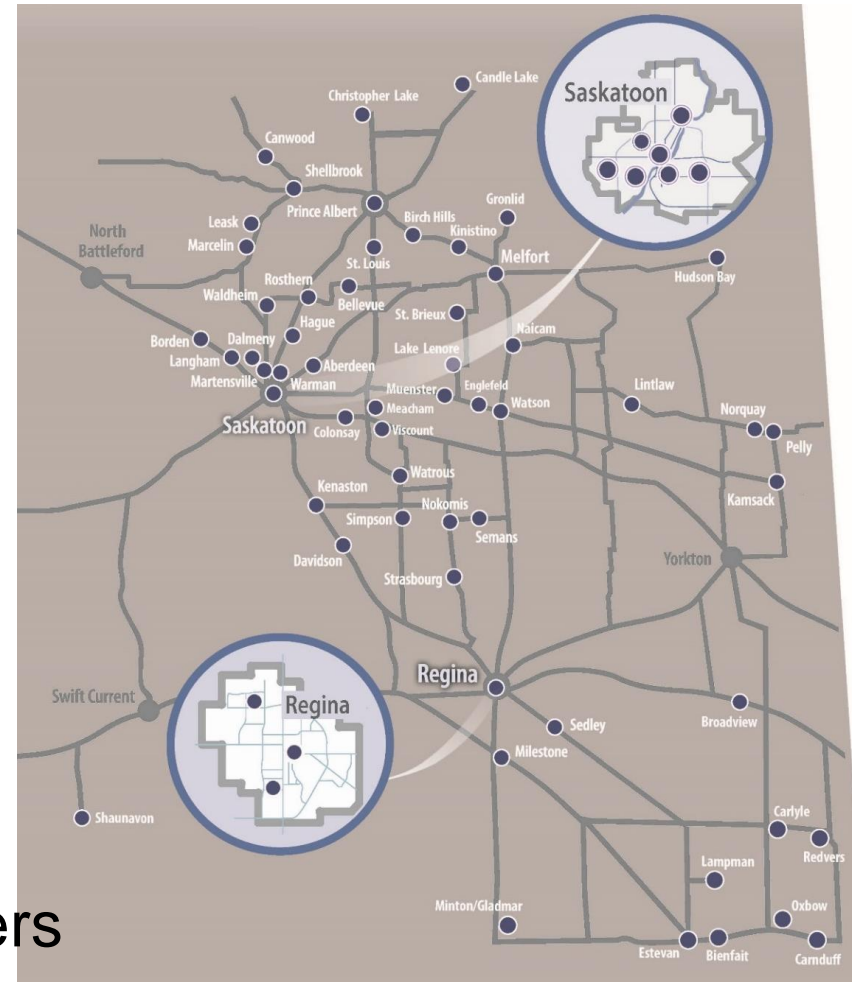
# About Affinity

- 8<sup>th</sup> largest in Canada
- Member-owned co-op
- Province-wide
- Leader in FN lending
- Boosts local economy
- A better way of banking
- Together we achieve more



# About Affinity

- \$5.9B assets (AUM)
- 135,000 members
- 66 branches
- ATMs across SK
- Access to services
- 9 insurance agencies
- 10 FN District Council members
- 2013 ABEX Award



# About Affinity

Tailored products & services

- Lending programs
- On-reserve housing loans
- Personal banking
- Commercial banking



# Questions?