

**NORTH AMERICAN DEVELOPMENT BANK
ENVIRONMENT INVESTMENT AND CAPACITY FACILITY**

Financial Statements
(Unaudited)

March 31, 2024

North American Development Bank
Environment Investment and Capacity Facility
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Financial Statements

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**North American Development Bank
Environment Investment and Capacity Facility
Balance Sheets (unaudited)
As of March 31, 2024 and December 31, 2023**

	March 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents		
Held at other financial institutions	\$ 20,405	\$ 24,069
Repurchase agreements	14,300,000	12,700,000
Total cash and cash equivalents	<u>14,320,405</u>	<u>12,724,069</u>
Due from Ordinary Capital Resources	-	2,000,000
Interest receivable	6,316	5,609
Grants receivable:		
U.S. Environmental Protection Agency (EPA):		
Border Environment Infrastructure Fund (BEIF)	171,540	62,855
Project Development Assistance Program (PDAP)	65,630	23,323
U.S.-Mexico Environmental Border 2025 Program (B2025)	26,716	7,896
Total grants receivable	<u>263,886</u>	<u>94,074</u>
Total assets	<u>\$ 14,590,607</u>	<u>\$ 14,823,752</u>
Liabilities and Fund Balance		
Due to Ordinary Capital Resources	\$ 263,886	\$ 291,485
Undisbursed grant funds:		
U.S. Department of State (DOS)	1,107,017	1,457,280
Air Quality Fund (AQ Fund)	90,719	132,768
Total undisbursed grant funds	<u>1,197,736</u>	<u>1,590,048</u>
Total liabilities	<u>1,461,622</u>	<u>1,881,533</u>
Fund balance	<u>13,128,985</u>	<u>12,942,219</u>
Total liabilities and fund balance	<u>\$ 14,590,607</u>	<u>\$ 14,823,752</u>

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

North American Development Bank
Environment Investment and Capacity Facility
Statements of Changes in Fund Balance (unaudited)
For the Three Months Ended March 31, 2024 and 2023

	For the Three Months Ended March 31,	
	2024	2023
Additions		
Interest income	\$ 186,766	\$ -
	<u>186,766</u>	<u>-</u>
Change in fund balance		
Fund balance, beginning balance	186,766	-
	<u>12,942,219</u>	<u>7,500,000</u>
Fund balance, ending balance	<u>\$ 13,128,985</u>	<u>\$ 7,500,000</u>

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

**North American Development Bank
Environment Investment and Capacity Facility
Statements of Cash Flows (unaudited)
For the Three Months Ended March 31, 2024 and 2023**

	For the Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities		
Change in fund balance	\$ 186,766	\$ -
Adjustments to reconcile change in fund balance to net cash provided by operating activities:		
Change in other assets and liabilities:		
Increase in interest receivable	(707)	-
Increase in grants receivable	(169,812)	(66,165)
Decrease in due from Ordinary Capital Resources	2,000,000	345,218
Increase (decrease) in due to Ordinary Capital Resources	(27,599)	66,165
Net cash provided by operating activities	<u>1,988,648</u>	<u>345,218</u>
Cash flows from financing activities		
Grant funds received from:		
EPA:		
BEIF	5,066,579	2,774,329
PDAP	308,647	262,240
Border 2025	144,546	188,506
Grant disbursements:		
EPA:		
BEIF	(5,066,579)	(2,774,329)
PDAP	(308,647)	(262,240)
Border 2025	(144,546)	(188,506)
DOS	(350,264)	(328,570)
AQ Fund	(42,048)	(16,648)
Net cash used in financing activities	<u>(392,312)</u>	<u>(345,218)</u>
Net increase in cash and cash equivalents	1,596,336	-
Cash and cash equivalents, beginning of period	<u>12,724,069</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 14,320,405</u>	<u>\$ -</u>

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

North American Development Bank
Environment Investment and Capacity Facility
Notes to Financial Statements (Unaudited)
March 31, 2024

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 the 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 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) to provide water utility managers and their staff with an opportunity for ongoing professional development 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 for financing by the Board of Directors. 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, 2024 and December 31, 2023, cash deposits with the financial institution totaled \$20,405 and \$24,069, 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 grant funds until disbursed. Grant receipts and disbursements are reflected in the statements of cash flows. Additional information on undisbursed third-party grant funds 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, 2024 and 2023, EICF received 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
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March 31, 2024

3. Undisbursed Third-party Grant Funds

The following table summarizes the changes in undisbursed grants from third-party grantors as of March 31, 2024 and December 31, 2023.

