



NORTH AMERICAN DEVELOPMENT BANK
ENVIRONMENT INVESTMENT AND CAPACITY FACILITY

Financial Statements (unaudited)

March 31, 2025

North American Development Bank
Environment Investment and Capacity Facility
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Contents

Balance Sheets	1
Statements of Changes in Fund Balance	2
Statements of Cash Flows	3
Notes to Financial Statements	4

North American Development Bank
Environment Investment and Capacity Facility

Balance Sheets

As of March 31, 2025 and December 31, 2024

	March 31, 2025 (Unaudited)	December 31, 2024 (audited)
Assets		
Cash and cash equivalents:		
Held at other financial institutions	\$ 45,551	\$ 43,378
Repurchase agreements	31,100,000	20,100,000
Total cash and cash equivalents	31,145,551	20,143,378
Due from Ordinary Capital Resources	–	11,300,000
Interest receivable	3,671	2,373
Grants receivable:		
U.S. Environmental Protection Agency (EPA):		
Border Environment Infrastructure Fund (BEIF)	96,027	79,867
Project Development Assistance Program (PDAP)	44,505	61,307
U.S.-Mexico Environmental Border 2025 Program (Border2025)	6,906	24,048
Total grants receivable	147,438	165,222
Total assets	\$ 31,296,660	\$ 31,610,973
Liabilities and Fund Balance		
Due to Ordinary Capital Resources	\$ 177,754	\$ 165,841
Undisbursed grants:		
U.S. Department of State (DOS)	1,668,076	2,284,951
Air Quality Monitoring Fund (AQ Fund)	90,843	93,468
Total undisbursed grants	1,758,919	2,378,419
Total liabilities	1,936,673	2,544,260
Fund balance	29,359,987	29,066,713
Total liabilities and fund balance	\$ 31,296,660	\$ 31,610,973

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

Statements of Changes in Fund Balance (unaudited)
For the Three Months Ended March 31, 2025 and 2024

	For the Three Months Ended March 31,	
	2025	2024
Interest income	\$ 293,274	\$ 186,766
Change in fund balance	293,274	186,766
Beginning fund balance	29,066,713	12,942,219
Ending fund balance	<u>\$ 29,359,987</u>	<u>\$ 13,128,985</u>

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

Statements of Cash Flows (unaudited)

For the Three Months Ended March 31, 2025 and 2024

	For the Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities		
Changes in fund balance	\$ 293,274	\$ 186,766
Adjustments to reconcile change in fund balance to net cash provided by operating activities:		
Change in other assets and liabilities:		
(Increase) decrease in interest receivable	(1,298)	(707)
(Increase) decrease in grants receivable	17,784	(169,812)
(Increase) decrease in due from Ordinary Capital Resources	11,300,000	2,000,000
Increase (decrease) in due to Ordinary Capital Resources	11,913	(27,599)
Net cash provided by operating activities	11,621,673	1,988,648
Cash flows from financing activities		
Grant funds received from third parties:		
EPA:		
BEIF	1,571,582	5,066,579
PDAP	479,230	308,647
Border 2025	121,484	144,546
Grant disbursements:		
EPA:		
BEIF	(1,571,582)	(5,066,579)
PDAP	(479,230)	(308,647)
Border 2025	(121,484)	(144,546)
DOS	(616,875)	(350,263)
AQ Fund	(2,625)	(42,049)
Net cash used in financing activities	(619,500)	(392,312)
Net increase in cash and cash equivalents	11,002,173	1,596,336
Cash and cash equivalents, beginning of period	20,143,378	12,724,069
Cash and cash equivalents, end of period	<u>\$ 31,145,551</u>	<u>\$ 14,320,405</u>

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

Notes to Financial Statements (unaudited)

March 31, 2025

1. Organization and Purpose

The North American Development Bank (NADBank or the Bank) was established on January 1, 1994 by an agreement between the Governments of the United States of America (the United States or U.S.) and the United Mexican States (Mexico) that was signed by their respective Presidents on November 16 and 18, 1993 (the Charter). The Bank was created to finance environmental infrastructure projects in the U.S.-Mexico border region. On March 16, 1994, the President of the United States issued an Executive Order designating the Bank as an international organization under the International Organization Immunities Act.