	Beginning Balance January 1, 2024	Grant Receipts	Grant Disbursements for		Ending Balance March 31, 2024
			Projects ¹	Expense Reimbursements	
EPA:					
BEIF	\$ -	\$ 5,066,579	\$ 4,823,221	\$ 243,358	\$ -
PDAP	-	308,647	184,787	123,860	-
Border 2025	-	144,546	102,529	42,017	-
	-	5,519,772	5,110,537	409,235	-
DOS	1,457,280	-	350,263	-	1,107,017
Air Quality Fund	132,768	-	41,980	69	90,719
Total	\$ 1,590,048	\$ 5,519,772	\$ 5,502,780	\$ 409,304	\$ 1,197,736

	Beginning Balance January 1, 2023	Grant Receipts	Grant Disbursements for		Ending Balance December 31, 2023
			Projects ¹	Expense Reimbursements	
EPA:					
BEIF	\$ 1,009	\$ 13,628,700	\$ 12,472,492	\$ 1,157,217	\$ -
PDAP	-	2,011,869	1,197,131	814,738	-
Border 2025	-	1,016,556	726,390	290,166	-
	-	43,316	42,500	816	-
	1,009	16,700,441	14,438,513	2,262,937	-
DOS	1,021,205	3,000,000	2,563,925	-	1,457,280
Air Quality Fund	207,325	74,363	143,765	5,155	132,768
Total	\$ 1,229,539	\$ 19,774,804	\$ 17,146,203	\$ 2,268,092	\$ 1,590,048

¹ Includes funds disbursed for project financing and technical assistance.

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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, 2024 and 2023.

	Three Months Ended March 31,	
	2024	2023
By Program		
BEIF	\$ 4,823,221	\$ 2,489,871
PDAP	184,787	43,631
Border 2025	102,529	106,825
CAP	-	127,649
TAP	350,263	200,921
Air Quality Fund	41,980	12,319
	<u>\$ 5,502,780</u>	<u>\$ 2,981,216</u>
By Source		
Bank-funded	\$ -	\$ -
Third-party:		
EPA	5,110,537	2,640,327
DOS	350,263	328,570
Air Quality Fund	41,980	12,319
	<u>\$ 5,502,780</u>	<u>\$ 2,981,216</u>

5. Fund Balance

The following table summarizes the changes in fund balance for the three months ended March 31, 2024 and the year ended December 31, 2023.

	CAP	TAP	Undesignated Funds	Total
Beginning balance, January 1, 2024	\$ 7,339,718	\$ 5,261,706	\$ 340,795	\$ 12,942,219
Interest income	-	-	186,766	186,766
Transfers-in from OCR	-	-	-	-
Disbursements	-	-	-	-
Ending balance, March 31, 2024	<u>\$ 7,339,718</u>	<u>\$ 5,261,706</u>	<u>\$ 527,561</u>	<u>\$ 13,128,985</u>
Beginning balance, January 1, 2023	\$ 5,685,234	\$ 1,814,766	\$ -	\$ 7,500,000
Interest income	-	-	340,795	340,795
Transfers-in from OCR	1,654,484	3,446,940	-	5,101,424
Disbursements	-	-	-	-
Ending balance, December 31, 2023	<u>\$ 7,339,718</u>	<u>\$ 5,261,706</u>	<u>\$ 340,795</u>	<u>\$ 12,942,219</u>

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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, 2024 and the year ended December 31, 2023.

	CAP	TAP	Total
Undisbursed commitments, January 1, 2024	\$ 626,367	\$ 1,239,705	\$ 1,866,072
Commitments, net	185,993	559,469	745,462
Disbursements:			
Bank-funded	-	-	-
DOS-funded	-	(350,263)	(350,263)
Undisbursed commitments, March 31, 2024	<u>\$ 812,360</u>	<u>\$ 1,448,911</u>	<u>\$ 2,261,271</u>
Undisbursed commitments, January 1, 2023	\$ 899,883	\$ 1,024,720	\$ 1,924,603
Commitments, net	917,539	1,587,855	2,505,394
Disbursements:			
Bank-funded	-	-	-
DOS-funded	(1,191,055)	(1,372,870)	(2,563,925)
Undisbursed commitments, December 31, 2023	<u>\$ 626,367</u>	<u>\$ 1,239,705</u>	<u>\$ 1,866,072</u>

The following table summarizes the grant funds available for commitment as of March 31, 2024 and December 31, 2023.

	CAP	TAP	Undesignated Funds	Total
March 31, 2024				
Total fund balance	\$ 7,339,718	\$ 5,261,706	\$ 527,561	\$ 13,128,985
Undisbursed commitments	(812,360)	(1,448,911)	-	(2,261,271)
Approved, pending commitment	(500,000)	(550,000)	-	(1,050,000)
Total available for commitment	<u>\$ 6,027,358</u>	<u>\$ 3,262,795</u>	<u>\$ 527,561</u>	<u>\$ 9,817,714</u>
December 31, 2023				
Total fund balance	\$ 7,339,718	\$ 5,261,706	\$ 340,795	\$ 12,942,219
Undisbursed commitments	(626,367)	(1,239,705)	-	(1,866,072)
Approved, pending commitment	-	(622,000)	-	(622,000)
Total available for commitment	<u>\$ 6,713,351</u>	<u>\$ 3,400,001</u>	<u>\$ 340,795</u>	<u>\$ 10,454,147</u>

In addition to the fund balance available for commitment in the above table, \$1,107,017 in undisbursed grant funds from DOS were available as of March 31, 2024, to cover disbursements under those programs.