The Bank is governed by a Board of Directors (the Board) appointed by the two countries. Its operations are subject to certain limitations outlined in the Charter. The geographic jurisdiction is within 100 kilometers north and 300 kilometers south of the U.S.-Mexico border. The primary activities of the Bank are providing loans, grant financing and technical assistance for environmental infrastructure projects approved by the Board, as well as administering grant funding provided by other entities. The Bank is headquartered in San Antonio, Texas, and also has an office in Ciudad Juarez, Chihuahua (Juarez Office).

On December 28, 2022, the Board approved the establishment of the Environment Investment and Capacity Facility (EICF) to hold the Bank's grant funds available for project implementation and technical assistance purposes, including funds provided by third-party donors. With the establishment of the grant facility, the activities of the Bank are conducted through either Ordinary Capital Resources or EICF, which are accounted for separately. All grant and technical assistance activities are reported under the EICF, while all other operations of the Bank are reported under Ordinary Capital Resources.

Grant activity may be financed by the Bank with its own funds or by third parties. In some cases, the Bank receives third-party pass-through grants, meaning that the funds are not drawn down until needed for disbursement. In other cases, the third-party grantors entrust the funds to the Bank, which are held in custody for the programs.

Grant Programs

Community Assistance Program (CAP)

Established in 2011, the CAP provides grants to support the implementation of infrastructure projects in the water and solid waste sectors. Disbursements for CAP are funded with fund balance or with grants from the U.S. Department of State (DOS).

Technical Assistance Program (TAP)

The TAP was established in 2009 to offer technical assistance and training to project sponsors for the purpose of strengthening their financial performance and ensuring the long-term sustainability of their infrastructure. As part of its technical assistance program, the Bank created the Utility Management Institute (UMI), which offers public service managers a professional development program aimed at enhancing their managerial and financial skills. Disbursements for TAP and UMI are funded with fund balance or with grants from DOS.

1. Organization and Purpose (continued)

Border Environment Infrastructure Fund (BEIF)

Through this program, the Bank administers third-party grant funds from U.S. Environmental Protection Agency (EPA) to support the implementation of priority water and wastewater infrastructure projects. Under the terms of the grants, the Bank reviews and submits prospective projects to EPA. EPA approves the projects, which are subsequently certified by the Board of Directors for financing. The Bank also oversees progress and compliance requirements for EPA and receives an allocation of the EPA grant funds for administrative expenses incurred.

Project Development Assistance Program (PDAP)

The Bank administers grant funding from EPA to provide technical assistance to communities for the development of water and wastewater projects that have been prioritized by EPA to receive a BEIF grant. The Bank provides administrative services to identify, contract and manage technical assistance projects.

U.S.-Mexico Environmental Border 2025 Program

The Bank administers grant funding from EPA to support the joint efforts of the two governments to improve the environment and protect the health of residents within 100 kilometers of the U.S.-Mexico border. The Bank provides logistical and administrative services to identify, contract and manage technical assistance projects and workshops funded through the program.

Air Quality Monitoring Fund

Through this fund, the Bank manages funds from the Texas Commission on Environmental Quality (TCEQ) and the Paso del Norte Community Foundation to improve air quality monitoring in the Paso del Norte air basin, formed by the Municipality of Juarez, Chihuahua, El Paso County, Texas, and Dona Ana County, New Mexico.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates in Financial Statements

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions from fund balance during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash deposits with a financial institution and overnight repurchase agreements. As of March 31, 2025 and December 31, 2024, cash in a demand deposit account with the financial institution totaled \$45,551 and \$43,378, respectively.

2. Summary of Significant Accounting Policies (continued)

Repurchase Agreements

The Bank has entered into repurchase agreements with other financial institutions. Repurchases, which are included in cash and cash equivalents, occur daily involving U.S. government and U.S. agency securities. The underlying securities related to the repurchase transactions are held in the possession of the respective financial institution.

Grant Recognition

Bank-funded grants: Grant commitments are recognized at the date the Bank becomes obligated under the terms of the grant agreements, and associated costs are recognized as incurred. Grant disbursements from fund balance are reflected in the statements of changes in fund balance.

Third-party grants: These grants are funded by third-party grantors and disbursed in accordance with their respective agreements. Third-party grants are recognized upon receipt and reflected on the balance sheets as undisbursed grants until disbursed. Grant receipts and disbursements are reflected in the statements of cash flows. Additional information on undisbursed third-party grants is provided in Note 3.

Grant Operating Expenses and Reimbursements

All operating expenses associated with the EICF are paid through Ordinary Capital Resources and are subject to reimbursement to the Ordinary Capital Resources when incurred for third-party grants. As such, no operating expenses are reported under the EICF.

Income Transfers from Ordinary Capital Resources

As part of the establishment of the EICF, the Board agreed to continue providing support to the EICF by transferring a portion of allocable income from Ordinary Capital Resources. For the three months ended March 31, 2025, and 2024, EICF did not receive transfers from Ordinary Capital Resources.

Taxation

Pursuant to the NADBank Charter, as further implemented in the U.S. under the International Organizations Immunities Act, the Bank, its property, other assets, income, and the operations it carries out pursuant to the Charter, are immune from all taxation and customs duties.

North American Development Bank
Environment Investment and Capacity Facility

Notes to Financial Statements (unaudited)
March 31, 2025

3. Undisbursed Third-party Grant Funds

The following table summarizes the changes in undisbursed grants from third-party grantors as of March 31, 2025 and December 31, 2024.

	Beginning Balance January 1, 2025	Grant Receipts	Grant Disbursements for		Ending Balance March 31, 2025
			Projects ¹	Expense Reimbursements	
EPA:					
BEIF	\$ -	\$ 1,571,582	\$ 1,271,503	\$ 300,079	\$ -
PDAP	-	479,230	280,638	198,592	-
Border 2025	-	121,484	73,914	47,570	-
	-	2,172,296	1,626,055	546,241	-
DOS	2,284,951	-	616,875	-	1,668,076
Air Quality Fund	93,468	-	-	2,625	90,843
Total	\$ 2,378,419	\$ 2,172,296	\$ 2,242,930	\$ 548,866	\$ 1,758,919

	Beginning Balance January 1, 2024	Grant Receipts	Grant Disbursements for		Ending Balance December 31, 2024
			Projects ¹	Expense Reimbursements	
EPA:					
BEIF	\$ -	\$ 21,467,462	\$ 20,231,696	\$ 1,235,766	\$ -
PDAP	-	2,171,092	1,467,539	703,553	-
Border 2025	-	549,203	330,782	218,421	-
	-	24,187,757	22,030,017	2,157,740	-
DOS	1,457,280	3,000,000	2,172,329	-	2,284,951
Air Quality Fund	132,768	145,550	181,125	3,725	93,468
Total	\$ 1,590,048	\$ 27,333,307	\$ 24,383,471	\$ 2,161,465	\$ 2,378,419

¹ Includes funds disbursed for project financing and technical assistance.

4. Disbursements by Program and Source

The following table summarizes disbursements for project implementation and technical assistance by program and source for the three months ended March 31, 2025 and 2024.

	Three Months Ended March 31,	
	2025	2024
By Program		
BEIF	\$ 1,271,503	\$ 4,823,221
PDAP	280,638	184,787
Border 2025	73,914	102,529
CAP	295,529	–
TAP	321,346	350,263
Air Quality Fund	–	41,980
	<u>\$ 2,242,930</u>	<u>\$ 5,502,780</u>
By Source		
Bank-funded	\$ –	\$ –
Third-party:		
EPA	1,626,055	5,110,537
DOS	616,875	350,263
Air Quality Fund	–	41,980
	<u>\$ 2,242,930</u>	<u>\$ 5,502,780</u>

5. Fund Balance

The following table summarizes the changes in fund balance for the three months ended March 31, 2025 and the year ended December 31, 2024.

	CAP	TAP	Undesignated Funds	Total
Beginning balance, January 1, 2025 ¹	\$ 7,339,718	\$ 6,726,995	\$ 15,000,000	\$ 29,066,713
Interest income	–	–	293,274	293,274
Fund balance designation	–	–	–	–
Transfers-in from Ordinary Capital				
Resources	–	–	–	–
Disbursements	–	–	–	–
Ending balance, March 31, 2025	<u>\$ 7,339,718</u>	<u>\$ 6,726,995</u>	<u>\$ 15,293,274</u>	<u>\$ 29,359,987</u>
Beginning balance, January 1, 2024	\$ 7,339,718	\$ 5,261,706	\$ 340,795	\$ 12,942,219
Interest income	–	–	824,494	824,494
Fund balance designation	–	1,465,289	(1,465,289)	–
Transfers-in from Ordinary Capital				
Resources ¹	–	–	15,300,000	15,300,000
Disbursements	–	–	–	–
Ending balance, December 31, 2024	<u>\$ 7,339,718</u>	<u>\$ 6,726,995</u>	<u>\$ 15,000,000</u>	<u>\$ 29,066,713</u>

¹ The transfers-in during 2024 included \$10 million for a water conservation fund under development, which was carried forward and is reflected in the beginning balance as of January 1, 2025.

6. Undisbursed Commitments

Undisbursed commitments are signed grant agreements less disbursements. The following table summarizes the changes in undisbursed commitments by program for the three months ended March 31, 2025 and the year ended December 31, 2024.

	CAP		TAP		Total
Undisbursed commitments, January 1, 2025	\$ 2,422,660	\$	1,962,192	\$	4,384,852
Commitments, net	–		912,673		912,673
Disbursements:					
Bank-funded	–		–		–
DOS-funded	(295,529)		(321,346)		(616,875)
Undisbursed commitments, March 31, 2025	<u>\$ 2,127,131</u>	<u>\$</u>	<u>2,553,519</u>	<u>\$</u>	<u>4,680,650</u>
Undisbursed commitments, January 1, 2024	\$ 626,367	\$	1,239,705	\$	1,866,072
Commitments, net	1,935,993		2,755,116		4,691,109
Disbursements:					
Bank-funded	–		–		–
DOS-funded	(139,700)		(2,032,629)		(2,172,329)
Undisbursed commitments, December 31, 2024	<u>\$ 2,422,660</u>	<u>\$</u>	<u>1,962,192</u>	<u>\$</u>	<u>4,384,852</u>

The following table summarizes the grant funds available for commitment as of March 31, 2025 and December 31, 2024.

	CAP	TAP	Undesignated Funds	Total
March 31, 2025				
Total fund balance	\$ 7,339,718	\$ 6,726,995	\$ 15,293,274	\$ 29,359,987
Undisbursed commitments	(2,127,131)	(2,553,519)	–	(4,680,650)
Approved, pending commitment	(500,000)	(891,837)	–	(1,391,837)
Total available for commitment	<u>\$ 4,712,587</u>	<u>\$ 3,281,639</u>	<u>\$ 15,293,274</u>	<u>\$ 23,287,500</u>
December 31, 2024				
Total fund balance	\$ 7,339,718	\$ 6,726,995	\$ 15,000,000	\$ 29,066,713
Undisbursed commitments	(2,422,660)	(1,962,192)	–	(4,384,852)
Approved, pending commitment	(500,000)	(990,378)	–	(1,490,378)
Total available for commitment	<u>\$ 4,417,058</u>	<u>\$ 3,774,425</u>	<u>\$ 15,000,000</u>	<u>\$ 23,191,483</u>

In addition to the fund balance available for commitment in the above table, \$1,668,076 and \$2,284,951 in undisbursed grant funds from DOS were available as of March 31, 2025 and December 31, 2024, respectively, to cover disbursements under those programs.